You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial years ended December 31 of such years and references to 2020 refer to the six months ended June 30. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2017, 2018 and 2019, based on an increase in our revenue from approximately RMB117.6 million in 2017 to approximately RMB177.6 million in 2019, representing a CAGR of approximately 22.9% which was higher than the growth of our main competitors during the same period. For the six months ended June 30, 2020, our revenue amounted to approximately RMB58.9 million. For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. We generate our revenue by providing the following services:

(a) Online Advertising Service, where we provide advertising services and solutions to our advertising agency, automaker and autodealer customers.

(b) Transaction Facilitation Service, where we offer services and solutions to promote group-purchase events for our autodealers and an insurance company.

Our customers consist of advertising agencies, automakers and autodealers. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent the automakers and autodealers as their end customers.

We have experienced significant growth for the three years ended December 31, 2017, 2018 and 2019. Our total revenue increased from approximately RMB117.6 million for the year ended

December 31, 2017 to approximately RMB157.8 million and approximately RMB177.6 million for the years ended December 31, 2018 and December 31, 2019, respectively. For the six months ended June 30, 2019, our revenue amounted to approximately RMB77.5 million, as compared with revenue of approximately RMB58.9 million for the six months ended June 30, 2020.

For the year ended December 31, 2019, the revenue of our Online Advertising Service and Transaction Facilitation Service were approximately RMB175.0 million and approximately RMB2.6 million, respectively. Our profit attributable to owners of our Company increased from approximately RMB27.5 million for the year ended December 31, 2017 to approximately RMB47.6 million and approximately RMB51.7 million for the years ended December 31, 2018 and 2019, respectively. For the six months ended June 30, 2019, the revenue of our Online Advertising Service and Transaction Facilitation Service were approximately RMB75.2 million and RMB2.4 million, respectively, as compared to RMB58.7 million and RMB0.2 million for the corresponding period in 2020. Our profit attributable to owners of our Company increased from approximately RMB21.8 million for the six months ended June 30, 2019 to approximately RMB24.7 million for the six months ended June 30, 2020.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following:

Spending of advertising agencies

Our customers for the Online Advertising Service primarily comprise advertising agencies, automakers and autodealers. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent automakers and autodealers as their end customers. Our results of operations are affected by the advertising budget of advertising agencies and our relationships with the end customers of the advertising agencies. Spending by advertising agencies depend primarily on the advertising budgets of automakers and autodealers. Hence, the growth of our revenue depends on our ability to attract existing and potential customers to use a larger proportion of their advertising budget on us. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000 during those periods, respectively. The increase in both of our service contracts and fees per contract was mainly attributable to our marketing efforts and brand recognition among our customers. As a result, our revenue increased from approximately RMB117.6 million in 2017, to approximately RMB157.8 million in 2018 and to approximately RMB177.6 million in 2019. Our revenue amounted to approximately RMB58.9 million for the six months ended June 30, 2020.

Relationship with our business partners

We operate an online automobile vertical media platform that distributes our in-house produced content across our proprietary and over 1,000 business partner platforms, including platforms operated by one of the largest telecommunication operators in China. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had approximately 38, 35, 27 and 26 business partners who entered into collaboration agreements with us. We enter into cross-collaboration agreements with our business partners where we provide our PGC in return for space on our business partner platforms and access to their user browsing data. Our collaboration with our business partners is mutually beneficial and allows our content to achieve a high viewership among their users. For details of collaboration arrangements, movement and our relationship with the business partners during the Track Record Period, please see "Business—Distribution through third party platforms". For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the approximate DUV on our automobile contents on the platforms operated by our business partners and prominent we-media platforms amounted to 8.1 million, 8.4 million, 9.0 million and 9.1 million, respectively, and the approximate average daily PV on our automobile contents were 39.3 million, 41.5 million, 44.8 million and 49.8 million, respectively, during the same periods. The increase on the DUV and average daily PV was mainly attributable to the increase of number of users in our proprietary and our business partner platforms. Therefore, our ability to distribute our content widely, generate high user traffic and access user browsing data to enhance the user experience on our platform largely depends on our ability to maintain our collaboration with our existing business partners, and develop new collaborations with potential business partners.

Employee benefit expenses

Our business operation is service-oriented and our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. We believe high-quality advertising service is a key attribute of our success. We had a total of 157, 174, 193 and 163 employees as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our employee benefit expenses include all salaries and benefits payable to all our employees and staff, including our Directors, which amounted to approximately RMB29.7 million, RMB48.9 million, RMB53.8 million and RMB19.5 million, representing approximately 25.3%, 31.0%, 30.3% and 33.1% of our total revenue for the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, respectively. Our ability to effectively control our employee benefit expenses has affected and will continue to affect our profitability significantly. According to the CIC Report, due to the increasing challenge in acquiring skilled labor in the online advertising industry and the general increase in labor costs in China, the salary level of employees in online advertising industry in China has generally increased in the recent years and was estimated to keep increasing in the coming years. We expect our employee benefit expenses will continue to increase as inflationary pressures in China continue to drive up salary levels and our business further expands.

High user traffic driven by high quality PGC

Maintaining our high user traffic is of paramount importance to our continued success. For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total DUV on our proprietary and third party platforms amounted to 9.9 million, 10.6 million, 11.2 million and 11.6 million, respectively, and the total average daily PV on our automobile contents were 72.8 million, 91.3 million, 98.0 million and 105.6 million, respectively, during the same periods. The increase in user traffic in terms of DUV and average daily PV during the Track Record Period was attributable to the increase of number of our business partners platforms and the increasing user recognition of our Cheshi brand. Please see "Business—Distribution through third party platforms" for details.

We believe our key factors for attracting high user traffic are our high quality PGC created by our in-house content team, its content production capability, and our automobile database with over 1.8 million vehicle model configurations and over 4.2 million automobile photos as of June 30, 2020. Together with our platform tools, such as our proprietary Picker engine, we enhance the effectiveness of the advertising efforts to our advertising agency, automaker and autodealer customers. Our enhanced value proposition to our customers has allowed us to expand our business and increase our revenue during the Track Record Period.

Preferential tax treatment

During the Track Record Period, we have benefited from preferential tax treatment, which had contributed to our results of operations. Congshu Beijing, one of our Consolidated Affiliated Entities, has obtained the High and New Technology Enterprise certificate in October 2017 with an effective period of three years, and therefore was entitled to a preferential EIT rate of 15% in 2018 and 2019. In order to qualify for the preferential EIT rate of 15%, Congshu Beijing must satisfy the requirements in accordance with the relevant laws and regulations and be approved as a High and New Technology Enterprise by the relevant governmental authorities and subject to the further determination of the PRC tax authority to enjoy such preferential tax treatment. Such requirements include, inter alia: (a) an enterprise being registered in China for at least one year before the application is submitted; (b) having IP rights of the key technologies which show core support to the enterprise's main products (services); (c) the technologies which show core support to the enterprise's main products (services) shall belong to one of the areas outlined in the catalog of High-and New-Technology Areas Specifically Supported by the State; and (d) there are no material safety and quality defects or environmental non-compliance in the year proceeding to the application. The Directors believe the Company will continue to satisfy all applicable requirements and expect the preferential tax to be recurring. The preferential tax treatment has lowered our income tax expenses. As a result, our effective income tax rate, calculated by dividing total income tax expenses by profit before income tax expense, was 27.0%, 20.2%, 10.3% and 12.0% for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. During the Track Record Period, the preferential tax treatment amounted to a saving of nil, RMB6.1 million, RMB5.4 million and RMB1.9 million, respectively. However, there is no assurance that no further change will be made to the PRC tax policies or industry promoting policies that could adversely affect our results of operations. If there is any further change to the preferential tax treatment that we had been enjoying during the Track Record Period, our income tax expenses may increase significantly, which would adversely affect our financial condition and profitability. See "Risk Factors—Risks Relating to Our Business and Industry—We may cease to enjoy preferential tax treatments, the loss of which, or a reduction in which, could adversely affect our business and prospects" for more information.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on November 22, 2018 as an exempted company with limited liability. Our Company is an investment holding company and its subsidiaries are principally engaged in the provision of Online Advertising Service and Transaction Facilitation Service through our vertical media platform ("**Listing Business**").

Prior to the incorporation of our Company and completion of the Reorganization, our Listing Business was carried out by the PRC Consolidated Affiliated Entities. Pursuant to the Reorganization, the Listing Business is effectively controlled by our Company through direct equity holding and the Contractual Arrangements. Our Company and those companies newly incorporated/established during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of our Listing Business and does not result in any changes in business substantively nor in any management of our Listing Business. Accordingly, the Financial Information of the companies now comprising our Group is presented using the carrying value of our Listing Business for all periods presented. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within our Group are eliminated on consolidation.

Details regarding the basis of presentation and preparation of our consolidated financial statements are set out in Note 1.3 and Note 2.1 to the Accountant's Report in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS

We have identified certain accounting policies that are most significant to the preparation of our consolidated financial statements. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of significant accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity or reported results to change in conditions and assumptions. Our significant accounting policies, judgments and estimates, which are important for an understanding of our results of operations and financial position, are set out in more detail in Note 2 and Note 4 to the Accountant's Report in Appendix I to this prospectus.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments that we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, judgments and assumptions based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognized when or as the services are rendered to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

Control of the services is transferred over time if our performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. We use the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed its obligation, we present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due from the customer).

We principally derive revenue from Online Advertising Service and Transaction Facilitation Service.

Online Advertising Service income

During the Track Record Period, we principally provided advertising services to advertising agencies in the automobile industry. A majority of our Online Advertising Service arrangements involve multiple deliverables such as banner advertisements, links and logos, and other media insertions that are delivered over different periods of time.

Online Advertising Service income is recognized in each of the reporting periods during the Track Record Period in which the advertisements are published over the stated display period on its own online platform, other linked online portals, or mobile applications.

Since we have the ability to determine the pricing of the Online Advertising Service and to take responsibility for monitoring the quality of advertising services provided and to negotiate the service terms, we are regarded as the primary obligor and recognize revenue from advertising on a gross basis.

Advertising agencies usually pay the advertisement after the whole contract is completed. We record contract assets when we have delivered the relevant services to the customers, while accounts receivables are recorded when we have unconditional rights to payments of online advertising services which are due according to the contract terms.

The Online Advertising Service is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the actual volume discounts. A refund liability (included in other payables) is recognized for volume discounts payable to customers in relation to sales made until the end of each of the reporting periods during the Track Record Period.

Certain customers prepay for the Online Advertising Service, we recognize the contract liabilities until we transfer the relevant service to the customers.

Transaction Facilitation Service income

We are engaged in the provision of Transaction Facilitation Service for autodealers by promoting automobile purchase transactions by our targeted users offered by our autodealer customers, and by promoting automobile insurance transactions for an automobile insurance company.

Since we have the ability to determine the pricing of the Transaction Facilitation Service and to take responsibility for monitoring the quality of the services provided and to negotiate the service terms, we are regarded as the primary obligor and recognize revenue from the Transaction Facilitation Service on a gross basis.

Autodealers and insurance company usually pay for the service when the group-purchase events are completed. We record accounts receivables when the revenue is recognized since we have unconditional rights to payments of the services which are due according to the contract terms.

Impairment of financial assets

We have three types of financial assets that are subject to the expected credit loss model:

(i) trade receivables;

(ii) contract assets; and

(iii) deposits, bill and other receivables.

Trade receivables and contract assets

We apply the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past recognition. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bill receivables for the same types of contracts. We have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the gross domestic product index ("GDP") of the PRC in which it provides its services to be the most relevant factors, and accordingly adjust the historical loss rate based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deposits, bill and other receivables

Deposits, bill and other receivables at the end of each reporting periods were mainly rental and other deposits. Our Directors consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment/repayable demanded.

Our Directors believe that there was no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

Estimation of the fair value of certain financial assets and convertible redeemable preference shares

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions at the end of each reporting periods. Please see Note 3.3 to the Accountant's Report in Appendix I for details of the key assumptions used and the impact of changes to these assumptions.

Estimation of goodwill impairment

We test whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts specific to the industry in which the cash generating unit operates. Please see Note 17 of the Accountant's Report in Appendix I for details of impairment charge, key assumptions and impact of possible changes in key assumptions.

Impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting.

Income taxes and deferred taxations

We are subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

ADOPTION OF IFRS 9, IFRS 15 AND IFRS 16

To make our consolidated financial statements comparable on a period-to-period basis and allow the investors to better understand our financial performance and position, IFRS 9 - Financial instruments ("IFRS 9"), IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), and IFRS 16 – Leases ("IFRS 16") have been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of IAS 39 - Financial instruments: Recognition and measurement ("IAS 39"), IAS 18 – Revenue ("IAS 18"), and IAS 17 - Leases ("IAS 17"), respectively. Accordingly, we have prepared and maintained only one set of consolidated financial statements adopting IFRS 9, IFRS 15 and IFRS 16 for the Track Record Period. Neither had we prepared, nor the reporting accountant had audited or reviewed, a consolidated financial statements for the Track Record Period based on IAS 39, IAS 18 and IAS 17.

In order to provide additional information to the investors, we have used our best efforts to assess the respective impact on our financial results of the application of the principles set out in IAS 39, IAS 18 and IAS 17, compared to our adoption of IFRS 9, IFRS 15 and IFRS 16, respectively.

Adoption of IFRS 9 and IFRS 15

Based on our internal assessments, the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 39 and IAS 18, has no significant impact on our financial position and performance, except that (i) contract liabilities amounting to approximately RMB0.8 million, RMB0.8 million, RMB3.8 million and RMB3.6 million as at December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, would have been reclassified as advance from customers; and (ii) contract assets amounting to approximately RMB2.9 million, RMB6.2 million, RMB8.1 million and RMB2.8 million as at December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, would have been reclassified as trade receivables if IAS 18 had been applied throughout the Track Record Period.

Adoption of IFRS 16

Under IAS 17, operating lease payments are charged to the consolidated income statements on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statements and are not recognised in the consolidated statements of financial position. Under IFRS 16, all leases (except for those with lease term of less than 12 months or of low value) are recognised in the form of assets (being the right-of-use assets classified in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our consolidated statements of financial position at the commencement of respective leases.

Based on our internal assessments, the impact on profit for the year or period and total net assets or liabilities would not have been significant if IAS 17 had been adopted.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents our consolidated income statement items as well as their percentage to the total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Revenue	117,578	100.0	157,847	100.0	177,615	100.0	77,504	100	58,897	100
Cost of providing services	(16,836)	14.3	(21,263)	13.5	(28,852)	16.2	(15,213)	19.6	(9,472)	16.1
Gross profit	100,742	85.7	136,584	86.5	148,763	83.8	62,291	80.4	49,425	83.9
Other income	443	0.4	131	0.1	3,056	1.7	659	0.9	1,664	2.8
Other gains, net	607	0.5	1,035	0.7	3,932	2.2	574	0.7	8,366	14.2
(Net impairment loss)/reversal of net impairment loss on financial assets	(1,386)	1.2	(6,837)	4.3	(3,703)	2.1	6,681	8.6	1,873	3.2
Selling and distribution expenses	(45,009)	38.3	(43,791)	27.7	(47,757)	26.9	(21,723)	28.0	(16,794)	28.5
Administrative expenses	(12,606)	10.7	(19,463)	12.3	(34,426)	19.4	(17,340)	22.4	(13,057)	22.2
Research and development expenses	(4,843)	4.1	(7,823)	5.0	(12,507)	7.0	(4,243)	5.5	(3,275)	5.6
Operating income	37,948	32.3	59,836	37.9	57,358	32.3	26,899	34.7	28,202	47.9
Finance income	5	—	23	—	383	0.2	25	0.0	161	0.3
Finance costs	(299)	0.3	(187)	0.1	(84)	0.0	(57)	0.0	(223)	0.4
Finance (costs)/income, net	(294)	0.3	(164)	0.1	299	0.2	(32)	0.0	(62)	0.1
Share of loss of an associate	—	—	—	—	—	—	—	—	(56)	0.1
Profit before income tax	37,654	32.0	59,672	37.8	57,657	32.5	26,867	34.7	28,084	47.7
Income tax expense	(10,179)	8.7	(12,069)	7.6	(5,947)	3.4	(5,072)	6.5	(3,377)	5.7
Profit and total comprehensive income for the year/period attributable to owners of the Company	**27,475**	**23.4**	**47,603**	**30.2**	**51,710**	**29.1**	**21,795**	**28.1**	**24,707**	**42.0**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULT OF OPERATIONS

Revenue

We derive our revenue from two business segments, namely, the Online Advertising Service and Transaction Facilitation Service. During the Track Record Period, we derived substantially all of our revenue from the Online Advertising Service, as the Transaction Facilitation Service commenced in October 2018. For the three years ended December 31, 2017, 2018 and 2019, we generated total revenue of approximately RMB117.6 million, RMB157.8 million, RMB177.6 million, respectively. We generated a total revenue of approximately RMB77.5 million and RMB58.9 million for the six months ended June 30, 2019 and 2020, respectively.

Our revenue is recognized when or as the services are rendered to our customers, net of returns, trade allowances, rebates and amount collected for third parties. As we have the ability to determine the pricing of the Online Advertising Service and the Transaction Facilitation Service, and take responsibility for monitoring the quality of services provided and to negotiate the service terms, we are regarded as the primary obligor and recognizes revenue on a gross basis. For further details, see "—Significant Accounting Policies, and Critical Estimates, Judgments and Assumptions—Revenue recognition."

The following table sets forth a breakdown of our revenue by business segments for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue										
Online Advertising Service	117,578	100.0	157,757	99.9	175,055	98.6	75,151	97.0	58,720	99.7
Transaction Facilitation Service	—	—	90	0.1	2,560	1.4	2,353	3.0	177	0.3
	117,578	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100**	**58,897**	**100**

Our customers for our two business segments primarily consist of advertising agencies, automakers, autodealers and automobile insurance company. The following table sets forth a breakdown of our revenue by customer types for the periods indicated:

	Year ended December 31						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue										
Advertising agencies	108,135	91.9	145,568	92.2	162,728	91.6	71,128	91.8	53,470	90.8
Automakers	9,440	8.0	7,105	4.5	9,076	5.1	3,000	3.9	1,763	3.0
Autodealers	3	0.1	5,174	3.3	3,328	1.9	1,042	1.3	3,487	5.9
Insurance company	—	—	—	—	2,483	1.4	2,334	3.0	177	0.3
	117,578	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100.0**	**58,897**	**100.0**

During the Track Record Period, the majority of our revenue was received from advertising agencies, accounting for approximately RMB108.1 million, RMB145.6 million, RMB162.7 million and RMB53.5 million, representing approximately 91.9%, 92.2%, 91.6% and 90.8% of our revenue for the corresponding periods. Since we commenced the Transaction Facilitation Service in October 2018, a significant part of the revenue from the Transaction Facilitation Service was received from an automobile insurance company in 2019 as a certain portion of Transaction Facilitation Services was provided to autodealer customers as part of the Online Advertising Services.

The following table sets forth a breakdown of revenue contribution and gross profit margin for online advertising services provided by the Group through the proprietary platforms and third-party platforms.

	For the year ended December 31									For the six months ended June 30, 2020		
	2017			2018			2019					
	Revenue	% of total Revenue	Gross profit (loss) margin	Revenue	% of total Revenue	Gross profit margin	Revenue	% of total Revenue	Gross profit margin	Revenue	% of total Revenue	Gross profit margin
	RMB'000	(%)	(%)	RMB'000	(%)	(%)	RMB'000	(%)	(%)	RMB'000	(%)	(%)
Proprietary Platforms	116,583	99.2	86.8	150,405	95.3	87.8	162,219	92.7	83.7	43,188	73.5	80.0
Third-party platforms	995	0.8	(43.1)	7,352	4.7	59.9	12,836	7.3	81.1	15,532	26.5	94.8
Total	117,578	100.0		157,757	100.0		175,055	100.0		58,720	100.0	

The revenue generated from the Online Advertising Service through proprietary platforms was approximately RMB116.6 million, RMB150.4 million and RMB162.2 million, representing approximately 99.2%, 95.3% and 92.7% of the total revenue for the three years ended December 31, 2019, respectively, with the gross profit margin being approximately 86.8%, 87.8% and 83.7% for the corresponding period. For the six months ended June 30, 2020, the revenue generated from the Online Advertising Service through proprietary platforms was approximately RMB43.2 million, with the gross profit margin accounted for approximately 80.0%.

On the other hand, the revenue generated from the Online Advertising Service through third-party platforms was approximately RMB1.0 million, RMB7.4 million and RMB12.8 million, representing approximately 0.8%, 4.7% and 7.2% of the total revenue for the three years ended December 31, 2017, 2018 and 2019, respectively, with the gross profit margin being approximately (43.1)%, 59.9% and 81.1% for the corresponding period. For the six months ended June 30, 2020, the revenue generated from the Online Advertising Service through third-party platforms was approximately RMB15.5 million, with the gross profit margin being approximately 94.8%.

Notwithstanding of the relatively higher volume of DUV from the business partner platforms in aggregate for the three years ended December 31, 2017, 2018 and 2019, the significant increase in revenue generated from the Online Advertising Service through the third-party platforms throughout the Track Record Period was primarily due to the increase of customers to display advertisements through our business partners platforms. For the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we had a total number of 97, 109, 107 and 78 customers, among which 87, 74, 71 and 48 customers chose to display and distribute their advertisements only through our proprietary platforms, and there were 10, 35, 36 and 30 customers displaying their advertisements through both of our proprietary and business partner platforms. The increasing trend of customers displaying their advertisement through business partner platforms was due to: (i) the Picker engine was at its development stage in 2017. The early version of Picker engine in 2017 had basic functionalities, such as, automated distribution of articles, video content and automobile data. As such, the majority of the revenue generated from Online Advertising Service remained to be through proprietary platforms at that time, such as the Cheshi (網上車市) website, which has over 20 years of brand history and strong awareness and recognition among customers; (ii) the Picker engine continues to improve. In

2018, the Picker engine could distribute content based on time preference and popularity, and provided an advertising feed and also a video live stream. Leveraging on these new functions, we enhanced our sales and promotion efforts to promote advertisement distribution via Picker engine to our perspective customers in 2018. As a result, customers are willing to distribute their online advertisement on our business partners platforms in addition to the proprietary platform. As such, the number of customers who displayed advertisements through our business partner platforms increased from 10 in 2017 to 35 in 2018, and a larger proportion of the revenue generated from Online Advertising Service was through business partner platforms in 2018; and (iii) in 2019, the Picker engine was further optimized to filter and recommend automobile choices in advertisements based on certain parameters. It reached a relatively mature stage with strong awareness and recognition among our customers, thereby resulted in a further increase to the proportion of revenue generated from the Online Advertising Service through third-party platforms. For the year ended December 31, 2019, there was an increase in advertising expenditure by our customers to display advertisements through our business partners platforms, which was in line with the market trend that more automakers and autodealers were willing to allocate their expenditures on automobile advertising services covering tier three and lower cities due to their expansion plans of offline sales network in tier three and lower cities. We had 30 customers who displayed advertisements through our business partners platforms and revenue generated from the Online Advertising Service through third-party platforms continued to increase for the six months ended June 30, 2020 for the aforesaid reasons. The increase of the gross profit margin of the Online Advertising Service through third-party platforms was because the costs of service for the business partner platforms remained relatively low at approximately RMB1.4 million, RMB2.9 million and RMB2.4 million for the three years ended December 31, 2017, 2018 and 2019, respectively as we were able to negotiate on better terms with our business partners to achieve costs effectiveness. For details, please see "Business—Distribution of Automobile Contents—Distribution through third party platforms". The revenue generated from Online Advertising Service through third-party platforms accounted for approximately RMB1.0 million, RMB7.4 million and RMB12.8 million for the corresponding period due to the foregoing reasons. For the six months ended June 30, 2020, the costs of service for the business partner platforms accounted for approximately RMB0.8 million, while the revenue generated from Online Advertising Service through third-party platforms accounted for approximately RMB15.5 million.

Cost of providing services

Our cost of providing services consists primarily of: (i) amortization of intangible assets; (ii) employee benefit expenses; and (iii) advertisement production and other direct expenses. Our cost of providing services amounted to approximately RMB16.8 million, RMB21.3 million, RMB28.9 million for the three years ended December 31, 2017, 2018 and 2019, respectively. For the six months ended June 30, 2019 and 2020, our cost of providing services amounted to approximately RMB15.2 million and RMB9.5 million, respectively. The following table sets forth a breakdown of our costs of providing services for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Amortization of intangible assets	935	5.6	935	4.4	935	3.2	467	3.0	468	4.9
Depreciation of property, plant and equipment	—	—	54	0.3	100	0.4	46	0.3	61	0.6
Employee benefit expenses	6,761	40.2	8,583	40.4	9,252	32.1	4,378	28.8	3,758	39.7
Advertisement production and other direct expenses	7,679	45.6	11,331	53.2	17,809	61.7	9,884	65.0	4,817	50.9
Expense of website maintenance and internet improvement	844	5.0	274	1.3	609	2.1	368	2.4	368	3.9
Miscellaneous	617	3.6	86	0.4	147	0.5	70	0.5	—	—
Total	**16,836**	**100.0**	**21,263**	**100.0**	**28,852**	**100.0**	**15,213**	**100.0**	**9,472**	**100.0**

Intangible assets being amortized include the goodwill, computer software, trademarks, and domain names. Trademarks and domain names are amortized on the straight-line basis over the period of 10 years. Based on the valuation performed by an independent professional valuer and the assessment of the Group, all of the economic benefits of the trademarks and domain names will be substantially consumed in 10 years. In addition, the Group and the valuer performed research on comparable companies in the industry showing trademarks and domain names of comparable range of 10 years useful lives. Accordingly, trademarks and domain names are carried at cost less accumulated amortization on the straight-line basis over the period of 10 years and impairment losses. Depreciation of property, plant and equipment include the depreciation of office equipment generally used by our content team. Employee benefit expenses include salary paid to employees involved in our provision of services, including content editors, photographers and video producers. It was primarily affected by the number of employees engaged as well as the general level of salaries and benefits for our provision of services. Advertisement production and other direct expenses refer to fees paid to certain of our business partners under our content distribution collaboration arrangements and fees paid to third parties for advertisement production relating to videography and venue rentals.

We expect our cost of providing services to continue increasing as our business continues to grow.

Gross profit and gross profit margin

For the three years ended December 31, 2017, 2018 and 2019, our gross profit was approximately RMB100.7 million, RMB136.6 million and RMB148.8 million, respectively, and our gross profit margin was approximately 85.7%, 86.5%, 83.8%, respectively. Our gross profit was approximately RMB62.3 million for the six months ended June 30, 2019, as compared to approximately RMB49.4 million for the six months ended June 30, 2020. Our gross profit margin was at approximately 80.4% and 83.9% for the six months ended June 30, 2019 and 2020, respectively.

Selling and distribution expenses

Our selling and distribution expenses are primarily comprised of: (i) marketing and promotion expenses; (ii) depreciation of property, plant and equipment; (iii) employee benefit expenses; and (iv) miscellaneous expenses. For the three years ended December 31, 2017, 2018 and 2019, our selling and distribution expenses were approximately RMB45.0 million, RMB43.8 million, RMB47.8 million, respectively. Our selling and distribution expenses were approximately RMB21.7 million and RMB16.8 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the period indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Marketing and promotion expenses	23,485	52.2	8,400	19.2	13,749	28.8	4,355	20.0	5,277	31.4
Amortization of intangible assets	424	0.9	354	0.8	-	-	-	-	-	-
Depreciation of property, plant and equipment	1,165	2.6	1,199	2.7	745	1.6	437	2.0	504	3.0
Employee benefit expenses	14,988	33.3	28,450	65.0	29,219	61.2	14,686	67.6	10,203	60.8
Legal and professional fees	-	-	-	-	-	-	-	-	5	0.0
Miscellaneous	4,947	11.0	5,388	12.3	4,044	8.4	2,245	10.4	805	4.8
Total	**45,009**	**100.0**	**43,791**	**100.0**	**47,757**	**100.0**	**21,723**	**100.0**	**16,794**	**100.0**

Employee benefit expenses had formed the largest component of our selling and distribution expenses since 2018. As we continue to expand our sales network in the PRC, we have recruited additional sales and marketing personnel to increase our sales and marketing efforts and more employee benefit were paid to our sales and marketing personnel due to the increase of their sales of our services. Marketing and promotion expenses include expenses paid to third party suppliers for advertisement and promotion of our own brands and platforms which include exhibition promotion covering auto shows and events planning and venue decoration and set up, and information technology services covering online advertisement display and brand exposure on the internet. Amortization of intangible assets include the amortization of value of customer relationship. Depreciation of property, plant and equipment include the depreciation of our sales offices. Miscellaneous expenses include business travel and entertainment costs which increased in line with our business development and expansion.

We expect our selling and distribution expenses to continue to increase as we continue to acquire new customers and expand our business.

R&D expenses

Our R&D expenses are primarily comprised of: (i) employee benefit expenses; and (ii) expense of website maintenance and internet improvement. For the three years ended December 31, 2017, 2018 and 2019, our R&D expenses amounted to approximately RMB4.8 million, RMB7.8 million, RMB12.5 million, respectively. Our R&D expenses were approximately RMB4.2 million and RMB3.3 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Depreciation of property, plant and equipment	563	11.6	651	8.3	471	3.8	251	5.9	255	7.8
Employee benefit expenses	2,794	57.7	4,862	62.2	5,621	44.9	2,885	68.0	2,085	63.7
Expense of website maintenance and internet improvement	1,303	26.9	2,299	29.4	6,370	50.9	1,065	25.1	864	26.4
Miscellaneous	183	3.8	11	0.1	45	0.4	42	1.0	71	2.1
Total	**4,843**	**100.0**	**7,823**	**100.0**	**12,507**	**100.0**	**4,243**	**100.0**	**3,275**	**100.0**

Employee benefit expenses was the largest component of our R&D expenses in 2020. We expect our R&D expenses to increase as we continue to strengthen our R&D capacity, and to recruit more talents in the future.

Administrative expenses

Our administrative expenses primarily consist of: (i) depreciation of property, plant and equipment used for administrative purposes; (ii) employee benefit expenses; (iii) other taxes; (iv) listing expense; and (v) miscellaneous expenses. For the three years ended December 31, 2017, 2018 and 2019, our administrative expenses amounted to approximately RMB12.6 million, RMB19.5 million, RMB34.4 million respectively. Our administrative expenses were approximately RMB17.3 million and RMB13.1 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Amortization of intangible assets	—	—	13	0.1	25	0.1	7	0.1	8	0.1
Depreciation of property, plant and equipment	1,684	13.4	2,799	14.4	2,894	8.4	1,429	8.2	2,258	17.3
Employee benefit expenses	5,184	41.1	7,004	36.0	9,709	28.2	3,675	21.2	3,461	26.5
Listing expenses	—	—	2,926	15.0	15,659	45.5	9,505	54.8	3,666	28.1
Other taxes	2,897	23.0	3,409	17.5	2,212	6.4	1,131	6.5	1,204	9.2
Legal and professional fees	835	6.6	677	3.5	1,293	3.8	259	1.5	1,219	9.0
Miscellaneous	2,006	15.9	2,635	13.5	2,634	7.6	1,334	7.7	1,241	9.8
Total	**12,606**	**100.0**	**19,463**	**100.0**	**34,426**	**100.0**	**17,340**	**100.0**	**13,057**	**100.0**

Listing expenses represented the largest component of our administrative expenses in 2019, whereas employee expenses represented the a significant component of our administrative expenses throughout the Track Record Period. Depreciation expenses represent depreciation of property, plant and equipment used for administrative purposes, whereas miscellaneous expenses include general project disbursements and fees paid to third party service providers for data related services. Other taxes include the urban maintenance and construction tax, education tax, education surtax and culture construction tax.

Other income

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income from the provision of IT service	425	—	—	—	—
Government grant	15	25	800	—	402
Confiscation of deposits received	—	13	—	—	—
Value added tax super credit	—	—	1,372	346	750
Others	3	93	884	313	512
	443	**131**	**3,056**	**659**	**1,664**

The provision of IT service in 2017 was one-off service and the service agreements were entered into on normal commercial terms and at an arm length's basis. The value added tax super credit was our entitlement to the reduction of valued added tax as a result of government policy in 2019 and in 2020, and government grant in 2019 and 2020 represented the grant of RMB0.8 million and RMB0.4 million received from the government relating to support of cultural media platform development in 2019 and 2020.

Other gains, net

The following table sets forth a breakdown of our other gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain on financial assets at FVTPL	591	1,017	1,885	841	1,662
Fair value gain on convertible redeemable preference shares	—	—	1,623	—	5,932
Gain from termination of lease	16	16	3	—	—
Loss on disposal of subsidiaries, net	—	—	(30)	(30)	—
Exchange gain/(loss)	—	2	451	(237)	772
	607	**1,035**	**3,932**	**574**	**8,366**

Financial assets at FVTPL represented wealth management products. The principal or returns on the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, it is classified as financial assets at FVTPL. The increase in the fair value gain on financial assets at FVTPL from RMB0.6 million to RMB1.0 million and then to approximately RMB1.9 million for the three years ended December 31, 2017, 2018 and 2019. We recorded an increase from approximately RMB0.8 million for the six months ended June 30, 2019 to approximately RMB1.7 million for the six months ended June 30, 2020. It was due to an increase in our investment in wealth management products and increase in the return of such wealth management products. The fair value gain on convertible redeemable preference shares of approximately RMB1.6 million and RMB5.9 million represented the gain from the latest valuation of the convertible redeemable preference shares. The Group applied market approach in the valuation of the convertible redeemable preference shares. The increase of fair value gain from approximately RMB1.6 million in 2019 to RMB5.9 million in 2020 is mainly due to the decrease in market multiples of the comparable companies, factored into a lower expected growth rate in the Group's projection of its future performance than that as at December 31, 2019. Accordingly, the liabilities under convertible redeemable preference shares decreased from approximately RMB48.4 million in 2019 to RMB42.4 million in 2020, in that the difference of approximately RMB5.9 million was recognized as other gains, net in 2020. For details, please see "Indebtedness—Convertible redeemable preference shares". For further information regarding our financial assets at FVTPL, please see "—Financial assets at FVTPL" in this section. We recorded an exchange gain of approximately RMB772,000 for the six months ended June 30, 2020 as compared to an exchange loss of approximately RMB237,000 for the six months ended June 30, 2019, which was attributable to changes in the foreign exchange market.

Finance income

Finance income is primarily comprised of interest income from our bank deposits. For the three years ended December 31, 2017, 2018 and 2019, our finance income was approximately RMB5,000, RMB23,000, RMB0.4 million, respectively. Our finance income was approximately RMB25,000 and RMB0.2 million for the six months ended June 30, 2019 and 2020, respectively.

Finance costs

Finance costs are primarily comprised of interest expenses arising from loans due to a director and interest expense on lease liabilities. For the three years ended December 31, 2017, 2018 and 2019, our finance expenses were approximately RMB0.3 million, RMB0.2 million, RMB84,000, respectively. Our finance costs were approximately RMB57,000 and RMB0.2 million for the six months ended June 30, 2019 and 2020, respectively.

Income tax expense

Income tax consists of current income tax and deferred income tax by our Group. Current income tax primarily comprises PRC corporate income tax payable by our PRC subsidiaries. Our income tax expenses for the three years ended December 31, 2017, 2018 and 2019 were approximately RMB10.2 million, RMB12.1 million, RMB5.9 million, respectively. Our income tax expense were approximately RMB5.1 million and RMB3.4 million for the six months ended June 30, 2019 and 2020, respectively. Under the relevant rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. Our entities incorporated in BVI are not subject to tax on income or capital gains. Under the Hong Kong law, Cheshi HK is subject to Hong Kong income tax at the statutory Hong Kong profit tax rate of 16.5%.

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries are subject to corporate income tax (the "**CIT**") at the statutory rate of 25%, absent preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Congshu Beijing was approved as a High and New Technology Enterprise on October 25, 2017, and it was subject to a reduced preferential CIT rate of 15% for the years ended December 31, 2018 and 2019 according to the applicable CIT Law.

The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	9,929	12,885	11,326	4,018	5,166
Over-provision in respect of prior year	—	—	(5,431)	—	—
Deferred income tax	250	(816)	52	1,054	(1,789)
Income tax expense	**10,179**	**12,069**	**5,947**	**5,072**	**(3,377)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	37,654	59,672	57,657	26,867	28,084
Tax calculated at PRC statutory income tax rate of 25%	9,414	14,918	14,414	6,717	7,021
Tax effects of:					
Preferential tax rate of a subsidiary	—	(6,095)	(5,402)	(2,757)	(1,944)
Different jurisdiction	—	—	(236)	150	(1,515)
Income not subject to tax	(25)	(23)	(152)	(47)	(612)
Expenses not deductible for tax#	790	4,005	3,930	1,009	637
Tax incentives for research and development expenses*	—	(736)	(1,176)	—	(240)
Over-provision in respect of prior year	—	—	(5,431)	—	—
Unrecognised temporary differences	—	—	—	—	30
Income tax expense	10,179	12,069	5,947	5,072	3,377

\# *The amounts represented expenses not allowable to be deducted under the PRC CIT regulations. Such expenses are mainly (i) entertainment expenses claimed over the threshold of the PRC CIT regulations; (ii) accrued expenses in social security costs and housing benefits; and (iii) expected credit loss allowances.*

* *Pursuant to Caishui [2018] circular No. 99, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 75% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended December 31, 2018 and 2019 and for the six months ended June 30, 2019 and 2020.*

As of the Latest Practicable Date, we did not have any disputes with any tax authority.

See Note 13 to our consolidated financial statements included in the Accountant's Report in Appendix I to this prospectus for detailed information on our income tax expense.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2020

Revenue

Our revenue decreased by approximately 24.0% or RMB18.6 million, from approximately RMB77.5 million for the six months ended June 30, 2019, to approximately RMB58.9 million for the six months ended June 30, 2020.

The contributing factors for such a decrease include, primarily, (i) we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020, which, our Directors believe was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) being pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020; and, partially, (ii) our inability to organize group-purchase events for our Transaction Facilitation Service as a result of the government restrictions on gathering and movement due to the COVID-19 outbreak, which led to the number of such group-purchase events dropped from 59 (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020.

Such a decrease in our revenue was partially offset by an increase in our revenue generated from autodealer customers from approximately RMB1.0 million for the six months ended June 30, 2019, to approximately RMB3.5 million for the six months ended June 30, 2020.

Cost of providing services

Our cost of providing services decreased by approximately 37.7% from approximately RMB15.2 million for the six months ended June 30, 2019 to approximately RMB9.5 million for the six months ended June 30, 2020, due to, primarily, (i) a decrease of advertisement production and other direct expenses (from approximately RMB9.9 million to approximately RMB4.8 million), which was in line with the decrease in revenue, and also due to the suspension of offline events being organized and executed as a result of the COVID-19 outbreak; and (ii) a decrease in employee benefit expenses (in the form of bonus reductions which were in line with the decrease in revenue, and also due to the decrease of content creation staff from 67 to 51) from approximately RMB4.4 million to approximately RMB3.8 million.

Gross profit and gross profit margin

Our gross profit decreased by 20.7% from approximately RMB62.3 million for the six months ended June 30, 2019 to approximately RMB49.4 million for the six months ended June 30, 2020, primarily due to the decrease in our revenue generated. Our gross profit margin, however, increased slightly from approximately 80.4% for the six months ended June 30, 2019 to approximately 83.9% for the six months ended June 30, 2020. This slight increase was mainly attributable to the decrease in costs (such as employee benefit expenses and advertisement production expenses) was relatively greater than the decrease in our revenue generated.

Other income and other gains, net

Our other income increased from approximately RMB0.7 million for the six months ended June 30, 2019 to approximately RMB1.7 million for the six months ended June 30, 2020, which was attributable to (i) our increase in entitlement of value added tax super credit from approximately RMB346,000 in 2019 to RMB750,000 in 2020 as we were entitled to additional value-added tax credit for the first half of 2020, as compared to a three-month additional value-added tax credit for the first half of 2019 based on the preferential policy for value-added tax credit which was implemented by the government since April 2019; (ii) our entitlement of government grant of approximately RMB402,000; and (iii) an increase of other income attributable to an increase of tax benefit entitlement for Congshu Hubei in relation to the technology innovation scheme entered into by our Company in 2019.

Our other gains, net increased from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, primarily due to an increase in our fair value gain on convertible redeemable preference shares from nil to approximately RMB5.9 million from the latest valuation of the convertible redeemable preference shares. It was also partially attributable to our exchange gain of approximately RMB772,000 for the six months ended June 30, 2020 from an exchange loss of approximately RMB237,000 for the six months ended June 30, 2019.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 22.7% from approximately RMB21.7 million for the six months ended June 30, 2019 to approximately RMB16.8 million for the six months ended June 30, 2020. The decrease was primarily due to a decrease in employee benefit expenses (in the form of bonus reductions which were in line with the decrease in revenue, and also due to the decrease of sales and market employees from 76 to 63) from approximately RMB14.7 million for the six months ended June 30, 2019 to approximately RMB10.2 million for the six months ended June 30, 2020. This was partially offset by an increase of marketing and promotion expenses primarily due to the increase in marketing and related publicity expenses in order to promote business development. Such expenses were budgeted despite the impacts of the COVID-19 outbreak.

R&D expenses

Our R&D expenses decreased by 22.8% from approximately RMB4.2 million for the six months ended June 30, 2019 to approximately RMB3.3 million for the six months ended June 30, 2020, primarily due to a decrease in employee benefit expenses (mostly in the form of a bonus reduction) for our R&D staff from approximately RMB2.9 million for the six months ended June 30, 2019 to RMB2.1 million for the six months ended June 30, 2020.

Administrative expenses

Our administrative expenses decreased by 24.7% from approximately RMB17.3 million for the six months ended June 30, 2019 to approximately RMB13.1 million for the six months ended June 30, 2020, primarily due to and a decrease in our listing expense from approximately RMB9.5 million in 2019 to RMB3.7 million for the six months ended June 30, 2020, and partially due to a decrease in employee benefit expenses (mostly in the form of a bonus reduction) for our administrative staff from approximately RMB3.7 million for the six months ended June 30, 2019 to RMB3.5 million for the six months ended June 30, 2020.

Profit before income tax

Our profit before tax slightly increased by 4.5% from approximately RMB26.9 million for the six months ended June 30, 2019 to approximately RMB28.1 million for the six months ended June 30, 2020, which was primarily due to the increase in other gain from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, as a result of the latest valuation of our convertible redeemable preference shares.

Income tax expenses

Our income tax expenses decreased by 33.4% from approximately RMB5.1 million for the six months ended June 30, 2019 to approximately RMB3.4 million for the six months ended June 30, 2020, which was in line with the decrease in our revenue generated.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately 13.4% from approximately RMB21.8 million for the six months ended June 30, 2019 to approximately RMB24.7 million for the six months ended June 30, 2020. Our net profit margin also increased from 28.1% for the six months ended June 30, 2019 to 42.0% for the six months ended June 30, 2020.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2019

Revenue

Our total revenue increased by 12.5% from approximately RMB157.8 million in 2018 to approximately RMB177.6 million in 2019, primarily due to (i) the increase in revenue from our Online Advertising Service from approximately RMB157.8 million in 2018 to RMB175.1 million in 2019, attributable to (i) we received more advertising service fees for providing the Online Advertising Service, in particular, we received from Customer G, our third largest customer in 2019, approximately RMB13.4 million in 2019, as compared to RMB7.4 million in 2018; and we received from Customer I, our fourth largest customer in 2019, approximately RMB12.7 million in 2019, as compared to RMB2.6 million in 2018, primarily as a result of good customer relationship and their satisfaction to our services and hence continuous engagement of more of our Online Advertising Service in 2019; (ii) the improvement in diversity and quality of our contents, including an increase in video-production from approximately 1,600 videos in 2018 to approximately 2,400 videos in 2019; (iii) the continuous increase in market recognition and brand awareness through our continuous efforts in providing value-added advertising solutions to our customers and increase in the number of our business partner platforms from 627 in 2018 to 1,019 in 2019; and (iv) the continuing growth of advertising expenditure of the PRC automobile industry in which the expenditure of the automobile online advertising market increased from approximately RMB18.2 billion in 2018 to RMB19.1 billion in 2019 according to the CIC Report.

Cost of providing services

Our cost of providing services increased by 35.7% from approximately RMB21.3 million in the year ended December 31, 2018 to approximately RMB28.9 million in the year ended December 31, 2019, primarily due to our business expansion, including (i) the substantial increase in advertisement production expenses from approximately RMB11.3 million in 2018 to approximately RMB17.8 million in 2019 resulting from making more advertisement production in line with the increase of service contracts from 359 in 2018 to 406 in 2019. Such increase in advertisement production expenses was also attributable to the increase of video production in the advertisements engaged by our customers which required higher costs for production filming and planning paid to our suppliers.

Moreover, we incurred more costs to conduct the group purchase events for our Transaction Facilitation Service which was in line with our growing number of group purchase event from 3 events in 2018 to 100 events in 2019. We paid approximately RMB2.5 million to engage Supplier J for providing group purchase event related services, such as, promotion and venue set up; and (ii) the expansion of our content team from 63 staff in 2018 to 67 staff in 2019, leading to an increase in employee benefit expenses from approximately RMB8.6 million in 2018 to approximately RMB9.3 million in 2019. It was partly offset by the slight decrease of business partner collaboration fees from approximately RMB2.9 million in 2018 to RMB2.4 million in 2019 due to the termination of three major business partners with collaboration fees of approximately RMB245,000 in total and a reduction of collaboration fees paid to a major business platform by approximately RMB95,000 due to a change of business strategy in 2019.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 8.9% from approximately RMB136.6 million in 2018 to approximately RMB148.8 million in 2019, primarily due to increase in gross profit resulting from our enhanced business operation by an increase in the number of service contracts for the Online Advertising Service for the aforesaid reasons. We had a slight decrease in our gross profit margin from 86.5% in the year ended December 31, 2018 to 83.8% in the year ended December 31, 2019, mainly attributable to the increase in advertisement production expenses for the aforesaid reasons.

Other income and other gains, net

Our other income increased from approximately RMB0.1 million in 2018 to approximately RMB3.1 million in 2019, which was attributable to (i) our entitlement to value added tax super credit of approximately RMB1.4 million due to the reduction of valued added tax as a result of government policy in 2019; (ii) an increase in government grant due to the grant of RMB0.8 million received from the government relating to support of cultured media platform development; and (iii) an increase in other incomes of approximately RMB0.9 million in 2019 attributable to a tax benefit entitlement for Congshu Hubei by entering into an technology innovation scheme in 2019.

Our other gains, net increased from approximately RMB1.0 million in 2018 to approximately RMB3.9 million in 2019, primarily due to an increase in the fair value gain on financial assets at FVTPL from approximately RMB1.0 million in 2018 to RMB1.9 million in 2019, and the fair value gain on convertible redeemable preference shares of approximately RMB1.6 million in 2019. The increase in fair value gain on financial assets at FVTPL was resulted from our increased investment in wealth management products in 2019, while the fair value gain on convertible redeemable preference shares was due to a valuation on the convertible redeemable preference share as of December 31, 2019.

Selling and distribution expenses

Our selling and distribution expenses increased by 9.1% from approximately RMB43.8 million in 2018 to approximately RMB47.8 million in 2019. The increase was primarily due to an increase in marketing and promotion expenses from approximately RMB8.4 million in 2018 to RMB13.7 million because we incurred more advertising expenses in that we paid approximately RMB1.8 million and RMB1.4 million to Supplier K and Supplier L, respectively for brand promotion services in 2019, and our staff costs from approximately RMB28.5 million in 2018 to RMB29.2 million in 2019 as a result of our 18 new sales and marketing staff recruited in 2019.

R&D expenses

Our R&D expenses increased by 59.9% from approximately RMB7.8 million in 2018 to approximately RMB12.5 million in 2019, primarily due to an increase of internet improvement expenses from approximately RMB2.3 million in 2018 to RMB6.4 million in 2019, which covered the development and launch of our new functions on our platforms, which included our engagement of other suppliers for IT projects, including improvement on online management system and development of user commentary function (人人評車).

Administrative expenses

Our administrative expenses increased by 76.9% from approximately RMB19.5 million in 2018 to approximately RMB34.4 million in 2019, primarily due to an increase in professional fees in connection with the preparation for the Listing totaling approximately RMB15.7 million incurred in 2019, and increase of our staff expenses from approximately RMB7.0 million in 2018 to RMB9.7 million in 2019 with our new recruitment of three administrative staff in line with our business expansion.

Profit before income tax

Our profit before tax decreased by 3.4% from approximately RMB59.7 million in 2018 to approximately RMB57.7 million in 2019 primarily due to the increase in administrative expenses and R&D expenses for the aforesaid reasons, while our corporate tax rate remains at 15% in both 2018 and 2019.

Income tax expenses

Our income tax expenses decreased by 50.7% from approximately RMB12.1 million in 2018 to approximately RMB5.9 million in 2019, as the decrease was due to the tax payment offset from the concession of tax credit of the High and New Technology Enterprise of approximately RMB5.4 million in respect of assessable income in 2017 which we applied in 2019 and was granted to us by the government in the same year.

Profit for the year

As a result of the foregoing and, in particular, the over-provision of tax in respect of prior year regarding the High and New Technology Enterprise preferred tax rate of approximately RMB5.4 million in 2019, our profit for the year increased by 8.6% from approximately RMB47.6 million in 2018 to approximately RMB51.7 million in 2019. Our net profit margin remained relatively stable with a slight decrease from 30.2% in 2018 to 29.1% in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our total revenue increased by 34.2% from approximately RMB117.6 million in 2017 to approximately RMB157.8 million in 2018, primarily due to the increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 attributable to that we were able to source new customers with higher advertising service fees spent on the Online Advertising Service, and also we received more advertising service fees from a number of existing customers of the Online Advertising Service, in that, we received more advertising service fees from Customer A, our largest customer in 2017, of approximately RMB25.4 million in 2018, as compared to RMB14.8 million in 2017; and we received more advertising service fees from Customer E, our fifth largest customer in 2017, of approximately RMB12.1 million in 2018, as compared to RMB5.8 million in 2017, as result of our continuous marketing efforts by our sales and marketing team and these customers' satisfaction on results of our Online Advertising Service. Other contributing factors include: (i) the improvement in diversity and quality of our automobile content, including a significant increase in video-production from approximately 300 videos in 2017 to approximately 1,600 videos in 2018; (ii) the increase in market recognition and brand awareness through our continuous efforts in providing value-added solutions and our collaboration with our business partner platforms; and (iii) the continuing growth of the online automobile advertising industry, in which the expenditure of the automobile online advertising market increased from approximately RMB17.0 billion in 2017 to RMB18.2 billion in 2018 according to the CIC Report. We also launched Transaction Facilitation Service in October 2018 to keep abreast of increasing demand for transactional services in the automobile industry.

Cost of providing services

Our cost of providing services increased by 26.3% from approximately RMB16.8 million in 2017 to approximately RMB21.3 million in 2018, primarily due to our business expansion, including (i) the increase in advertisement production and other direct expenses from approximately RMB7.7 million in 2017 to approximately RMB11.3 million in 2018, resulting from making more advertisement production in line with the increase of our customer service contracts from 344 in 2017 to 359 in 2018 and a shift in certain form of our advertisement media from use of pictures to that of videos in 2018 which required higher fees in relation to production filming and planning; (ii) the increase in fees in relation to our business partner platforms from approximately RMB1.4 million in 2017 to approximately RMB2.9 million in 2018 due to the Company entering into a number of new major business partner agreements in 2018, namely, with a stated-owned video platform, one of the largest telecommunication operators and a provincial newspaper platform, in relation to that the Company paid to a new major business partner collaboration fees of approximately RMB0.7 million, and these two new business partners collaboration fees of approximately RMB0.3 million in total in 2018; and (iii) the expansion of our content team from a total of 58 employees in 2017 to 63 employees in 2018, leading to an increase in employee benefit expenses from approximately RMB6.8 million in 2017 to approximately RMB8.6 million in 2018.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 35.6% from approximately RMB100.7 million in 2017 to approximately RMB136.6 million in 2018, primarily due to the increase in gross profit resulting the sharp increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 from our business expansion and the aforesaid reasons. Our gross profit margin remained relatively stable at 85.7% in 2017 and 86.5% in 2018.

Other income and other gains

Other income primarily includes income from the provision of one-off IT service to an independent third party customer. Our other income decreased from approximately RMB0.4 million in

2017 to approximately RMB0.1 million in 2018, as we did not provide any IT service to any third party in 2018.

Our other gains increased from approximately RMB0.6 million in 2017 to approximately RMB1.0 million in 2018, primarily due to the increased gains from our investment in financial products issued by financial institutions in the PRC. Such increase was in line with the increase of our investment in wealth management product in 2018.

Selling and distribution expenses

Our selling and distribution expenses decreased by 2.7% from approximately RMB45.0 million in 2017 to RMB43.8 million in 2018, primarily due to the significant decrease in marketing and promotion expenses from approximately RMB23.5 million in 2017 to approximately RMB8.4 million in 2018 as we incurred less advertising expenses for our own brand promotion after the engagement of Supplier A in 2018 was completed, which was our largest supplier in 2017, as a result of our change of business strategy. Our Directors believe there were sufficient market recognition and brand awareness leading to a lower need for our own brand promotion expenditure in 2018. It was partially offset by an increase in employee benefit expenses resulting from the increased salaries and benefits paid to our sales employees from approximately RMB15.0 million in 2017 to RMB28.5 million in 2018. Other selling and distribution expenses, such as, traveling expenses and entertainment expenses, increased from approximately RMB4.9 million in 2017 to RMB5.4 million in 2018, which was in line with our business expansion.

R&D expenses

Our R&D expenses increased by 61.5% from approximately RMB4.8 million in 2017 to approximately RMB7.8 million in 2018, primarily due to (i) the increase in number of employees from 16 in 2017 to 21 in 2018 and salary of R&D employees increased from approximately RMB2.8 million in 2017 to RMB4.9 million in 2018; and (ii) increased expense for R&D of our new online products and internet improvement from approximately RMB1.3 million in 2017 to RMB2.3 million in 2018, which was primarily attributable to that we incurred more expenses for data development and maintenance services from our IT service providers. As a result of our investments in R&D efforts, we rolled out "Pika Cheshi (皮卡車市)" website in 2018.

Administrative expenses

Our administrative expenses increased by 54.4% from approximately RMB12.6 million in 2017 to approximately RMB19.5 million in 2018, primarily due to (i) the increase in depreciation of approximately RMB1.1 million of our headquarter office in Beijing; (ii) hiring of more management and administrative employees from 11 employees in 2017 to 17 employees in 2018 leading to increased employee benefit expenses from approximately RMB5.2 million in 2017 to approximately RMB7.0 million in 2018; (iii) the increase in other taxes from approximately RMB2.9 million in 2017 to approximately RMB3.4 million in 2018 as a result of our increased revenue in 2018; and (iv) incurring listing expenses of approximately RMB2.9 million in 2018 in relation to the Listing.

Profit before tax

As a result of the foregoing, and in particular, the significant increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in

2018, our profit before tax increased by 58.5% from approximately RMB37.7 million in 2017 to approximately RMB59.7 million in 2018.

Income tax expenses

Our income tax expenses increased by 18.6% from approximately RMB10.2 million in 2017 to approximately RMB12.1 million in 2018 as our profit before tax increased from approximately RMB37.7 million in 2017 to approximately RMB59.7 million in 2018. It was partly offset by the decrease of our effective tax rate of 27.0% in 2017 to 20.2% in 2018, which was due to our entitlement to the preferential tax treatment as a High and New Technology Enterprise.

Profit for the year

As a result of the foregoing, our profit for 2018 increased by 73.3% from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018. Our net profit margin increased from 23.4% in 2017 to 30.2% in 2018. The major reasons for the increase were (i) the significant increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 for the aforesaid reasons; (ii) our significant decrease of our marketing and promotion expenses paid to third party advertisers from approximately RMB23.5 million in 2017 to RMB8.4 million in 2018 for the aforesaid reasons; and (iii) the preferential tax treatment enjoyed by Congshu Beijing in 2018 as a High and New Technology Enterprise.

NET CURRENT ASSETS

We recorded net current assets of approximately RMB58.7 million, RMB57.0 million, RMB161.1 million, RMB171.3 million and RMB199.5 million as of December 31, 2017, 2018, 2019, June 30, 2020 and October 31, 2020, respectively. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Prepayments, deposits and other receivables	1,869	5,470	13,715	17,091	17,230
Amounts due from shareholders	—	—	331	336	318
Contract assets	2,883	6,244	8,056	2,825	8,050
Trade and bill receivables	81,534	102,348	114,563	91,511	105,683
Financial assets at FVTPL	7,148	20,300	41,656	92,391	118,034
Income tax recoverable	—	32	186	—	—
Cash and cash equivalents	14,459	36,130	76,670	55,331	31,524
Total current assets	107,893	170,524	255,177	259,485	280,839
Current liabilities					
Trade payables	4,822	4,898	5,519	5,136	4,439
Contract liabilities	750	846	3,765	3,600	3,149
Accruals and other payables	24,508	42,657	60,676	51,356	45,826
Lease liabilities	3,311	3,371	555	4,922	4,823
Dividend payable	—	50,000	13,600	13,600	13,600
Amount due to a director	2	—	—	—	—
Income tax payable	15,824	11,796	9,992	9,566	9,529
Total current liabilities	**49,217**	**113,568**	**94,107**	**88,180**	**81,366**
Net current assets	**58,676**	**56,956**	**161,070**	**171,305**	**199,473**

Our net current assets decreased from approximately RMB58.7 million as of December 31, 2017, to approximately RMB57.0 million as of December 31, 2018. The decrease was primarily due to the dividend payable of approximately RMB50.0 million. Such decrease was partially offset by an increase in trade and bill receivables and cash and cash equivalents.

As of December 31, 2019, the net current assets of our Group were approximately RMB161.1 million. The increase as compared to December 31, 2018 was principally as a result of the (i) an increase of trade and bill receivables, (ii) an increase in financial assets at FVTPL, (iii) increase of cash and cash equivalents, and (iv) a decrease of dividend payable attributable to dividend payout of RMB5.0 million, RMB30.0 million and RMB1.4 million on January 30, 2019, May 23, 2019 and October 30, 2019, respectively. It was partially offset by the increase in accruals and other payables in 2019.

As of June 30, 2020, the net current assets of our Group were approximately RMB171.3 million. The increase as compared to December 31, 2019 was primarily due to: (i) a decrease in accruals and other payables; and (ii) an increase in financial assets at FVTPL, which was partially offset by (i) a decrease in cash and cash equivalents; (ii) a decrease in trade and bill receivables; and (iii) a decrease in contract assets. As of October 31, 2020, based on the unaudited consolidated management accounts, the net current assets of our Group were approximately RMB199.5 million.

For details regarding the major items affecting our net current assets during the Track Record Period, see "—Description of principal items in the consolidated statements of financial position".

DESCRIPTION OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of prepayments to suppliers, prepaid listing expense, staff advances, rental deposit and other receivables. The following table sets forth the breakdown of our deposits, prepayments and other receivables included in non-current portion and current portion as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Rental deposits	615	471	—	1,541
Prepayments for property, plant and equipment	—	—	—	164
	615	471	—	1,705
Current portion				
Prepayments				
Prepayments to suppliers	719	1,813	1,012	2,799
Prepaid listing expenses	—	1,427	3,699	4,586
Staff advances	530	1,463	1,233	1,131
	1,249	4,703	5,944	8,516
Deposits and other receivables				
Rental deposits	855	766	1,269	953
Other tax receivables	—	—	6,387	7,519
Others	4	1	115	103
Gross deposits and other receivables	859	767	7,771	8,575
Less: write-off of deposits and other receivables	(239)	—	—	—
Net deposits and other receivables	620	767	7,771	8,575
	1,869	5,470	13,715	17,091
Total	**2,484**	**5,941**	**13,715**	**18,796**

Our non-current portion of rental deposits primarily relate to the deposits paid for lease agreements, which amounted to approximately RMB0.6 million, RMB0.5 million, nil and RMB1.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Our prepayment to suppliers increased to RMB1.8 million as of December 31, 2018, attributable to our increasing demand on third party supplier services which was in line with our business growth. We had a decrease of prepayments to suppliers of approximately RMB0.8 million as of December 31, 2019, which was mainly due to that a substantial prepayment of approximately RMB0.6 million to one of our suppliers was made at the end of 2018 to cover for that supplier's services in 2019. Our prepayment to suppliers increased to approximately RMB2.8 million as of June 30, 2020, which was consistent with our business expansion plans to engage more suppliers in order to provide online advertisement services, before our business was affected by the COVID-19 outbreak.

As of December 31, 2018 and 2019, we made a prepayment of listing expenses of approximately RMB1.4 million and RMB3.7 million, respectively. As of June 30, 2020, we recorded a prepayment of listing expense of approximately RMB4.6 million.

The increase in staff advances from approximately RMB0.5 million in 2017 to approximately RMB1.5 million in 2018 was due to the increase in reimbursements and prepayments to employees for expenses incurred during the advertising production and offsite events. The staff advances in 2019 and 2020 remained relatively stable at approximately RMB1.2 million and RMB1.1 million, respectively.

Our current portion of deposits and other receivables primarily relate to other tax receivables and the current portion of rental deposits relating to our offices lease. Our gross deposits and other receivables were approximately RMB0.9 million, RMB0.8 million, RMB7.8 million and RMB8.6 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, the substantial increase in 2019 was attributable to an increase of other tax receivables of approximately RMB6.4 million since Congshu Hubei was entitled to a VAT receivable in respect of expenses incurred for 2019 but Congshu Hubei can only utilize the receivable upon receipt of relevant VAT invoice subsequent to December 31, 2019. As of June 30, 2020, we had other tax receivables of approximately RMB7.5 million.

Contract assets

Our contract assets represent our right to payment in exchange for the services rendered to customers, but such right to payment remains conditional on the completion of full service in our service contracts. The following table sets forth a breakdown of our contract assets as of the date indicated.

	As of December 31,			As of June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets	2,920	6,445	8,165	2,915
Loss allowance	(37)	(201)	(109)	(90)
Total contract assets	**2,883**	**6,244**	**8,056**	**2,825**

Our gross contract assets increased from approximately RMB2.9 million as of December 31, 2017 to approximately RMB6.4 million as of December 31, 2018 and further to approximately RMB8.2 million as of December 31, 2019, which represented our fulfilled performance obligations in our service contracts at the given time. As of June 30, 2020, our gross contract assets were approximately RMB2.9 million, the decrease of which was in line with our decrease in revenue generated during the corresponding period.

As of November 30, 2020, approximately RMB2.6 million, or 89.3%, of our contract assets as of June 30, 2020 were subsequently recognized as trade receivable.

We applied the approach to provide for expected credit losses as prescribed by IFRS9, which permits the use of the lifetime expected loss provision for contract assets. Impairment of approximately RMB37,000, RMB201,000, RMB109,000 and RMB90,000 were made as of December 31, 2017, 2018 and 2019 and June 30, 2020.

Trade and bill receivables

Our trade and bill receivables represent the amounts due from customers for services performed in the ordinary course of business. Details of our revenue recognition policy are set out in Note 2.18 to the Accountant's Report in Appendix I to this prospectus. During the Track Record Period, our trade and bill receivables were dominated in RMB. Our customers generally settled payments through bank transfers or bank bills.

The following table sets forth our trade and bill receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Bill receivables	1,600	300	13,920	14,859
Trade receivables	81,828	110,615	102,863	80,745
	83,428	110,915	116,783	95,604
Less: allowance for impairment	(1,894)	(8,567)	(2,220)	(4,093)
Total trade and bill receivables—net	**81,534**	**102,348**	**114,563**	**91,511**

Our net trade and bill receivables increased from approximately RMB81.5 million as of December 31, 2017 to approximately RMB102.3 million as of December 31, 2018 and to approximately RMB114.6 million as of December 31, 2019, which was at large in line with the increase in our revenue of our Online Advertising Service. The increase of bill receivables from approximately RMB0.3 million to RMB13.9 million was due to more customers adopting a settlement method of payment by bank bills due to the market conditions in 2019. As of June 30, 2020, our net trade and bill receivables decreased to approximately RMB91.5 million, primarily attributable to: (i) the decrease in revenue generated by approximately 24.0% or RMB18.6 million from approximately RMB77.5 million for the six months ended June 30, 2019 to approximately RMB58.9 million for the six months ended June 30, 2020; and (ii) our continuous payment collection efforts of outstanding service fees from our customers during the first half of 2020 as approximately RMB71.4 million of trade receivables were collected for the six months ended June 30, 2020.

During the Track Record Period, we generally granted a credit period up to 180 days to our customers. Details of our credit control procedures are set out below.

We apply the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables. For details, please see Note 3.1 to the Accountant's Report in Appendix I to this prospectus. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. Any impairment allowance for trade and bill receivables are subject to our Directors' approval. We recorded an amount of impairment allowance of approximately RMB1.9 million, RMB8.6 million, RMB2.2 million as of December 31, 2017, 2018 and 2019. As of December 31, 2019, we recorded an amount of impairment allowance of approximately RMB2.2 million. The substantial increase of impairment allowance in 2018 was due to the increase of our trade receivable aging over 365 days from approximately RMB1.1 million as of December 31, 2017 to approximately RMB7.7 million as of December 31, 2018, mainly attributable to one particular overdue service payment of approximately RMB7.5 million (with a loss allowance made of approximately RMB4.6 million) from one of the independent customers in 2018 which is Customer C, one of our top five customers in 2017 and still maintain business relationship with the

Company through advertising agencies with revenue contribution of approximately RMB0.1 million and RMB1.0 million for the year ended December 31, 2019 and the six months ended June 30, 2020. To the best knowledge of our Directors and based on our communication with that independent third party customer, the amount of its trade receivable was overdue because that customer experienced a temporary delay in their internal payment approval process at that time. Our senior management and our finance team have closely monitored the aging condition and collectability of this payment and our sales team has communicated with such customer to obtain update of its financial status and anticipated settlement. This overdue service payment was fully collected by us on May 8, 2019 which was a reversal of impairment allowance of approximately RMB4.6 million. We consider that the increase of our impairment allowance as of December 31, 2018 was mainly due to the one-off incident as mentioned above. Furthermore, the major reason for impairment allowance decreased to approximately RMB2.2 million as of December 31, 2019 is because approximately RMB10.0 million was written off as one of the Company's customers was not able to be reached for our invoice settlement despite numerous attempts, and to the best knowledge of our Directors, there are three customers Customer J, Customer D, and Customer K who are in financial difficulty and unable to settle our invoices despite numerous requests under which approximately RMB4.9 million, RMB4.4 million and RMB1.2 million were written off against Customer J, Customer D and Customer K, with Customer K having no subsequent receipts, respectively. As of June 30, 2020, there had been a reversal of bad debt written off at approximately RMB3.7 million, as we were able to recover approximately RMB3.7 million from them. We are taking debt recovery measures to recover all outstanding payments from these three customers. Among these customers, one of them is Customer D, which contributed approximately RMB6.6 million, accounting for 5.6% of total revenue of our Group for the year ended December 31, 2017.

The following table sets forth the details and status on the outstanding payments from the aforesaid customers, Customer J, Customer D and Customer K, as at the Latest Practicable Date:

Customer	Outstanding balance before loss allowances and net of rebates RMB'000	Due date for payment of contract sum	Debt recovery measures undertaken	Debt collection status as at the Latest Practicable Date RMB'000
Customer J	4,911	September 7, 2019 being the earliest payment due date and April 6, 2020, being the latest payment due date among the 11 contracts	Served payment demand requests and in the process of preparing an application to the PRC court for debt recovery for the remaining outstanding amount	Recovered RMB757
Customer D	4,361	March 24, 2019 being the earliest payment due date and March 30, 2020, being the latest payment due date among the five contracts	Served payment demand requests and filed an application to the PRC court for debt recovery	Recovered RMB4,120

Customer	Outstanding balance before loss allowances and net of rebates RMB'000	Due date for payment of contract sum	Debt recovery measures undertaken	Debt collection status as at the Latest Practicable Date RMB'000
Customer K	1,200	November 30, 2018 being the earliest payment due date and June 30, 2019, being the latest payment due date among the two contracts	Served payment demand requests and filed an application to the PRC court for debt recovery The PRC court has issued a legal judgment to order Customer K to pay our Group the outstanding sum together with interest of approximately RMB862,000 for one service contract value of RMB800,000	Nil

As of December 31, 2019, we wrote off a bad debt for outstanding balances from Customer J, Customer D and Customer K of approximately RMB10.5 million, the amount of which accounted for estimated rebate to be paid to Customer J, Customer D and Customer K, respectively. As at June 30, 2020, the Company recovered a total of approximately RMB757,000 from Customer J and approximately RMB3.0 million from Customer D, which resulted in a reversal of bad debt written off at approximately RMB3.7 million. As at the Latest Practicable Date, a sum of approximately RMB4.1 million was recovered from Customer D. As of the Latest Practicable Date, the Company did not maintain business relationship with Customer J, D and K.

Our Directors confirm that this would not have material impact on financial condition of the Group, as our Company was able to source new customers as shown by the increase in the number of our service contracts of 359 in 2018 and 406 in 2019 when compared to 344 in 2017. For the six months ended June 30, 2020, we had 168 advertising service contracts. Also, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers as a result of their financial difficulties during the Track Record Period. Save for such impairment allowances, we had no other impairment allowance made during the Track Record Period. We did not hold any collateral as security or other credit enhancement over the trade and bill receivables. Aging of bill receivables was within six months as of December 31, 2017, 2018 and 2019 and as of June 30, 2020.

The following table sets forth an aging analysis (based on recognition date) of the gross trade receivables at the respective reporting dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	2017	2018	2019	2020		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)
Within 90 days	50,123	62,343	48,703	34,432	13,148	38.2
91 to 180 days	18,013	24,969	22,441	15,882	7,605	47.9
181 days to 365 days	12,570	15,602	28,303	22,486	16,934	75.3
Over 365 days	1,122	7,701	3,416	7,945	6,056	76.2
	81,828	**110,615**	**102,863**	**80,745**	**43,743**	**54.2**

As of December 31, 2017, 2018 and 2019, our gross trade receivables amounted to approximately RMB81.8 million, RMB110.6 million, RMB102.9 million, respectively. As of June 30, 2020, our gross trade receivables were approximately RMB80.7 million.

As of November 30, 2020, approximately RMB43.7 million, representing approximately 54.2% of our Group's trade receivables outstanding as at June 30, 2020, were subsequently settled.

The following table sets forth an aging analysis (based on due date) of the net trade receivables at the respective reporting dates indicated:

	As of December 31,			As of June 30,	Loss allowance	Net trade receivables balance as at June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	2017	2018	2019	2020				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)
Within 90 days	60,800	89,861	68,545	39,523	(1,313)	38,210	14,876	37.6
91 to 180 days	14,427	7,973	21,370	24,529	(1,018)	23,511	15,125	61.7
181 days to 365 days	5,342	11,371	12,433	12,049	(1,233)	10,816	10,949	90.9
Over 365 days	1,259	1,410	515	4,644	(529)	4,115	2,793	60.1
	81,828	110,615	102,863	80,745	(4,093)	76,652	43,743	54.2

Save as disclosed above, there was no material disagreement or dispute between our Group and our customers, which could adversely affect our financial condition, in respect of the trade receivables that remained to be collected as of the Latest Practicable Date.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade receivables turnover days(1)	180	213	223	318

Note:

(1) Trade receivables turnover days were calculated based on the average of the opening and closing balance of our trade receivables divided by revenue for the relevant year/period multiplied by 365/182 days.

The turnover days of trade receivables increased from 180 days as of December 31, 2017 to 213 days as of December 31, 2018 and further to 223 days as of December 31, 2019, primarily because we allowed a longer credit period to certain customers with a view to developing long term business relationships with them. To the best knowledge of our sales team, these customers have stable business operations and are financially sound. Additionally, it was our intention to grow our business and build up our customer base rapidly in 2017, 2018 and 2019 by allowing a longer credit period. As a result, we experienced a significant increase in our revenue of approximately RMB117.6 million, RMB157.8 million and RMB177.6 million for the years ended December 31, 2017, 2018 and 2019, respectively, and gross trade receivables of approximately RMB81.8 million as of December 31, 2017, approximately RMB110.6 million as of December 31, 2018 and approximately RMB102.9 million as of December 31, 2019.

According to the CIC Report, as a matter of industry practice, the credit period of an automobile vertical media platform is generally 180 days and the turnover days of trade receivables generally range from 180 days to 270 days. Advertising agencies engaged in online advertising in China generally have relatively long payment cycles, and thus their service providers usually have relatively long average trade receivables turnover days ranging from 180 to 270 days. Although automakers and autodealers are considered as the end customers of automobile vertical media platforms, these platforms generally sell their advertising services and solutions primarily to third-party advertising agencies who represent the automakers and autodealers. Hence, it is customary for automobile vertical media platforms to extend credit terms to their customers in China as they rely on third-party advertising agencies for the collection of payment from automobile advertisers. On this basis, our Directors are of the view that our credit terms to our customers is in line with the industry practice. We generally granted a credit period up to 180 days to our advertising agency customers following that (i) within 10 days from the date of revenue recognition, we provide our advertising agency a completion confirmation for their verification, (ii) within five days from receiving the completion confirmation, our advertising agency is required to agree or object such confirmation, (iii) in the absence of any objection, we would confirm with the advertising agency to issue a formal invoice to be settled within 180 days. For trade receivables which were past due for over 180 days, we generally decide to extend their credit period. In making such decision, we take into account whether (i) such customer has a proven record of credibility of settling the outstanding amounts due to us, and (ii) such customer maintains stable business operations and is financially sound, to the best knowledge of our sales team. Such decision is reached after careful consideration and assessment by our senior management, finance team and sales team in accordance with our internal credit control procedures. If we decide to extend their credit period, we issue payment reminders to these customers. For trade receivables which were past due for over 365 days from the date of receiving our formal invoice, we normally proceed with debt recovery actions unless there is commercial justification not to do so.

Furthermore, we adopt prudent credit control procedures, including (i) our finance team meet regularly with senior management and sales team for an update of the trade receivables, such as, aging condition and collectability analysis; and (ii) our senior management and sales team would decide on the credit period to be extended to such customer or proceed with debt recovery action depending on a number of factors, such as credit history and our historical business relationship with such customer. Our senior management closely monitors the settlement status of our trade and bill receivables. These internal credit control procedures have been adopted to minimize our credit risk. We believe the industry-wise long trade receivable turnover days do not have material adverse effect on our liquidity and cash management. Please see "Risk Factors—We are subject to credit risk in collecting the accounts receivables due from the customers".

Trade receivables aging over 180 days

There were 51 customers having trade receivables aging over 180 days as of June 30, 2020. Based on revenue recognition date, the trade receivables aging over 180 days as of June 30, 2020 amounted to approximately RMB30.4 million, and approximately RMB21.2 million, or 69.7%, of which were settled as of September 30, 2020. Based on due date, such trade receivables aging over 180 days as of June 30, 2020 amounted to approximately RMB16.7 million, approximately RMB12.5 million, or 75.1%, of which were settled as of September 30, 2020.

The following tables set forth an analysis of the trade receivables of such customers aging over 180 days:

Based on revenue recognition date					Based on due date		
Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognised	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)
30,431	21,207	69.7	1,056	8,168	16,693	12,543	75.1

The following table sets forth a summary of such customers and their trade receivables aging over 180 days:

		Based on revenue recognition date					Based on due date			
Customer	Description of customer	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognized	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Respective due dates ranged from	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
		(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)		(RMB'000)	(%)
Customer E . . .	One of our five largest customers during the Track Record Period	4,756	4,403	92.6	120	233	875	91 - 365 days	875	100.0
Customer A . . .	One of our five largest customers during the Track Record Period	3,132	3,132	100.0	—	—	2,247	91 - 180 days to over a year	2,247	100.0
Customer I . . .	One of our five largest customers during the Track Record Period	2,384	785	32.9	117	1,482	1,357	91 - 365 days	785	57.8
Customer L . . .	A subsidiary of a company formerly listed on NEEQ	2,164	1,696	78.4	106	362	750	91 - 365 days	750	100.0
Customer G . . .	One of our five largest customers during the Track Record Period	2,094	2,094	100.0	—	—	1,356	91 - 180 days to over a year	1,356	100.0
Others	—	15,901	9,097	57.2	713	6,091	10,108	91 - 180 days to over a year	6,530	64.6
Total		**30,431**	**21,207**	**69.7**	**1,056**	**8,168**	**16,693**		**12,543**	**75.1**

Such customers with credit periods extended can be categorized into the following customer types: (i) our largest five customers during the Track Record Period; (ii) customers as or affiliated to car manufacturers; (iii) ongoing customers which had previously made payments for our services and (iv) others. The following table sets forth the trade receivables aging over 180 days as of June 30, 2020, categorized by customer type:

	Based on revenue recognition date					Based on due date		
Type of customer	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognized	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
	(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)
Our five largest customers during the Track Record Period	12,785	10,603	82.9	276	1,906	6,014	5,264	87.5
Ongoing customers which had previously made payments for our services	11,655	8,523	73.1	414	2,718	7,501	5,898	78.6
Customers as or affiliated to car manufacturers	3,114	1,039	33.4	144	1,931	827	339	41.0
Others	2,877	1,042	36.2	222	1,613	2,351	1,042	44.3
Total	**30,431**	**21,207**	**69.7**	**1,056**	**8,168**	**16,693**	**12,543**	**75.1**

Our Directors believe that, for the reasons stated below, to allow a longer credit period and thus the gradual recovery of such trade receivables (leading to an increased trade receivable turnover days) would be in the commercial interests of our Company:

(i) our largest five customers during the Track Record Period are mostly advertising agencies that have stable relationships with our company, which also maintained a reliable payment history (for example, two of such five largest customers had their trade receivables aging over 180 days fully settled as of September 30, 2020). We also take into account of their status as or association with companies listed or formerly listed on a recognized stock exchange;

(ii) our ongoing customers which had previously made payments had been vital to our operations for the six months ended June 30, 2020;

(iii) there is a strategic benefit in maintaining a healthy business relationship with customers as or affiliated to car manufacturers;

(iv) almost all customers with trade receivables aging over 180 days are currently still in operations, according to public information available to the Company; and

(v) as communicated to our Company, such long outstanding trade receivables balance as of June 30, 2020 was partly due to temporary cash flow issues experienced by some customers during the COVID-19 outbreak months.

Our Company has been regularly monitoring the financial conditions of such customers and we will be closely communicating with them in order to settle their trade receivables. We have also been monitoring the financial conditions of such customers, to ensure that the payment will be made eventually.

Trade receivables with credit period extended due to COVID-19

As of June 30, 2020, our turnover days of trade receivables were 318 days. The increase in turnover days for the six months ended June 30, 2020 was mainly due to a credit period extension (thus prolonging a customer's credit period to nine months) to 12 customers with the aim of maintaining healthy business relationships. The trade receivables of these 12 customers, aging over 180 days, based on revenue recognition date, amounted to approximately RMB20.1 million. As of November 30, 2020, approximately RMB15.0 million, representing approximately 74.9% of such trade receivables as of June 30, 2020 were settled. The following table sets forth a summary of such customers and their trade receivables aging over 180 days:

	Description of customer	As of June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
		RMB'000	RMB'000	(%)
Customer E	One of our five largest customers during the Track Record Period. It is a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	4,756	4,403	92.6
Customer A	One of our five largest customers during the Track Record Period. It is an indirect subsidiary of a company listed on the New York Stock Exchange, and has been in a business relationship with our Group since 2016.	3,132	3,132	100.0
Customer I	One of our five largest customers during the Track Record Period. It is a directly wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	2,384	785	32.9
Customer L	A subsidiary of a company formerly listed on NEEQ	2,164	2,164	100.0
Customer G	One of our five largest customers during the Track Record Period. It is an indirect subsidiary of a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	2,094	2,094	100.0
Others	—	5,537	2,445	44.2
Total		**20,067**	**15,023**	**74.9**

The trade receivables aging over 180 days as of June 30, 2020 for Customers E, A, I, L and G amounted to approximately RMB14.5 million or 72.4% of the total trade receivables aging over 180 days of all customers that were being granted a credit period extension for the six months ended June 30, 2020. Approximately RMB12.6 million of such trade receivables aging over 180 days as of June 30, 2020 for these five customers had been settled as of November 30, 2020.

Such customers with credit periods extended can be categorized as (i) our largest five customers during the Track Record Period; (ii) customers as or affiliated to car manufacturer; (iii) ongoing customers which had made payments for our services for the six months ended June 30, 2020; and (iv) others. The following table sets forth the trade receivables aging over 180 days as of June 30, 2020, of such customers categorized by customer type:

Customer Type	As of June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	RMB'000	RMB'000	(%)
Largest five customers during the Track Record Period	12,366	10,414	84.2
Customers as or affiliated to car manufacturer	2,575	1,600	62.1
Ongoing customer which had previously made payments	4,301	3,009	70.0
Others	825	—	—
Total	**20,067**	**15,023**	**74.9**

As communicated to the Company from such customers, most of them had experienced temporary delays with their cash flow during the months of the COVID-19 outbreak. Whilst the subsequent settlement from these customers with a credit period extension accounted for 74.9% of the total trade receivables as of June 30, 2020, our Directors believe that, considering (i) the business relationships with our ongoing customers and the settlements previously received from such ongoing customers; (ii) our relationship with our five largest customers during the Track Record Period and considering their status as or association with companies listed or formerly listed on recognized stock exchange; and (iii) the strategic benefits of working closely with customers as or affiliated to car manufacturer, to grant such a credit period extension to such customers would be in the interest of the Company. On this basis, our Directors believe that collection of trade receivables from these customers is expectable and there is no significant increase in credit loss of the trade receivables arising from them. We have already adjusted the historical loss rates to reflect current and forward-looking information on macroeconomic factors, including the COVID-19 outbreak, which will affect the settlement of the Group's trade receivables as of June 30, 2020. For details, please refer to Note 3.1 to the Accountant's Report in Appendix I to this prospectus. We have also been monitoring and checking the financial conditions of such customers, to ensure that the payment will be made eventually. Hence, by taking into account (i) the business rationale in providing such credit period extensions to the 12 customers as a result of the COVID-19 outbreak, which would not be a recurring practice of our Company; (ii) the financial conditions and repayment records of such customers; and (iii) that the majority of the long outstanding receivables were those from our largest five customers during the Track Record Period, 84.2% of which had been settled as of November 30, 2020, our Directors believe that sufficient provision has been made.

Financial assets at FVTPL

Financial assets at FVTPL represented our investment in wealth management products. Changes in fair value (realized and unrealized) of this financial assets had been recognized in "Other gains, net" in the consolidated statement of comprehensive income. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the financial assets at FVTPL were RMB7.1 million, RMB20.3 million, RMB41.7 million and RMB92.4 million. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gain from wealth management products amounted to approximately RMB0.6 million, RMB1.0 million, RMB1.9 million and RMB1.7 million, respectively. Please see Note 3.3 and Note 10 to the Accountant's Report in Appendix I for details of fair value estimation and gain of the financial assets at FVTPL.

As the principal or returns on the wealth management products are not guaranteed, and their contractual cash flows do not qualify for solely payments of principal and interest, the Group has thus classified their wealth management products as financial assets at FVTPL. The valuation technique used to value the wealth management products include the benchmarking of the expected cash inflows at the maturity of the instruments. The main level 3 inputs used by the Group are derived and evaluated as the return rates, which are estimated based on the terms of the contract and the Group's knowledge of the financial assets and how the current economic environment is likely to impact it. Please see Note 3.3 and Note 10 to the Accountant's Report in Appendix I for details of fair value estimation and gain of the financial assets at FVTPL.

In relation to the valuation of the financial assets at FVTPL, our Directors, adopted the following procedures: (i) reviewed the general terms of the product catalogue for the wealth management products; (ii) engaged in discussions of valuation process and results between our Group's internal valuation team that performs the valuation of financial assets carried at FVTPL required for financial reporting purposes in relation to wealth management products; (iii) carefully considered all information and its related inputs including the expected cash inflows and return rates at the maturity of the wealth management products; and (iv) considered factors such as the financial status of the wealth management products, the asset under management of the relevant product, the historical performance of similar wealth management products in the past, and risks associated with the underlying investments that the relevant wealth management product invests in. Based on the above procedures, our Directors are of the view that the valuation analysis of the financial assets at FVTPL is fair and reasonable.

Details of the fair value measurement of the financial assets at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of valuation inputs to fair value are disclosed in Note 3.3 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountant's Report issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I.

In relation to the valuation analysis performed by the Company on the financial assets at FVTPL, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I and the relevant documents provided by the Company with respect to the wealth management products; and (ii) discussed with the Company about the key basis and assumptions for the valuation of the financial assets at FVTPL. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the Company on the financial assets at FVTPL.

Convertible redeemable preference shares

On May 27, 2019 and pursuant to the Pre-IPO Investment Agreement, the Company has allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO Investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000. Despite the Series A

Preferred Shares were converted to ordinary shares on June 21, 2019 pursuant to the Pre-IPO Investment Agreement, the ordinary shares can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed according to the Pre-IPO Investment Agreement. Hence, the abovesaid ordinary shares continued being recognized as Series A Preferred Shares according to the substance. For further information regarding the convertible redeemable preference shares, please refer to Note 32 to the Accountant's Report set out in Appendix I to this prospectus.

We classified the convertible redeemable preference shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting periods. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of our Company, possibilities under different scenarios such as initial public offering and liquidation, time to liquidation and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair values of the conversion and redemption features of the convertible redeemable preference shares are set out in Note 32 to the Accountant's Report in Appendix I.

In relation to the valuation of the convertible redeemable preference shares, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the Pre-IPO Investment Agreement and the Pre-IPO Shareholders Agreement; (ii) engaged an independent suitably qualified valuer, provided material information that is likely to affect the valuation as part of the instructions to the valuer, so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions and valuation methodologies; (iii) carefully considered all information which require management assessments and estimates, including fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability; and (iv) reviewed the valuation working papers and valuation report prepared by the valuer and carefully considered, the reasonableness of key input data and major assumptions adopted, such as risk-free interest rate, lack of marketability discount and historical volatility of the comparable companies. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable.

Details of the fair value measurement of the financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of valuation inputs to fair value are disclosed in note 3.3 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountant's Report issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I.

In relation to the valuation analysis performed by valuer on the convertible redeemable preference share, the Sole Sponsor conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Company about the key basis and assumptions for the valuation of the financial liabilities. Having considered the procedures by the Directors and Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the financial liabilities.

Trade receivables and contract assets turnover days

The following table sets forth our average trade receivables and contract assets turnover days for the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade receivable and contract assets turnover days[(1)]	192	223	238	335

Note:

(1) Trade receivables and contract assets turnover days were calculated based on the average of the opening and closing balance of our trade receivables and average of the opening and closing balance of our contract assets divided by revenue for the relevant year/period multiplied by 365/182 days.

Our trade receivables and contract assets turnover days increased from 192 in 2017 to 223 in 2018, and further to 238 in 2019. For the six months ended June 30, 2020, we recorded our trade receivables and contract asset turnover days at 335. The increase throughout this period was primarily in line with the increase of the trade receivable turnover days in the corresponding period.

As of November 30, 2020, approximately RMB2.6 million, or 89.3%, of contract assets as of June 30, 2020 were subsequently recognized as trade receivable.

The following table sets forth the details of our wealth management products we have invested during the Track Record Period:

Year	Name of issuing bank	Nature of wealth management product	Amount RMB'000	Risk tolerance level	Estimated annual return rates	Maturity dates
2017	China Merchants Bank	Investment Plan (No. 91180)	4,000	Balanced	4.8%	January 22, 2018
	China Merchants Bank	Investment Plan (No. 91180)	3,000	Balanced	4.8%	January 22, 2018
2018	China Merchants Bank	Investment Plan (No. 98182)	4,000	Cautious	4.8%	January 15, 2019
	China Merchants Bank	Investment Plan (No. 98182)	6,000	Cautious	4.7%	February 11, 2019
	China Merchants Bank	Investment Plan (No. 98364)	5,000	Cautious	4.7%	August 14, 2019
	China Merchants Bank	Investment Plan (No. 98063)	5,000	Cautious	3.9%	February 11, 2019
2019	China Merchants Bank	Investment Plan (No. 98091)	5,000	Cautious	3.7%	February 12, 2020
	China Merchants Bank	Investment Plan (No. 98182)	6,000	Cautious	3.9%	January 9, 2020
	China Merchants Bank	Investment Plan (No. 98182)	5,000	Cautious	3.8%	February 25, 2020
	China Merchants Bank	Investment Plan (No. 98364)	10,000	Cautious	4.2%	April 10, 2020
	China Merchants Bank	Investment Plan (No. 98364)	5,000	Cautious	3.9%	October 9, 2020
	China Merchants Bank	Ding Ding Investment Plan (No. 65114)	10,000	Cautious	5.8%	April 8, 2021
2020	China Merchant Bank	Investment Plan (No. 7007)	6,000	Cautious	2.5%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 80008)	1,400	Cautious	3.0%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 7007)	2,000	Cautious	2.5%	N/A[(1)]

Year	Name of issuing bank	Nature of wealth management product	Amount RMB'000	Risk tolerance level	Estimated annual return rates	Maturity dates
	China Merchant Bank	Investment Plan (No. 80008)	6,000	Cautious	3.0%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 98182)	6,000	Cautious	3.6%	October 20, 2021
	China Merchant Bank	Investment Plan (No. 7007)	3,000	Cautious	2.5%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 99035)	17,000	Cautious	3.2%	July 9, 2020
	China Merchant Bank	Investment Plan (No. 99035)	6,000	Cautious	3.2%	July 16, 2020
	Bank of NingBo	Investment Plan (No. 6)	490	Cautious	3.7%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	3,410	Cautious	3.7%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 80008)	5,000	Cautious	3.0%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	700	Cautious	3.7%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	7,000	Cautious	3.7%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	1,100	Cautious	3.7%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	4,400	Cautious	3.7%	N/A[(1)]
	Bank of NingBo	Investment Plan (No. 6)	7,000	Cautious	3.7%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 98364)	5,000	Cautious	3.9%	October 7, 2020
	China Merchant Bank	Ding Ding Investment Plan (No. 65144)	10,000	Cautious	4.7%	April 8, 2021

Note:

(1) These wealth management products do not have a maturity date and are redeemable on demand.

We invested with our surplus cash on hand in wealth management products issued by financial institutions in the PRC for our short-term cash flows and treasury management purposes. These wealth management products are generally of nature similar to term deposit and include short-term financial products issued by reputable and sizeable financial institutions in China with a maturity term generally ranging from 30 days to 180 days. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our investment in wealth management products increased from approximately RMB7.1 million in 2017 to RMB20.3 million in 2018, and further to RMB41.7 million in 2019 and RMB92.4 million in the first half of 2020 for treasury management purpose in order to maximize the utilization of surplus cash received from our business operations, with a view to achieving balanced yields whilst maintaining liquidity and a low to moderate level of risk. Taking into account of, among others, (i) the low to moderate level of risks; (ii) the expected rate of return; and (iii) the shorter terms to maturity generally within one year, the Directors consider that the wealth management products provided the Group with better return than deposits generally offered by commercial banks and increase the Group's overall earnings in the long run. The wealth management products have been closely and effectively monitored and managed by the Company. As of the Latest Practicable Date, the Group did not experience any losses on the wealth management products. Further, the wealth management products were funded by the surplus cash of the Group and would not affect the working capital or the operation of the Group. As such, the Directors are of the view that the wealth management products are fair and reasonable and in the interests of the Company and the shareholders as a whole.

According to our internal treasury policies, our investment processes include (i) our finance team would identify and recommend wealth management products from different reputable financial institutions in China; (ii) our senior management would make decision on a case-by-case basis and after due and careful consideration of a number of factors, including market conditions, potential investment risk, investment costs and duration of investment; and (iii) once a decision is made to invest in the wealth management product, our finance team is responsible for managing activities and monitoring the investment status up to its maturity. See "Risk Factors—We are subject to risks relating to our investments in wealth management products".

Trade payables

Our trade payables primarily represent amounts payable to suppliers relating to our Online Advertising Service, including fees payable to advertisement filming and production and IT service providers. During the Track Record Period, our trade payables were denominated in RMB. We generally settled payments to our suppliers by bank transfer or bank bills. As of December 31, 2017, 2018 and 2019, our trade payable balance were approximately RMB4.8 million, RMB4.9 million, RMB5.5 million. As of June 30, 2020, our trade payable balance was approximately RMB5.1 million. Our trade payable balance increased from approximately RMB4.8 million as of December 31, 2017 to RMB4.9 million as of December 31, 2018, to RMB5.5 million as of December 31, 2019, primarily due to the increase in fees payable to suppliers for services rendered to us. Our trade payable balance as of June 30, 2020 remained relatively stable as compared to that as of June 30, 2019. The trade payables for over two years of approximately RMB1.2 million as of December 31, 2017, 2018 and 2019, respectively, was due to us being unable to locate two suppliers prior to our acquisition of the business and assets of "Cheshi.com", therefore, we were unable to pay out this sum of trade payables.

Our suppliers generally grant us a credit period from 30 days up to 90 days from the date of the invoices. The following table sets forth an aging analysis of our trade payables based on recognition date as of the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,458	3,045	1,984	1,328
3 to 6 months	1,122	415	1,199	753
6 to 12 months	—	196	1,094	811
12 to 24 months	—	—	—	1,002
Over 2 years	1,242	1,242	1,242	1,242
	4,822	**4,898**	**5,519**	**5,136**

The following table sets forth our average trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade payables turnover days(1)	67	83	66	102

Note:

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of providing services for the relevant year/period multiplied by 365/182 days.

The increase in trade payables turnover days from 67 days as of December 31, 2017 to 83 days as of December 31, 2018 was primarily due to longer credit terms granted to us by our five largest suppliers in 2018. The decrease of turnover days to 66 as of December 31, 2019 was because we accelerated payments to some of our suppliers in 2019 in order to maintain good relationships with them, considering the level of cash available for our business operations. Our trade payables were generally made within the credit period granted by our suppliers during the Track Record Period. For the six months ended June 30, 2020, the increase of our turnover days to 102 was primarily due to the longer credit period being allowed to us in settling their invoices because of the general office closures as a result of the COVID-19 outbreak in the PRC in March and April 2020.

As of November 30, 2020, approximately RMB2.7 million, representing approximately 53.3% of our Group's trade payables outstanding as of June 30, 2020, were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Accruals and other payables

Our accruals and other payables mainly comprise payroll and welfare payable, other taxes payable and others. The following table sets forth the breakdown of accruals and other payables for the periods indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Other payables	67	71	—	—
Current portion				
Payroll and welfare payable	7,771	18,266	24,219	17,161
Other taxes payable	7,472	13,412	16,401	11,694
Trading deposits received	637	487	519	519
Rebate payables	2,366	2,814	1,607	2,382
Listing expenses payables	—	3,076	7,232	9,221
Payable to advertising service providers	5,367	2,436	7,847	7,512
Others	895	2,166	2,851	2,867
Total	**24,575**	**42,728**	**60,676**	**51,356**

Our accrual and other payables increased from approximately RMB24.6 million as of December 31, 2017 to approximately RMB42.7 million as of December 31, 2018, and approximately RMB60.7 million as of December 31, 2019, primarily as a result of an increase of payroll and welfare payable, other taxes payable and other payables. Payroll and welfare payable primarily relate to the salaries and benefits, including social and commercial insurance premium and housing provident fund contributions payable by us. It increased from approximately RMB7.8 million as of December 31, 2017 to approximately RMB18.3 million as of December 31, 2018, and approximately RMB24.2 million as of December 31, 2019, the increases of which were in line with the increase of our number of staff due to our business expansion. The number of our total employees increased from 157 as of December 31, 2017 to 174 as of December 31, 2018, and increased further to 193 as of December 31, 2019. As of June 30, 2020, our accrual and other payables were approximately RMB51.4 million, the decrease of which was primarily due to decrease in our payroll and welfare payable to approximately RMB17.2 million, as our number of employees decreased from 193 in 2019 to 163 in 2020.

The other taxes payable primarily represents urban maintenance and construction tax, education tax, education surtax and culture construction tax payable, which increased from approximately RMB7.5 million as of December 31, 2017 to approximately RMB13.4 million as of December 31, 2018 and further to approximately RMB16.4 million as of December 31, 2019, which is in line with our revenue increase. As of June 30, 2020, the other taxes payable decreased to approximately RMB11.7 million, which was in line with our revenue decrease.

Payable to advertising service providers refers to fees payable to advertisers for our own brand promotion. Fees payable to brand promotion service providers are generally in line with the movement of our advertisement fees spent for our own brand promotion during the Track Record Period. Listing expenses payables represent the fees payable to professional consultancy in relation to the Listing, which increases from approximately RMB3.1 million in 2018 to approximately RMB7.2 million in 2019 and further to approximately RMB9.2 million as of June 30, 2020.

Amount due to director and from shareholders

We recorded (i) amount due to a director of approximately RMB2,000 as of December 31, 2017, (ii) amounts due from shareholders of approximately RMB331,000 as of December 31, 2019 and (iii) amount due from an associate of approximately RMB351,000 as of June 30, 2020. The amount due to the director was unsecured at an interest of 4.35% per annum and repayable on demand as of December 31, 2017, whereas the amount due to the former shareholder was unsecured, interest-free and repayable on demand.

The amount due to a director has been settled in 2018 whereas the amounts due from shareholders of approximately RMB331,000 represents the unpaid sum derived from increase of authorized share capital on June 21, 2019. The shareholders confirm that such amount would be settled prior to the Listing.

Income Tax Payable

Our income tax payable decreased from approximately RMB15.8 million as of December 31, 2017 to RMB11.8 million as of December 31, 2018 and further to approximately RMB10.0 million as of December 31, 2019, which was primarily due to our payment of income tax of approximately RMB16.9 million in 2018 and approximately RMB7.9 million in 2019, respectively. As of June 30, 2020, our income tax payable was approximately RMB9.6 million.

Goodwill

In October 2015, Congshu Beijing completed the acquisition of the online advertising platform which the Group is now operating at, from an Independent Third Party. In accordance with IFRS 3 (Revised), "Business Combinations", the Group is required to recognize the identifiable assets acquired, liabilities assumed and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation to allocate the purchase consideration to the identifiable assets acquired and liabilities assumed at the acquisition date.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. Impairment test of goodwill is performed annually at period end at December 31, or whenever there is impairment indicator, by management.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the following key assumptions:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Revenue growth rate	10.0% to 31.5%	10.0% to 34.0%	10.0% to 20.6%	8.1% to 30.9%
Gross profit margin	85.9% to 86.1%	82.7% to 85.6%	83.0% to 83.9%	80.9% to 83.2%
Discount rate (pre-tax)	21.4%	21.0%	20.6%	21.0%

The management assumptions used in revenue growth rate and gross profit margin are based on historical records and synergy arose from the business combination. The management assumption used in the pre-tax discount rate is based on the industry data and the cash-generating unit's debt and equity structure.

As of December 31, 2017, the recoverable amount of the cash-generating unit of RMB319,044,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB19,301,000 (including goodwill of RMB6,153,000) by RMB299,743,000.

As of December 31, 2018, the recoverable amount of the cash-generating unit of RMB553,757,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB15,938,000 (including goodwill of RMB6,153,000) by RMB537,819,000.

As of December 31, 2019, the recoverable amount of the cash-generating unit of RMB574,610,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB12,724,000 (including goodwill of RMB6,153,000) by RMB561,886,000.

As of June 30, 2020, the recoverable amount of the cash-generating unit of RMB 505,202,000, which was calculated based on value-in-use calculation, exceeded its carrying amount of RMB 25,189,000 (including goodwill of RMB 6,153,000) by RMB 480,013,000.

Sensitivity analysis

If the revenue growth rate had been 5.0% higher or lower than management estimate as of December 31, 2017, 2018 and 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB58.0 million, RMB88.0 million, RMB71.0 million and RMB75.0 million, respectively.

If the gross profit margin had been 2.0% higher or lower than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB27.0 million, RMB41.0 million, RMB34.0 million and RMB36.0 million, respectively.

If the discount rate (pre tax) had been 1.0% higher than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB30.0 million, RMB46.0 million, RMB38.0 million and RMB33.0 million, respectively.

If the discount rate (pre tax) had been 1.0% lower than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB35.0 million, RMB53.0 million, RMB48.0 million and RMB37.0 million, respectively.

After taking into consideration of the above sensitivity analysis, there is no shortfall of the recoverable amount comparing with the carrying amount of the cash-generating unit.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

KEY FINANCIAL RATIOS

	As of and for the year / six months ended			
	December 31,			June 30,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin(1)	85.7%	86.5%	83.8%	83.9%
Net profit margin(2)	23.4%	30.2%	29.1%	42.0%
Return on equity(3)	35.3%	63.0%	40.5%	35.3%
Return on total assets(4)	21.3%	25.2%	19.1%	17.6%
Liquidity ratios				
Current ratio(5)	2.2	1.5	2.7	2.9

Notes:

(1) The calculation of gross profit margin is based on gross profit for the year or period divided by revenue for the respective year or period and multiplied by 100%.

(2) The calculation of net profit margin is based on the net profit divided by revenue for the respective year or period and multiplied by 100%.

(3) Calculated as profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period, then multiplied by 100%. Return on equity for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average equity.

(4) Calculated as profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period, then multiplied by 100%. Return on asset for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average assets.

(5) The calculation of current ratio is based on our current assets divided by our current liabilities at the end of each financial period.

Analysis of Key Financial Ratios

Gross profit margin and net profit margin

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period. The substantial increase in the net profit margin from 23.4% in 2017 to 30.2% in 2018 is mainly attributable to our substantial decrease in marketing and promotion expenses for promotion of our own brand and platform from approximately RMB23.5 million in 2017 to approximately RMB8.4 million in 2018; and (ii) the preferential tax treatment Congshu Beijing enjoyed in 2018 as High and New Technology Enterprise.

The decrease in the net profit margin from 30.2% in 2018 to 29.1% in 2019 was primarily due to an increase of administrative expenses in 2019 as a result of a substantial increase in listing expenses.

Our gross profit margin remained relatively stable at 83.8% for the year ended December 31, 2019 and at 83.9% as for the six months ended June 30, 2020. Our net profit margin increased from 29.1% as of December 31, 2019 to 42.0% for the six months ended June 30, 2020, which was primarily due to the increase in other gain from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, as a result of the latest valuation of our convertible redeemable preference shares, as well as a decrease in our overall expenditure for the six months ended June 30, 2020.

Return on equity

Our return on equity increased from 35.3% in 2017 to 63.0% in 2018, primarily due to our increase of profit attributable to shareholders from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018 as a result of our improved profitability. Our return on equity decreased from 63.0% in 2018 to 40.5% in 2019 primarily due to an substantial increase in the total equity contributed by the increase of retained earning.

Our return of equity decreased to 35.3% as of June 30, 2020 mainly attributable to our decreased profit attributable to shareholders and increase of total equity in our retained earnings.

Return on total assets

Our return on total assets increased from 21.3% for 2017 to 25.2% for 2018 was primarily because of our increased profit attributable to shareholders of approximately RMB27.5 million in 2017 and approximately RMB47.6 million in 2018 as a result of our business expansion, whereas our total assets increased from approximately RMB129.3 million in 2017 to approximately RMB189.2 million in 2018. The decrease on our return on total assets to 19.1% was due to the increase of total asset from approximately RMB189.2 million in 2018 to approximately RMB270.1 million in 2019 attributable to the increase of cash and cash equivalents.

Our return on total assets decreased to 17.6% as of June 30, 2020 mainly attributable to increase of our total asset in 2020 in our property, plant and equipment.

Current ratio

Our current ratio subsequently decreased from 2.2 as of December 31, 2017 to 1.5 as of December 31, 2018 due to the increase of trade and bill receivables from approximately RMB81.5 million as of December 31, 2017 to approximately RMB102.3 million as of December 31, 2018, as well as our increase in cash and cash equivalents from approximately RMB14.5 million as of December 31, 2017 to approximately RMB36.1 million as of December 31, 2018 while our current liabilities had a larger increase due to dividend payable as of December 31, 2018.

Our current ratio increased from 1.5 as of December 31, 2018 to 2.7 as of December 31, 2019, which is attributable to the increase of current asset from approximately RMB170.5 million in 2018 to approximately RMB255.2 million in 2019 whereas our current liabilities decreased from approximately RMB113.6 million in 2018 to RMB94.1 million in 2019.

Our current ratio increased from 2.7 for the year ended December 31, 2019 to 2.9 for the six months ended June 30, 2020, which was primarily due to the decrease in current liabilities from approximately RMB94.1 million in 2019 to RMB88.2 million in 2020 being mainly attributable to the decrease in accruals and other payables in 2020.

SENSITIVITY ANALYSIS

During the Track Record Period, the revenue was approximately RMB117.6 million, RMB157.8 million, RMB177.6 million and RMB58.9 million, respectively. Fluctuation in the revenue would affect our Group's profit margin. In such event, our revenue may decrease unexpectedly due to a number of factors, such as, overall decline of economy in China and market condition, and the financial performance and profitability of our Group may be adversely affected. The following table sets forth the sensitivity analysis on our revenue, based on the hypothetical fluctuations of 10%, 20% and 30%, respectively, and their effects on our Group's profit before income tax for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 with all other variables held constant.

		Year ended December 31,			Six months ended June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
	Percentage decrease	Change in profit/(loss) before tax		before tax	
Revenue	10%	(11,758)	(15,785)	(17,762)	(5,890)
	20%	23,516	(31,569)	(35,523)	(11,779)
	30%	(35,273)	(47,354)	(53,285)	(17,669)

During the Track Record Period, our largest operating expense components included employee benefit expenses. Employee benefit expenses amounted to approximately RMB29.7 million, RMB48.9 million, RMB53.8 million and RMB19.5 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, representing approximately 25.3%, 31.0%, 30.3% and 33.1% of our revenue of approximately RMB117.6 million, RMB157.8 million, RMB177.6 million and RMB58.9 million for the corresponding periods, respectively. Any material fluctuation in employee benefit expenses may affect the results of our operations. The following table sets forth the sensitivity analysis on our employee benefit expenses, based on the hypothetical fluctuations of 10%, 20% and 30%, respectively, and their effects on our Group's profit before income tax for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 with all other variables held constant.

		Year ended December 31,			Six months ended June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
	Percentage increase	Change in profit/(loss) before tax		before tax	
Employee benefit expenses	10%	(2,973)	(4,890)	(5,380)	1,951
	20%	(5,946)	(9,780)	(10,760)	3,901
	30%	(8,918)	(14,670)	(16,140)	5,852

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and pre-IPO investments from our shareholders. As of the Latest Practicable Date, we did not have any loan facilities and loan covenants. We consider it would be difficult for our Group to obtain bank borrowings on favorable terms without personal guarantees and/or other collateral provided by our Controlling Shareholders. As of December 31, 2017, 2018 and 2019, we had cash and cash equivalent of RMB 14.5 million, RMB36.1 million, RMB76.7 million, respectively. As of June 30, 2020 and October 31, 2020, we had cash and cash equivalents of approximately RMB55.3 million and RMB31.5 million (unaudited).

Liquidity Management Measures

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our customers to meet our payment obligations to our suppliers from time to time and there is a mismatch in the cash inflow from customers and cash outflow to our suppliers. Our cash inflow is dependent on the prompt settlement of our invoices by our customers. Our trade receivable turnover days were approximately 180 days, 213 days and 223 days, for each of the three years ended December 31, 2017, 2018 and 2019, respectively, which were considerably longer than our trade payable turnover days during the corresponding periods, being approximately 67 days, 83 days and 66 days, respectively. For the six months ended June 30, 2020, our trade receivable turnover days were 318 days and our trade payable turnover days were 102 days, the increase of which were as a result of delayed payment settlements allowed as a response to the general office closures in March and April 2020 due to the COVID-19 outbreak in the PRC, which according to the CIC Report, was consistent with the market behavior at the material time. Accordingly, our Directors consider it is necessary to take measures to carefully manage our cash resources and to maintain our existing cash on hand to support the working capital requirements of our daily operation. In order to manage our liquidity position in view of such potential cash flow mismatch, we have adopted the following measures to mitigate the risk of cash flow mismatch:

(i) we grant credit terms to counterparties in accordance with our internal credit control procedures. The credit terms granted to our customers have been assessed, taking into consideration of their creditworthy in the industry, trading and payment history with us, business, financial and ownership background and other factors. Our finance team meet regularly with senior management and sales team for an update of the trade receivables, such as, aging condition and collectability analysis. Also, our senior management and sales team would decide on the credit period to be extended to such customer or proceed with debt recovery action depending on a number of factors, such as credit history and our historical business relationship with such customer. Our senior management also established and executed debt collection procedures, including monitoring the aging of trade receivables on an ongoing basis, sending out payment reminders on timely basis to debtors that have been overdue, and seeking legal advice if any action needs to be taken against the debtors with long outstanding balances.

(ii) after we issue invoices to our customers, a record of the invoice is entered onto the invoice register maintained by our finance team. Our finance team will then closely monitor the settlement of invoices by our customers to ensure that payment is made by our customers within the credit periods granted to them and update the trade receivables aging report monthly. Our finance staff check the aging of trade debts on a regular basis, and overdue trade debts are passed to our sales team to follow up with the respective customers.

(iii) our finance team is also responsible for the overall monitoring of our current and expected liquidity requirements by preparing a monthly cash flow report which is submitted to our senior management to ensure that we maintain sufficient financial resources to meet our liquidity requirements.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities and the proceeds from the Global Offering. Please see “Risk Factor—The timing of our payment to suppliers may not match our receipt from customers”.

Cash flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	19,720	38,778	53,021	27,212	31,969
Net cash generated from/(used in) investing activities	5,634	(12,563)	(19,791)	(16,410)	(50,615)
Net cash (used in)/generated from financing activities	(12,821)	(4,544)	6,862	11,341	(3,460)
Net increase/(decrease) in cash and cash equivalents	12,533	21,671	40,092	22,143	(22,106)
Cash and cash equivalents at the beginning of the year/period	1,926	14,459	36,130	36,130	76,670
Effect on exchange rate difference	—	—	448	(232)	767
Cash and cash equivalents at end of the year/period	**14,459**	**36,130**	**76,670**	**58,041**	**55,331**

Net cash generated from operating activities

Our cash inflow from operating activities was principally derived from the receipt of payments for the provision of the Online Advertising Service. Our cash used in operating activities was principally for payment of staff costs, income tax, selling and distribution expenses and administrative and other operating expenses.

The increase in our net cash inflow from operating activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly attributable to an increase of profit before taxation from approximately RMB37.7 million to RMB59.7 million as a result of our continuing expansion of Online Advertising Service during such period and an increase of accruals and other payable in 2018. It was partially offset by (a) the payment of income tax paid of approximately RMB16.9 million, (b) the increase of trade and bill receivables, and (c) increase of administrative and R&D expenses in 2018.

The increase in our net cash inflow from operating activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly attributable to decrease in the payment of income tax of approximately RMB7.9 million in 2019 as compared to approximately RMB16.9 million in 2018 and an increase of accrual and other payable in 2019. It was partially offset by (a) the increase of trade and bill receivables, and (b) increase of selling and distribution, administrative and R&D expenses in 2019.

The increase in our net cash inflow from operating activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly attributable to the decrease in the payment of income tax of approximately RMB5.4 million for the six months ended June 30, 2020 as compared to approximately RMB8.9 million for the six months ended June 30, 2019 and decrease of trade and bill receivables. It was partially offset by a decrease in profit before income tax.

Net cash (used in)/generated from investing activities

Our net cash in investing activities primarily reflect (i) cash used in payments for purchases of property, plant and equipment, and (ii) cash generated from proceeds from disposal of financial assets at FVTPL.

The decrease in our net cash from investing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly due to increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

The increase in our net cash used in investing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly due to increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

The increase in our net cash used in investing activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly due to the increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

Net cash (used in)/generated from financing activities

During the Track Record Period, our cash flows in financing activities primarily consisted of (i) cash used in return of capital to a former shareholder, repayments of loan from a director, repayment of borrowing and payment of lease liabilities, and (ii) cash generated from capital injection from shareholders and proceeds on issuance of convertible redeemable preferred shares.

The decrease of our net cash used in financing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly due to the absence of return of capital to a former shareholder, repayments of loan from a director and repayment of borrowing.

The increase in our net cash generated from financing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly due to the receipt of proceeds on issuance of convertible redeemable preferred shares, which was partially offset by the dividend paid in 2019.

The increase of our net cash used in financing activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly due to the absence of proceeds from the issuance of convertible redeemable preference shares.

WORKING CAPITAL SUFFICIENCY STATEMENT

We intend to finance our working capital needs with cash generated from our operations, the net proceeds from the Global Offering and other funds raised from capital markets from time to time.

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital requirements principally from cash generated from our operating activities and capital injection from our shareholders. Our Directors are of the view that, taking into account the net proceeds of the Global Offering, our current cash and cash equivalents and our anticipated cash flows from operations, we believe, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and at least for the next 12 months following the date of this prospectus.

CAPITAL COMMITMENTS

Capital commitments

As of December 31, 2017 and 2018 and 2019 and June 30, 2020 and October 31, 2020 (being the latest practicable date for the indebtedness statement in this prospectus), our Group has no significant capital commitments.

INDEBTEDNESS

Our indebtedness as at December 31, 2017, 2018 and 2019 and June 30, 2020 and October 31, 2020 comprises the amount due to a director, lease liabilities and convertible redeemable preference shares, details of which are summarized in the following table:

	December 31, 2017	December 31, 2018	December 31, 2019	June 30, 2020	October 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Amount due to a director	2	—	—	—	—
Convertible redeemable preference shares	—	—	48,377	42,445	43,182
Lease liabilities	5,365	3,407	555	12,786	11,193
	5,367	**3,407**	**48,932**	**55,231**	**54,375**

Amount due to a director

As of December 31, 2017, we had an amount due to a director of RMB2,000, which was unsecured and unguaranteed. In 2018, the amount was settled.

Lease liabilities

The Group has adopted IFRS 16 throughout the Track Record Period as stated in Note 2 to Accountant's Report. As such, we recognized right-of-use assets and the corresponding liabilities in respect of all leases, except for short-term and low value leases, in the Group's consolidated statements of financial position. As of December 31, 2017, 2018 and 2019 and June 30, 2020 and October 31, 2020, the Group had lease liabilities amounted to approximately RMB5.4 million, RMB3.4 million, RMB0.6 million and RMB12.8 million and RMB11.2 million, respectively.

Convertible redeemable preference shares

As of June 30, 2020 and October 31, 2020, we had liabilities in relation to convertible redeemable preference shares amounted to approximately RMB42.4 million and RMB43.2 million. Pursuant to the Pre-IPO Investment Agreement signed between us and the pre-IPO investor, the convertible redeemable preference shares were converted to ordinary shares on June 21, 2019. However, according to the Pre-IPO Investment Agreement, the aforesaid ordinary shares can be converted back to the convertible redeemable preference shares when the listing event has been denied, rejected or dismissed. Hence, the aforesaid ordinary shares continued to be recognized as convertible redeemable preference shares according to the substance.

For further information regarding the convertible redeemable preference shares, please refer to Note 32 to the Accountant's Report set out in Appendix I to this prospectus.

As of October 31, 2020, our Company did not have any banking facilities.

CONTINGENT LIABILITIES

As of December 31, 2017 and 2018, and 2019, June 30, 2020 and October 31, 2020, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we did not have any significant contingent liabilities or guarantees.

Save for trade payables incurred in our ordinary course of business and those disclosed in the above paragraphs, our Group did not have any (i) debt securities issued and outstanding, or agreed to be issued, term loans, whether guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured and unsecured; (iii) mortgages and charges; and (iv) other material contingent liabilities, as at October 31, 2020, being the latest practicable date for the purpose of the indebtedness statement in this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted primarily of: (i) purchases of computer and electronic equipment; (ii) purchases of office furniture and equipment; (iii) right-of-use assets; (iv) asset retirement obligation and (v) leasehold improvement. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we incurred capital expenditures of approximately RMB5.3 million, RMB2.6 million, RMB2.2 million and RMB16.0 million, respectively. The following table sets forth a breakdown of our capital expenditure for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Computer and electronic equipment	55	355	317	185
Office furniture and equipment	—	4	3	29
Right-of-use assets	5,145	2,232	1,901	14,791
Asset retirement obligation	67	—	—	—
Leasehold improvement	—	—	—	1,014
Total	**5,267**	**2,591**	**2,221**	**16,019**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we received advertising services from Netcom Agency, our former related party and a shareholder of Congshu Beijing prior to October 11, 2017. The revenue generated from the transactions with Netcom Agency was approximately RMB0.4 million, nil and nil in 2017, 2018 and 2019, respectively. The provision of advertising services from Netcom Agency to us were made at prices and terms mutually agreed by the respective parties.

In addition, we recorded amount due to a director with a total amount of approximately RMB2,000, nil and nil in 2017, 2018 and 2019, respectively. The amount due to a director amounted to approximately RMB2,000 and was unsecured, at an interest of 4.35% per annum and repayable on demand as of December 31, 2017. We recorded amounts due from shareholders with a total amount of nil, nil and approximately RMB0.3 million in 2017, 2018 and 2019, respectively. The amounts due from shareholders amounted to approximately to RMB0.3 million and was unsecured, interest-free and repayable on demand during as at December 31, 2019. We also recorded an amount due from an associate with a total amount of approximately RMB0.4 million as of June 30, 2020. The amount due from an associate represented the unpaid loan sum lent by us to Leikewo in May 2020 totalling at RMB350,000. This amount was unsecured and, as confirmed by our Directors, repayable prior to the Listing. The amounts due to a director has been fully settled in 2018 whereas the amounts due from a shareholders remain outstanding.

For further details of our related party transactions, see Note 30 to the Accountant's Report in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on arm's length basis and on normal commercial terms or such terms that were no less favorable to our Group than those available to Independent Third Parties, were considered fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, which are set forth in detail in Note 3 to the Accountant's Report in Appendix I to this prospectus.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. In addition, PRC laws and regulations require that dividends of a PRC enterprise be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws and regulations also require a PRC enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends.

It is the dividend policy of our Board, in considering the payment of dividends, to allow shareholders of our Company to participate in our Group's profits whilst retaining adequate reserves for our Group's future growth. The declaration, payment and amount of dividends will be subject to our Directors' discretion. Our Group shall consider the factors before declaring or recommending dividends, including without limitation (a) our Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of our Company and each of the members of our Group; (c) our Group's working capital requirements, capital expenditure requirements and future expansion plans; (d) our Group's liquidity position; (e) general economic conditions, business cycle of our Group's business and other internal or external factors that may have an impact on the business or financial performance and position of our Company; and (f) our Board may also consider other applicable factors to determine the declaration, payment and amount of dividends. The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and our Company's constitutional documents. Our Group will continually review our dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

During the year ended December 31, 2018, dividend amounting to RMB21.0 million in relation to the year ended December 31, 2017 and RMB29.0 million in relation to the year ended December 31, 2018 was declared by Congshu Beijing to its then shareholders. RMB5.0 million, RMB30.0 million and RMB1.4 million had been paid on January 30, 2019, May 23, 2019 and October 30, 2019, respectively. All such dividends were settled in cash. The remaining balance of the dividend payable will be paid before the Listing. Our business growth and financial conditions have substantially improved during the Track Record Period. The Directors believe that as a result of the development of our Group due to Mr. Xu's (who is our founder, executive Director and the chairman of our Board) dedicated service, time commitment and leadership, for the years ended December 31, 2017, 2018 and 2019, we had profit attributable to shareholders of approximately RMB27.5 million, RMB47.6 million and RMB51.7 million, respectively. Our Directors consider that the retained earnings of our Group accumulated over the past years are attributable to the support of our existing Shareholders, in particular, our executive Director, Mr. Xu, on the development of our Group. Therefore, our Directors consider it fair and justifiable to reward our existing Shareholders through dividend distribution. The Directors consider that the purpose of the Global Offering is to raise funds for future business expansion, enlarging the shareholder base of the Company and to provide a platform to carry out future expansion. After taking into account the working capital needs of the Group, the Directors are of the view that the declaration and payment of dividends do not undermine the existing Shareholders' long-term commitment to our Group as it serves as a means to reward our Shareholders for their prior years' efforts in the development of the Group enlarging shareholder base and future business expansion. Our Directors confirm that our Group had sufficient resources to make distribution and that it would not have any material adverse impact on our Group's financial position, considering our current healthy financial conditions.

No dividends had been paid or declared by our Company since our incorporation and up to the Latest Practicable Date. Congshu Beijing declared dividends in the aggregate amount of RMB50.0 million for the two years ended December 31, 2018. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. See the section headed "Risk Factors—We may not pay any dividends on our Shares" for details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on November 22, 2018 and is an investment holding company. As of June 30, 2020, we had reserves of approximately RMB100.7 million available for distribution to our Shareholders.

LISTING EXPENSES

We expect the total estimated amount of listing expenses (including underwriting commissions) would be approximately RMB37.8 million (based on mid-point of our indicative price range of HK$1.18 for the Global Offering and assuming that the Over-allotment Option is not exercised) by the completion of the Global Offering. For the Track Record Period, we incurred listing expenses of approximately RMB22.3 million which was charged to our consolidated statements of comprehensive income as listing expenses. We will incur approximately RMB15.5 million, of which an estimated amount of approximately RMB5.4 million will be charged to our consolidated statements of comprehensive income and an estimated amount of approximately RMB10.1 million will be charged to equity for the year ending December 31, 2020. The total estimated amount of listing expenses (including underwriting commission) accounted for approximately 18.5% of our gross proceeds from the Listing assuming the Offer Price is fixed at HK$1.18 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised).

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See the section headed "Unaudited Pro Forma Financial Information" set out in Appendix II to this prospectus for our unaudited pro forma adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

On June 25, 2019, in recognition of the contributions of our Directors, senior management and key employees and to further incentivize them to promote our development, we have adopted the SA Scheme and the RSU Scheme, pursuant to which 100,000,000 underlying Shares (representing 10.00% of our issued share capital immediately after the allotment and issue of such Shares) were allotted and issued to the RSU Nominee and the SA Nominee for the purpose of the RSU Scheme and the SA Scheme, respectively. On December 25, 2020, the Board has resolved to grant Share Awards to certain of our executive Directors and selected employees of the Group, and to grant RSUs to selected employees of the Group, and such grants will be made immediately prior to the Listing. As at the date of this prospectus, all Shares underlying the Share Awards and the RSUs are held by the SA Nominee and the RSU Nominee, respectively, and the grants will not cause any dilution of shareholding of our Shareholders immediately upon the Listing. However, such grants are expected to have a non-cash financial effect on our Company and will be recorded as share-based payments of our Company. See the section headed "Statutory and General Information" in Appendix IV to this prospectus for further details.

An outbreak of respiratory illness caused by COVID-19 first emerged in January 2020 and continues to expand globally. Since the outbreak of COVID-19, the PRC Government has imposed measures such as extended suspension of business operations, travel restrictions and school closures in China, in an effort to contain the spread of COVID-19. As of the Latest Practicable Date, COVID-19 had spread to over 140 countries and territories around the world with the death toll from the outbreak and the number of infected cases continuing to rise. The outbreak is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC.

For the six months ended June 30, 2020, the COVID-19 outbreak had impacted certain aspects of our business. In particular, we had been unable to organize group-purchase events for our Transaction Facilitation Service as a result of the government restrictions on gathering and movement due to the COVID-19 outbreak, which led to the number of such group-purchase events to drop from 59 (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020. Moreover our revenue generated from our Online Advertising Service decreased from approximately RMB75.2 million to approximately RMB58.7 million, as we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020. Our Directors believe that this was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) were pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020.

As of the Latest Practicable Date, all of our business operations of our Online Advertising Service had resumed to normal levels and the Transaction Facilitation Service business had been in gradual recovery. Considering that the revenue generated from our Online Advertising Service experienced a relatively lesser impact than that by the Transaction Facilitation Service, and that the majority of our revenue had been generated by our Online Advertising Service, our Directors are of the view that, in the long run, the impact of the COVID-19 outbreak on our revenue would be relatively limited. Our Directors will remain on alert and will closely monitor the market situation and any future developments in relation to the COVID-19 outbreak.

Please see the section ended "Business—Impact of the Outbreak of COVID-19 on our operation in the PRC" in this prospectus for details.

Our Directors confirmed that save as disclosed above and for the expenses incurred and accrued in connection with the Listing, there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial condition materially and adversely.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules.