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## Cheshi Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1490)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Cheshi Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company, its subsidiaries and its consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020, as follows:

#### FINANCIAL SUMMARY

	Six months ended 30 June		
	2021	2020	Changes
	RMB'000	RMB'000	%
Revenue	<b>94,165</b>	58,897	59.9
Gross profit	<b>76,734</b>	49,425	55.3
Profit for the period attributable to owners of the Company	<b>16,114</b>	24,707	(34.8)
Adjusted net profit <sup>(1)</sup>	<b>32,687</b>	22,441	45.7

(1) Adjusted net profit is defined as profit for the period adjusted by adding back or excluding share-based compensation expenses, listing expense, and fair value gain on convertible redeemable preference shares. This represents a non-IFRS financial measure. Please also see paragraph headed “Other Financial Information (Non-IFRS Measures): Adjusted Net Profit” below.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	For the six months ended	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	4	94,165	58,897
Cost of providing services	5	<u>(17,431)</u>	<u>(9,472)</u>
<b>Gross profit</b>		<u>76,734</u>	<u>49,425</u>
Other income	6	10,680	1,664
Other (losses)/gains, net	7	(1,142)	8,366
(Net impairment loss)/reversal of net impairment loss on financial and contract assets	5	(640)	1,873
Selling and distribution expenses	5	(25,235)	(16,794)
Administrative expenses	5	(28,591)	(13,057)
Research and development expenses	5	<u>(9,302)</u>	<u>(3,275)</u>
<b>Operating income</b>		<b>22,504</b>	<b>28,202</b>
Finance income		108	161
Finance costs		<u>(218)</u>	<u>(223)</u>
Finance costs, net		(110)	(62)
Share of loss of an associate		<u>-</u>	<u>(56)</u>
<b>Profit before income tax</b>		<b>22,394</b>	<b>28,084</b>
Income tax expense	8	<u>(6,280)</u>	<u>(3,377)</u>
<b>Profit for the period attributable to owners of the Company</b>		<u><b>16,114</b></u>	<u><b>24,707</b></u>
<b>Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)</b>			
Basic	9	<u><b>0.01</b></u>	<u>0.03</u>
Diluted	9	<u><b>0.01</b></u>	<u>0.02</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Profit for the period	<u>16,114</u>	<u>24,707</u>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial asset at fair value through other comprehensive income	<u>3</u>	<u>–</u>
Other comprehensive income for the period, net of tax	<u>3</u>	<u>–</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u><u>16,117</u></u>	<u><u>24,707</u></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and right-of-use assets		<b>11,418</b>	13,614
Intangible assets		<b>10,437</b>	10,836
Long-term deposits		<b>1,597</b>	1,597
Deferred tax assets		<b>1,735</b>	1,790
Financial asset at fair value through other comprehensive income		<b>391</b>	388
		<hr/> <b>25,578</b>	<hr/> 28,225
<b>Current assets</b>			
Prepayments, deposits and other receivables		<b>36,331</b>	22,547
Amounts due from shareholders		–	310
Contract assets		<b>6,516</b>	669
Trade and bill receivables	<i>11</i>	<b>117,883</b>	127,078
Financial assets at fair value through profit or loss	<i>12</i>	<b>80,894</b>	133,083
Cash and cash equivalents		<b>273,355</b>	27,382
		<hr/> <b>514,979</b>	<hr/> 311,069
<b>Total assets</b>		<hr/> <b>540,557</b>	<hr/> 339,294

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		840	655
Share premium		248,088	–
Treasury shares		(55)	(69)
Reserves		80,949	65,785
Retained earnings		147,441	132,002
		<u>477,263</u>	<u>198,373</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		4,403	6,587
		<u>4,403</u>	<u>6,587</u>
<b>Current liabilities</b>			
Trade payables	13	1,683	3,032
Contract liabilities		5,848	2,280
Accruals and other payables	14	34,673	54,517
Lease liabilities		5,080	5,484
Dividend payable		–	13,600
Income tax payable		11,607	7,680
Convertible redeemable preference shares	15	–	47,741
		<u>58,891</u>	<u>134,334</u>
<b>Total liabilities</b>		<u><u>63,294</u></u>	<u><u>140,921</u></u>
<b>Total equity and liabilities</b>		<u><u>540,557</u></u>	<u><u>339,294</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile advertising service in the People's Republic of China (the "PRC") (the "Business"). The ultimate holding company of the Company is X Technology Group Inc. ("X Technology"). The ultimate controlling party of the Group is Mr. Xu Chong ("Mr. Xu").

The Company was listed on 15 January 2021 on the Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, except for the adoption of new and amended standards as set out below:

### (a) New and amended standards and revised conceptual framework adopted by the Group

The following amended standards and framework have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The adoption of the above amendments to standards did not have any significant financial impact on this condensed consolidated interim financial information.

**(b) New and amended standards and annual improvement that have been issued but are not yet effective during the period and have not been early adopted by the Group**

The Group has not early adopted the following new and amended standards and annual improvement that have been issued but are not yet effective for the period:

Amendments to Annual Improvement Project	Annual Improvements to IFRSs 2018-2020 <sup>(2)</sup>
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments <sup>(2)</sup>
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>(1)</sup>
Amendments to IAS 1 and Practice Statement 2	Disclosure of accounting policies <sup>(3)</sup>
Amendments to IAS 8	Definition of accounting estimates <sup>(3)</sup>
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use <sup>(3)</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>(3)</sup>
IFRS 17 (New Standard)	Insurance Contracts <sup>(3)</sup>
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>

- (1) effective for accounting periods beginning on or after 1 April 2021
- (2) effective for accounting periods beginning on or after 1 January 2022
- (3) effective for accounting periods beginning on or after 1 January 2023
- (4) no mandatory effective date is determined yet but early application is permitted

There are no standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

### **3 SEGMENT INFORMATION**

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions. The CODM considers that the Group has two operating and reporting segments and assesses the performance of these segments based on revenue. No information of segment results, segment assets and liabilities are presented since the resources allocation and performance assessment does not include the segment results, assets and liabilities.

As a result of this evaluation, the Group determined that it has operating segments as follows:

- the provision of automobile-related advertising service and publication of automobile-related articles and videos, both of which are published on the Group's online platform ("**Online advertising service**"); and
- the provision of transaction facilitation service, is assisting car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles; or trading automobiles to customers during the advertising campaign of car dealers and assisting in logistic arrangements and quality inspection ("**Transaction facilitation service**").

## Geographical information

All the revenue of the Group was generated in the PRC for the six months ended 30 June 2021 and 2020. All non-current assets were kept in the PRC as at 30 June 2021 and 31 December 2020.

The revenue geographical information above is based on where the Company and its subsidiaries are located. The non-current asset information above is based on the locations of the assets.

## 4 REVENUE

(a) An analysis of the Group's revenue for the six months ended 30 June 2021 and 2020 is as follows:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue from contracts with customers:		
<i>Recognised over time</i>		
Online advertising service	93,583	58,720
Transaction facilitation service	–	177
<i>Recognised at a point in time</i>		
Transaction facilitation service	582	–
	<u>94,165</u>	<u>58,897</u>

(b) Information about the major customer

Revenue from transactions with the external customer accounting for 10% or more of Group's total revenue is as follows:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Customer A	N/A <sup>(1)</sup>	10,450
Customer B	11,409	N/A <sup>(1)</sup>

(1) The respective customers did not contribute over 10% of the total revenue of the Group in the corresponding periods.

## 5 EXPENSES BY NATURE

Expenses included in (net impairment loss)/reversal of net impairment loss on financial and contract assets, cost of providing services, selling and distribution expenses, administrative expenses and research & development expenses are analysed as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Marketing and promotion expenses	10,284	5,277
Amortisation of intangible assets	534	476
Depreciation of property, plant and equipment	464	190
Depreciation of right-of-use assets	2,523	2,888
Employee benefit expenses	40,740	19,507
Expense of website maintenance and internet improvement	9,131	1,232
Advertisement production and other direct expenses	8,483	4,817
Listing expenses	2,087	3,666
Other taxes	1,200	1,204
Legal and professional fee	1,696	1,224
Provision for impairment of financial and contract assets	640	1,854
Reversal of bad debt previously written off	–	(3,727)
Auditors' remuneration	724	–
Miscellaneous	2,693	2,117
	<b>81,199</b>	<b>40,725</b>

## 6 OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Government grant (Note (a))	5,380	402
Value added tax super credit	432	750
Consultancy income (Note (b))	4,555	–
Others	313	512
	<b>10,680</b>	<b>1,664</b>

(a) The amount represents government grant from Chaoyang People's Government of the PRC in respect of the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2021. There are no unfulfilled conditions and other contingencies attached to the government grant.

(b) The consultancy income represents advisory service in relation to merger and acquisition provided to an independent third party during the period ended 30 June 2021 with contract sum of RMB4.6 million.

**7 OTHER (LOSSES)/GAINS, NET**

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Fair value gain on financial assets at FVTPL	803	1,662
Fair value gain on convertible redeemable preference shares	–	5,932
Exchange (loss)/gain, net	<u>(1,945)</u>	<u>772</u>
	<u><b>(1,142)</b></u>	<u><b>8,366</b></u>

**8 INCOME TAX EXPENSE**

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current income tax	6,225	5,166
Deferred income tax	<u>55</u>	<u>(1,789)</u>
Income tax expense	<u><b>6,280</b></u>	<u><b>3,377</b></u>

The Group's principal applicable taxes and tax rates are as follows:

**(a) Cayman Islands**

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

**(b) British Virgin Islands**

The Group's entities incorporated in British Virgin Islands are not subject to tax on income or capital gains.

**(c) Hong Kong**

Hong Kong profits tax has not been provided as the Group entities incorporated in Hong Kong has no estimated assessable profit for the period ended 30 June 2021 (2020: Nil).

**(d) PRC corporate income tax ("CIT")**

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The statutory PRC CIT rate is 25% for the six months ended 30 June 2021 (2020: 25%).

One subsidiary of the Group in the PRC was approved as High and New Technology Enterprise on 25 October 2017 and subject to further renewal on 25 October 2023, and accordingly, it was subject to a reduced preferential CIT rate of 15% for the six months ended 30 June 2021 (2020: 15%), according to the applicable CIT Law.

(e) **Withholding tax on undistributed profits**

According to CIT law, distribution of profits earned by PRC companies since 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the six months ended 30 June 2021 and 2020, the Group does not have any profit distribution plan. Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to RMB15,904,000 (31 December 2020: RMB13,704,000), as at 30 June 2021 of the Group's subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

9 **EARNINGS PER SHARE**

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners of the Company by the weighted average number of outstanding ordinary shares in issue during the six months ended 30 June 2021 and 2020.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the Pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the above said ordinary shares continued being recognised as Series A Preferred Shares according to the substance. Accordingly, the aforesaid ordinary shares and the 25,000,000 bonus shares were not included in the calculation of basic earnings per share for the six months ended 30 June 2020. On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to equity owners of the Company (RMB'000)	<b>16,114</b>	24,707
Weighted average number of ordinary shares in issue	<b>1,131,039,779</b>	850,000,000
Basic earnings per share (in RMB/share)	<b><u>0.01</u></b>	<u>0.03</u>

**(b) Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share equals to the basic earnings per share for the six months ended 30 June 2021 as there were no potential dilutive ordinary shares outstanding during the period.

For the six months ended 30 June 2020, the diluted earnings per share was calculated by considering the impact of the aforesaid 25,000,000 Series A Preferred Shares and 25,000,000 bonus shares, in which the related redemption feature of the Pre-IPO Shareholder's Agreement is in the money and has dilutive impact on the earnings per share calculation.

	Six months ended 30 June 2020
<b>Diluted earnings per share</b>	
Profit attributable to equity owners of the Company (RMB'000) (i)	18,775
Weighted average number of ordinary shares in issue (ii)	900,000,000
Diluted earnings per share (in RMB/share)	<u>0.02</u>

**(i) Reconciliations of earnings used in calculating diluted earnings per share**

	Six months ended 30 June 2020 RMB'000
Profit attributable to the ordinary equity owners of the Company:	
Used in calculating basic earnings per share	24,707
Less: fair value gain on convertible redeemable preference shares	<u>(5,932)</u>
Used in calculating diluted earnings per share	<u>18,775</u>

**(ii) Weighted average number of shares used as the denominator**

	Six months ended 30 June 2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000
Adjustments for calculation of diluted earnings per share:	
Convertible redeemable preference share and bonus shares	<u>50,000,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>900,000,000</u>

## 10 DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## 11 TRADE AND BILL RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Bill receivables	27,046	10,597
Trade receivables	97,006	122,349
	<u>124,052</u>	<u>132,946</u>
Less: allowance for impairment	(6,169)	(5,868)
	<u>117,883</u>	<u>127,078</u>

- (a) The credit terms of trade receivables granted by the Group is generally 180 days. The ageing analysis based on recognition date of the gross trade receivables is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 90 days	47,541	63,771
91 to 180 days	32,415	26,974
181 to 365 days	13,821	24,805
Over 1 year	3,229	6,799
	<u>97,006</u>	<u>122,349</u>

Ageing of bill receivables was within 6 months as at 30 June 2021 and 31 December 2020.

- (b) The carrying amounts of the Group's trade and bill receivables were denominated in RMB and approximated to their fair values as at 30 June 2021 and 31 December 2020.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

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, the Group classified them as financial assets at FVTPL. Changes in fair value (realised and unrealised) of the financial assets had been recognised in "Other (losses)/gains, net" in the condensed consolidated interim income statement.

The financial assets at FVTPL were denominated in RMB as at 30 June 2021 and 31 December 2020.

### 13 TRADE PAYABLES

Trade payables are non-interest-bearing.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 90 days	391	1,045
91 to 180 days	–	386
181 to 365 days	50	359
Over 2 years	1,242	1,242
	<u>1,683</u>	<u>3,032</u>

The carrying amounts of the Group's trade payables were denominated in RMB and approximated to their fair values as at 30 June 2021 and 31 December 2020.

### 14 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
<b>Current portion</b>		
Payroll and welfare payable	12,456	17,225
Other taxes payable	13,143	12,509
Trading deposits received	382	392
Rebate payables	367	1,209
Listing expense payables	2,825	12,939
Payable to advertising service providers	1,876	7,211
Others	3,624	3,032
	<u>34,673</u>	<u>54,517</u>

### 15 CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the Company became 475,000,000 Ordinary Shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the Pre-IPO Investment Agreement, the Company 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.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the abovesaid ordinary shares continued to be recognised as Series A Preferred Shares according to the substance.

(a) **Conversion feature**

Each Series A Preferred Share may, at the option of the holder, be converted at any time after the original issue date into fully-paid ordinary shares at an initial conversion ratio of 1:1 subject to adjustment for share split, ordinary share dividends and distributions, reorganisation and other similar capitalisation events.

(b) **Redemption feature**

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the Pre-IPO Shareholder's Agreement.

The Company shall redeem the preferred shares if (i) the Company has failed to apply for the initial public offering on or before the 31 December 2020, or the Company has failed to obtain listing status by 31 December 2021; or (ii) the Group or the founding shareholder maliciously violate the clauses or fail to perform their obligations as stated in the Pre-IPO Shareholder's Agreement; or (iii) the Group has failed its profit guarantee to a) obtain accumulated net profit of 2019 and 2020 by RMB80,000,000 after exclusion of non-operating income and expenses; or b) obtain net profit by RMB40,000,000 after exclusion of non-operating income and expenses; or (iv) the founding shareholder or its related party misappropriate the Group's funds or other assets.

In addition, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date. The ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed.

The redemption price shall be paid by the Company to the Preferred Shares holder by the amount equal to the issue price of the Series A Preferred Shares, plus a ten percent (10%) per annum single interest of the issue price on each Series A Preferred Shares accrued during the period from the issue date of each Series A Preferred Shares until the date stated on redemption notice on which the Preferred Shares are to be redeemed, net with any paid dividends.

(c) The movement of the convertible redeemable preferred shares is set out as below:

	<b>RMB'000</b>
As at 1 January 2020	48,377
Changes in fair value	<u>(636)</u>
As at 31 December 2020 (Audited)	47,741
Conversion of convertible redeemable preferred shares	<u>(47,741)</u>
As at 30 June 2021 (Unaudited)	<u><u>–</u></u>

(d) 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 period.

The Group estimated the risk-free interest rate based on the CNY China Sovereign Bond. The DLOM was estimated based on the option-pricing method. Volatility was estimated based on historical volatility of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the conversion feature and redemption feature was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each valuation date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

2021 represents a year full of challenges and opportunities for the automobile industry. According to the CIC Report, based on the steady growth of the overall automobile market and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, representing a CAGR of 3.3% from 2019, while the expenditure of the automobile online advertising market is expected to reach RMB28.9 billion by 2024, representing a CAGR of 8.6% from 2019. Furthermore, it was noted from public sources that online auto advertisements penetration, in terms of online auto advertisements spending as a percentage of total auto advertisements spending, has increased from 33.7% in 2015 to 55.3% in 2020 and is expected to continue to increase to 56.0% by 2021.

With the weakening impact of the COVID-19 outbreak, automobile sales and marketing expenditures in the first half of 2021 have rebounded comparing to the corresponding period in 2020. Following the continuous shift of automobile marketing budget from offline to online and the emergence and development of 5G technology, artificial intelligence, big data and algorithms, innovative and interactive online advertising tools and given the Group's sophisticated and strong in-house technology capabilities, the Company believes that it is in an advantageous position to develop its business and capture new business opportunities. Moreover in mid-2020, China's automobile industry has also recovered strongly. In light of the continuous recovery of the automobile industry, the Company obtained positive results by generating approximately RMB94.2 million in revenue for the six months ended June 30, 2021 as compared to approximately RMB58.9 million for the corresponding period in 2020.

## **Group Overview**

Founded in September 2015, the Group has developed into one of the leading automobile vertical media advertising platforms in China and is committed to provide its business partners and end users with comprehensive and high-quality automobile content and one-stop marketing solutions. The automobile content is produced by the Group's in-house content team and distributed across its proprietary platforms, comprising of the Group's PC websites, mobile websites and mobile applications and a network of over 1,000 business partner platforms. The Group's widely distributed content drives high user traffic which in turn attracts automobile advertisers to use its advertising services and which in turn would solidify the Group's market position in the automobile vertical media advertising industry.

Following the successful Listing on January 15, 2021, the Company has access to the capital markets in Hong Kong which could enhance its financial position and brand awareness. Furthermore, the Company's business partners and customers' confidence towards the Group as well as its employees' sense of belonging increased. In 2021, the Company is committed to continue expanding its business operations, strengthen its competitiveness among its competitors and increase its market share by producing high quality automobile content and will look to develop relationships with more business partner platforms to enhance its brand awareness and gain more customer recognition.

## **Business Overview**

Following the recovery of the automobile industry in 2021, the Group recorded an increase of revenue generated from the Group's Transaction Facilitation Services by approximately 228.8%, from approximately RMB0.2 million for the six months ended June 30, 2020 to approximately RMB0.6 million for the six months ended June 30, 2021. For the six months ended June 30, 2021, the Group recorded an increase of revenue generated from the Group's Online Advertising Service by approximately 59.4% from approximately RMB93.6 million as compared to approximately RMB58.7 million for its corresponding period in 2020. This was attributable to the fact that both the number and amount of orders from customers increased as compared with that of the corresponding period. As a result, the Group's revenue amounted to approximately RMB94.2 million for the six months ended June 30, 2021, representing an increase of approximately 59.9% from the six months ended June 30, 2020 and its gross profit for the six months ended June 30, 2021 amounted to approximately RMB76.7 million, increasing by approximately 55.3% as compared to the corresponding period in 2020. The Group's net profit amounted to approximately RMB16.1 million for the six months ended June 30, 2021, representing a decrease of 34.8% from the corresponding period in 2020, due to the increase of the Company's equity incentive expenses and sales and R&D expenses. The Group's adjusted net profit as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) listing expenses, and (iii) fair value gain on convertible redeemable preference shares amounted to approximately RMB32.7 million for the six months ended June 30, 2021, representing an increase of 45.7% from the corresponding period in 2020, due to the weakened impact from the pandemic and the increased number and amount of orders from customers in the first half of the year. For further details of the Group's adjusted net profit and the calculation, please refer to the paragraphs headed "Other Financial Information (Non-IFRS measures): Adjusted net profit" in this announcement.

Set out below are the important milestones of the Group's businesses for the six months ended June 30, 2021:

**(1) *The Group continued to strengthen its leading market position in the automobile advertising industry in the People's Republic of China ("PRC")***

For the six months ended June 30, 2021, the Company continued to optimize and improve its automobile new media content matrix. The Company now has several leading vertical automobile platforms such as Cheshi.com, xnews18.com (網新社), pika18.com (皮卡車市) and haoche18.com (豪車事). The Company can publish contents across platforms throughout the whole internet by one click through its self-developed vertical cloud service system, Picker. Meanwhile, the Company strengthened the creation of short-form video content and put more investment in operation in the first half of 2021. At present, the Company has 12 KOLs of proprietary short-form video, 20 KOLs of cooperative institutions and 197 personal KOLs, in which two proprietary IPs, "Cheshi.com" and "xnews18.com" have always ranked near the top of influence lists of mainstream vertical media and social media for a long time.

**(2) *The establishment of strategic cooperation with ICBC***

The Company established a strategic cooperation relationship and entered into a cooperation agreement with ICBC in the first half of 2021 for the provision of all-around automobile information and data services.

**(3) *The continual development of the Group's Software as a Service ("SaaS") services***

The Group had made certain improvement of SaaS services for the first six months of 2021, including product development and function upgrading. At present, it has three products which can help users to acquire customers precisely, provide digital marketing and empower customer management. Based on the combination of cloud management platform, big data and artificial intelligent core algorithm, the Group aims to provide the automobile industry with all-around, digital and cross-platform marketing solutions through its SaaS services.

## **Outlook**

In the second half of 2021, the Company intends to continue to build on its future business plans and strategies. Such development initiatives include:

**(1) *Solidifying the Group's market position in the automobile vertical media advertising industry***

The Group plans to enhance the quality and quantity of its PGC, enhance its brand awareness and collaboration with KOLs, strengthen the collaboration with its business partners and expand its geographical coverage and user base in tier three and lower cities and extend the Company's customer base.

**(2) *Strengthening the Group’s research and development and further enhancing its IT systems, products development and SaaS services***

The Group plans to optimize its Picker engine, enhance its IT systems infrastructure by installing new computer servers, improve its SaaS services and develop new and efficient technological products and tools, which could help automakers and auto dealers in their R&D and marketing processes as well as provide them with targeted and precise one-stop marketing and after-sales services.

The Company also aims to provide automakers and auto dealers in China with high-quality technical services and SaaS services, which helps them in their provision of R&D, marketing, sales and after-sales services throughout the automobile life cycle. The Company’s provision of SaaS services also collects useful user data and information on its end-to-end delivery capabilities which in doing so the Company can improve its service delivery to meet the different needs of its users and customers and create added value for its own business development.

**(3) *Selectively pursuing strategic alliance, investment and acquisition opportunities***

The Company plans to evaluate and selectively pursue strategic alliance, investment and acquisition opportunities to complement its existing services and strategies. Its search criteria for suitable targets include PGC producers, we-media advertising platforms and enterprises in automobile technology and new energy fields, etc., which (i) can create synergy with the business of the Group through their services and core technologies; (ii) have good user traffic; and (iii) in sound and stable financial condition.

**(4) *Actively exploring commercial opportunities in the automobile industrial internet***

The Group plans to actively provide platform and technology empowering to enterprises in the upstream and downstream of the industry chain through innovative model and optimized business, and carry out prospective planning and layout in automobile travel, financial leasing, used car transaction and other fields, promoting the digital upgrading of the industry chain and improving the industrial efficiency.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended June 30, 2021, the Group's total revenue was approximately RMB94.2 million, representing an increase of approximately RMB35.3 million, or approximately 59.9%, from approximately RMB58.9 million for the six months ended June 30, 2020. The increase in revenue was mainly due to the increase in revenue generated from the Group's Online Advertising Services by approximately RMB34.9 million, or approximately 59.4%, from approximately RMB58.7 million for the six months ended June 30, 2020 to approximately RMB93.6 million for the six months ended June 30, 2021.

### **Operating expenses**

The Group's operating expenses increased by approximately RMB40.5 million, or approximately 99.4%, from approximately RMB40.7 million for the six months ended June 30, 2020 to approximately RMB81.2 million for the six months ended June 30, 2021. The increase was mainly due to (i) the increase in marketing and promotion expenses by approximately RMB5.0 million, or approximately 94.9%, to approximately RMB10.3 million for the six months ended June 30, 2021 from RMB5.3 million for the six months ended June 30, 2020 due to the increase in revenue from main operations; (ii) the increase in employee benefit expenses by approximately RMB21.2 million, or approximately 108.8%, to approximately RMB40.7 million for the six months ended June 30, 2021 from approximately RMB19.5 million for the six months ended June 30, 2020 which was primarily attributable to the share-based payment to the management of RMB14.5 million; (iii) the increase in website maintenance and internet improvement expenses by approximately RMB7.9 million, or approximately 641.2%, to approximately RMB9.1 million for the six months ended June 30, 2021 from approximately RMB1.2 million for the six months ended June 30, 2020 as the Group decided to allocate more resources to its website maintenance and internet improvement in 2021 which is in line with the Company's use of net proceeds from the Listing; (iv) the increase in advertisement production and other expenses by approximately RMB3.7 million, or approximately 76.1%, to approximately RMB8.5 million for the six months ended June 30, 2021 from approximately RMB4.8 million for the six months ended June 30, 2020 as while the auto shows were cancelled during the first six months in 2020, the auto shows were normally held during the first six months in 2021 leading to an increase of advertisement production and other direct expenses.

### **Gross profit and gross profit margin**

As a result of the above, gross profit increased by approximately RMB27.3 million, or approximately 55.3%, from approximately RMB49.4 million for the six months ended June 30, 2020 to approximately RMB76.7 million for the six months ended June 30, 2021. Gross profit margin decreased to approximately 81.5% for the six months ended June 30, 2021 from approximately 83.9% for the six months ended June 30, 2021.

## **Other income**

The Group's other income increased by approximately RMB9.0 million, or approximately 541.8%, to approximately RMB10.7 million for the six months ended June 30, 2021 from approximately RMB1.7 million for the six months ended June 30, 2020 mainly due to (i) the increase in government grants by approximately RMB5.0 million, or approximately 1,238.3%, from approximately RMB0.4 million for the six months ended June 30, 2020 to approximately RMB5.4 million for the six months ended June 30, 2021 which is comprised of a government grant obtained from the Chaoyang People's Government of the PRC due to the successful Listing of the Company; and (ii) the increase in consultancy income by approximately RMB4.6 million for the six months ended June 30, 2021 which represents the advisory services in relation to merger and acquisition provided to independent third parties.

## **Other losses and gains**

The Group recorded other net losses of approximately RMB1.1 million for the six months ended June 30, 2021 as compared to other gains of approximately RMB8.4 million for the six months ended June 30, 2020 which was mainly attributable to (i) the decrease in fair value gain on financial assets at fair value through profit or loss by approximately RMB0.9 million, or approximately 51.7%, from approximately RMB1.7 million for the six months ended June 30, 2020 to approximately RMB0.8 million for the six months ended June 30, 2021 as the Company reduced the number of purchases of financial assets at fair value through profit or loss in 2021; (ii) the absence of the fair value gain on convertible redeemable preference shares for the six months ended June 30, 2021 as the 25,000,000 redeemable convertible series A preferred shares had all been automatically converted into fully-paid ordinary shares based on the then-effective conversion price on January 15, 2021; and (iii) the exchange loss in the amount of approximately RMB1.9 million recorded for the six months ended June 30, 2021 as compared with the exchange gain in the amount of approximately RMB0.8 million for the six months ended June 30, 2020. The exchange loss of approximately RMB1.9 million for the six months ended June 30, 2021 was due to fluctuations and changes in exchange rate on the Company's US\$ denominated cash and cash equivalents.

## **Selling and distribution expenses**

For the six months ended June 30, 2021, the Group's selling and distribution expenses amounted to approximately RMB25.2 million, representing an increase of approximately RMB8.4 million, or approximately 50.3%, from approximately RMB16.8 million for the six months ended June 30, 2020 mainly due to the increase in the number of sales personnel as well as the increase in marketing and advertisement optimization expenses.

## **Administrative expenses**

For the six months ended June 30, 2021, the Group's administrative expenses amounted to approximately RMB28.6 million, representing an increase of approximately RMB15.5 million, or approximately 119.0%, from approximately RMB13.1 million for the six months ended June 30, 2020 mainly due to the increases in equity incentive and administrative staff expenses.

## **Research and development expenses**

For the six months ended June 30, 2021, the Group's research and development expenses amounted to approximately RMB9.3 million, representing an increase of approximately RMB6.0 million, or approximately 184.0%, from approximately RMB3.3 million for the six months ended June 30, 2020 mainly due to the fact that the Group increased its investment in the research and development of SaaS products and sped up the iterative upgrade of its current technological products.

## **Finance costs**

For the six months ended June 30, 2021, the Group's finance costs amounted to approximately RMB0.2 million which remained relatively the same during the corresponding period in the previous year.

## **Income tax expense**

For the six months ended June 30, 2021, the Group's income tax expense amounted to approximately RMB6.3 million, representing an increase of approximately RMB2.9 million, or approximately 86.0% from approximately RMB3.4 million for the six months ended June 30, 2020.

## **Profit for the period**

For the six months ended June 30, 2021, profit attributable to owners of the Company was approximately RMB16.1 million (June 30, 2020: approximately RMB24.7 million) representing a decrease of approximately RMB8.6 million, or approximately 34.8%, from the corresponding period in the previous year.

## **Other Financial Information (Non-IFRS measures): Adjusted net profit**

To supplement the Group's consolidated results which are prepared and presented in accordance with International Financial Reporting Standards, the Company utilized non-IFRS adjusted net profit as an additional financial measure. Adjusted Net Profit is defined as profit for the period, as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) listing expenses, and (iii) fair value gain on convertible redeemable preference shares.

Adjusted net profit is not required by, or presented in accordance with, IFRS. The Company believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to their financial condition and results of operations, by eliminating any potential impact of items that the Group's management does not consider to be indicative of the Group's operating performance. The Company also believes that the non-IFRS measures are appropriate for evaluating the Group's operating performance. However, the use of this particular non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following tables set forth reconciliations of the Group's non-IFRS measures for the six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

**For the six months ended June 30,**

	<b>2021</b>	<b>% of</b>	2020	% of	% of
	<b>RMB'000</b>	<b>Total</b>	<b>RMB'000</b>	<b>Total</b>	<b>period-</b>
		<b>revenue</b>		<b>revenue</b>	<b>over-</b>
					<b>period</b>
					<b>change</b>
Profit for the period	<b>16,114</b>	<b>17.1</b>	24,707	42.0	(34.8)
Add back/(exclude):					
Share-based compensation expenses	<b>14,486</b>	<b>15.4</b>	–	–	–
Listing expenses	<b>2,087</b>	<b>2.2</b>	3,666	6.2	(43.1)
Fair value gain on convertible redeemable preference shares	–	–	(5,932)	(10.1)	–
Non-IFRS measure adjusted net profit	<b>32,687</b>	<b>34.7</b>	22,441	38.1	45.7

**Liquidity and capital resources**

As of June 30, 2021, the Group had current assets of approximately RMB515.0 million (December 31, 2020: approximately RMB311.1 million) and current liabilities of approximately RMB58.9 million (December 31, 2020: approximately RMB134.3 million). The current ratio was 8.7 times as at June 30, 2021 as compared with 2.3 times as at December 31, 2020.

As of June 30, 2021, the Group's cash and cash equivalents amounted to approximately RMB273.4 million which is mainly funded from the net cash flows generated from financing activities. The cash and cash equivalents as at June 30, 2021 denominated in RMB, HK\$ and US\$ amounted to approximately RMB73.0 million, approximately HK\$224.1 million and approximately US\$0.2 million, respectively. As at June 30, 2021, the Group did not have any bank borrowings (December 31, 2020: nil). The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

	<b>For the six months ended June 30</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash generated from operating activities	<b>8,901</b>	31,969
Net cash generated from/(used in) investing activities	<b>52,066</b>	(50,615)
Net cash generated from/(used in) financing activities	<b>186,951</b>	(3,460)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>247,918</b>	(22,106)
Cash and cash equivalents as at the beginning of the period	<b>27,382</b>	76,670
Effect of exchange rate difference	<b>(1,945)</b>	767
<b>Cash and cash equivalents as at June 30</b>	<b>273,355</b>	55,331

### **Operating activities**

For the six months ended June 30, 2021, net cash generated from operating activities was approximately RMB8.9 million, which primarily included cash generated from operations of approximately RMB11.3 million for the six months ended June 30, 2021 offset by the income tax paid of approximately RMB2.5 million for the six months ended June 30, 2021. For the six months ended June 30, 2020, net cash generated from operating activities was approximately RMB32.0 million.

### **Investing activities**

For the six months ended June 30, 2021, net cash generated from investing activities was approximately RMB52.1 million which primarily included proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB104.1 million, offset primarily by the purchase of financial assets at fair value through profit or loss of approximately RMB51.1 million. For the six months ended June 30, 2020, net cash used in investing activities was approximately RMB50.6 million.

### **Financing activities**

For the six months ended June 30, 2021, net cash generated from financing activities was approximately RMB187.0 million which primarily included issuance of shares pursuant to the Listing of the Company of approximately RMB241.2 million, offset by (i) the transaction costs attributable to the Listing of the Company of approximately RMB37.8 million; (ii) the payment of lease liabilities of approximately RMB2.8 million and (iii) the dividend paid of approximately RMB13.6 million. For the six months ended June 30, 2020, net cash used in financing activities was approximately RMB3.5 million.

## Capital expenditure

The Group's capital expenditures mainly included (i) purchase of property, plant and equipment such as computer and electronic equipment and office furniture and equipment; and (ii) intangible assets such as computer software. Capital expenditures for the six months ended June 30, 2021 and 2020 are set out below:

	For the six months ended	
	June, 30	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	791	1,228
Intangible assets	135	164

## Exposure to Fluctuations in Foreign Exchange Rates

The Group's business operations are mainly conducted in the PRC with most of the transactions settled in RMB, being the Group's functional currency. The Board considers that the Group's business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities.

For the six months ended June 30, 2021, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

## Capital Structure

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares.

## Pledge of Assets

As of June 30, 2021, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2020: nil).

## Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets During the Reporting Period

On January 27, 2021, Congshu Beijing Technology Company Limited (縱樹(北京)科技有限公司)("Congshu Beijing"), as the subscriber, subscribed for the Ningyin Mixed Model 90-day Open Wealth Management Product No.2\* (寧銀理財寧贏混合類3個月定期開放式理財2號) (the "Financial Product") from the issuer, Bank of Ningbo Co., Ltd. (寧波銀行股份有限公司), at a subscription amount of RMB15.0 million in cash. The subscription of the Financial Product constituted a disclosable transaction of the Company under the Listing Rules. Please refer to the Company's announcement dated February 4, 2021 for more details.

On May 12, 2021, the two subsidiaries of the Company, Congshu Beijing as limited partner and Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司) as general partner entered into a partnership agreement with Taoyuan Investment Gongqingcheng Taoyuan Investment Management Co., Ltd.\* (共青城韜遠投資管理有限公司) as general partner in relation to the establishment of the partnership fund. Please refer to the Company's announcement dated May 12, 2021 for more details.

Save as disclosed herein, for the period ended June 30, 2021 and up to date of this announcement, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and capital assets.

### **Contingent Liabilities**

As of June 30, 2021, the Group did not have any material contingent liabilities (December 31, 2020: nil).

### **Employees and Remuneration Policies**

As of June 30, 2021, the Group had 223 full-time employees, all of whom were based in China (June 30, 2020: 163). For the six months ended June 30, 2021 the Group's employee benefit and expenses amounted to approximately RMB40.7 million (including salary, wages, and bonuses, pension costs and other social security costs, housing benefits, other employee benefits and share-based compensation).

The Company has established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of the Group's employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications.

### **Share Award Scheme and Restricted Share Unit Scheme**

The Company had adopted the Share Award Scheme and the Restricted Share Unit Scheme on June 25, 2019 (the "**SA and RSU Schemes**"). Details of the SA and RSU Schemes are set out in the section headed "Statutory and General Information – G. RSU Scheme and SA Scheme" in appendix IV to the Prospectus. Since the adoption of the SA and RSU Schemes, 80,000,000 share awards and 2,170,000 restricted share units of the Company have been granted.

The total expenses recognised in the condensed consolidated interim income statement for the six months ended June 30, 2021 for the share award and restricted share units granted under the Share Award Scheme and Restricted Share Unit Scheme are RMB14,478,000 and RMB8,000 respectively.

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on January 15, 2021. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$246.8 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net Proceeds (%)	Net proceeds from the Global Offering (HK\$ million)	Utilised up to the date of this announcement (HK\$ million)	Unutilised as at the date of this announcement (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Solidify the Company's market position and quantity of its PGC (Note 1)	39.8	98.2	6.0	92.2	By the end of 2023
Strengthen R&D and IT system and develop and promote new products (Note 2)	36.1	89.1	9.4	79.7	By the end of 2023
Future investments and acquisitions (Note 3)	14.1	34.8	0.0	34.8	By the end of 2023
Working capital	10.0	24.7	4.0	20.7	By the end of 2023
<b>Total</b>	<b>100.0</b>	<b>246.8</b>	<b>19.4</b>	<b>227.4</b>	

### Notes:

- (1) Solidify the Company's market position and quantity of its PGC by (i) enhancing quality and quantity of the Company's PGC; (ii) strengthening collaboration with business partners with content distribution focus and coverage in tier three and below cities and enhance our brand awareness in first tier cities; and (iii) capturing new customers and business opportunities
- (2) Strengthen R&D and IT system and develop and promote new products by (i) optimizing the Company's Picker engine; (ii) enhancing the Company's existing IT systems and infrastructure by installing new computer servers; and (iii) developing new products including Vehicle Owner Service (車主服務), Cheshi Hao (車市號), Cheshi Mall (車市商城) and Cheshi VR (車市 Virtual Reality).
- (3) Engage in future investments and acquisitions by investing in targets including PGC producers and we-media advertising companies with (i) capability to produce content with good quality and quantity that can supplement and enrich PGC, such as daily vehicle usage and maintenance, new energy vehicles and used vehicles; (ii) have good user traffic; and (iii) in sound and stable financial condition. The Company also considers to invest in companies which provide technology and service solutions that the Company believes can generate synergy with the Company's Transaction Facilitation Services.

The unutilised net proceeds are placed in licensed banks in Hong Kong as at the date of this announcement.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the proposed change of the English name of the Company from “Cheshi Holdings Limited” to “Cheshi Technology Inc.” and the proposed adoption of the Chinese name of “車市科技有限公司” as the dual foreign name of the Company as set out in the Company’s announcement dated July 6, 2021, circular dated July 29, 2021 and poll results announcement dated August 16, 2021. The Company has received a copy of the certificate of incorporation on change of name issued by the Registry of Companies in the Cayman Islands on August 19, 2021, certifying the Company was incorporated under the name of Cheshi Technology Inc. 車市科技有限公司 from August 19, 2021. The Company is in the process of registering with the Companies Registry of Hong Kong pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in relation to the change of the Company’s name and will further apply to the Stock Exchange for the change in its stock short name. Save as the above, the Group is not aware of any significant events after the six months ended June 30, 2021 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board of the Company does not recommend the payment of an interim dividend for the six months ended June 30, 2021 (June 30, 2020: Nil).

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as the deviation disclosed below, the Company had complied with all applicable code provisions set forth in CG Code during the period from the Listing Date to the six months ended June 30, 2021.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The role of Chairman and chief executive officer are both performed by Mr. Xu Chong. Given that Mr. Xu is one of the Group’s founders who had provided strategic guidance and leadership throughout the development of its business, the Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within the Group, and providing more effective and efficient overall strategic planning and management oversight for the Group. The Board considers that Mr. Xu’s dual role at this stage is conducive to maintaining the continuity of the Company’s policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

The Directors will continue to review and monitor the corporate governance practices of the Group for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date.

Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to six months ended June 30, 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES**

The Company nor any of its subsidiaries has purchased, redeemed or sold any listed securities of the Company during the period from the Listing Date to the six months ended June 30, 2021.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely, Mr. Ng Jack Ho Wan (chairman), Mr. Xu Xiangyang and Mr. Li Ming. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee, together with the management of the Company have reviewed the accounting principles and practices adopted by the Group as well as the unaudited condensed consolidated interim financial information and the interim results announcement of the Group for the six months ended June 30, 2021 and is of the view that the interim results for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

At the request of the Board, the Company’s external auditor, PricewaterhouseCoopers, has carried out a review of the unaudited condensed consolidated interim financial information in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

## **PUBLICATION OF INTERIM RESULTS AND 2021 INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.cheshi.com](http://www.cheshi.com). The interim report of the Company for the six months ended June 30, 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

### **DEFINITIONS**

In this interim results announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board” or “Board of Directors”	board of directors of the Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“CIC”	China Insights Industry Consultancy Limited, a market research and consulting company to conduct research and analysis of, and to produce an industry report of the automobile vertical media advertising industry in China
“CIC Report”	an industry report prepared by CIC on the automobile vertical media advertising industry in China in relation to the Global Offering of the Company
“Company” or “the Company”	Cheshi Holdings Limited, an exempted company incorporated in the Cayman Islands on November 22, 2018 with limited liability and the Shares are listed on the Main Board of the Stock Exchange on January 15, 2021 (Stock code: 1490)
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and in the context of the Prospectus, refers to the controlling shareholders of our Company, being Mr. Xu and X Technology

“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	director(s) of the Company
“Global Offering”	the Hong Kong Public Offering of 20,400,000 Shares for subscription by the public in Hong Kong and the International Offering (as defined respectively in the Prospectus) of initially 183,600,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and its consolidated affiliated entities, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IT”	information technology
“ICBC”	Industrial and Commercial Bank of China
“KOL”	Key opinion leader
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	January 15, 2021, the date on which the Shares of the Company were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Chong (徐翀), a founder, an executive Director, chairman of the Board, the chief executive officer of the Company and a Controlling Shareholder

“Online Advertising Service”	one of the Group’s two business segments, in which revenue is generated primarily by providing a range of advertising services and advertising solutions to our advertising agency, automaker and autodealer customers
“PC”	personal computer
“PGC”	professionally-generated content
“Picker”	the intelligent internet platform that serves content distribution
“Prospectus”	the prospectus of the Company dated December 31, 2020
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2021
“RSU”	restricted share unit
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Facilitation Service”	one of the Group’s two business segments, in which revenue is derived primarily by offering services and solutions to promote group-purchase events for autodealers and an insurance company

“US\$”	U.S. dollars, the lawful currency of the United States of America
“United States”	the United States of America
“X Technology”	X Technology Group Inc., a BVI business company incorporated under the laws of the BVI with liability limited by shares on November 19, 2018, which is wholly-owned by Mr. Xu and formerly known as XC Group Limited
“%”	per cent

By Order of the Board  
**Cheshi Holdings Limited**  
**XU Chong**  
*Chairman, Chief Executive officer  
and Executive Director*

Beijing, the PRC, August 31, 2021

*As at the date of this announcement the Board are Mr. XU Chong, Mr. LIU Lei, Mr. ZHU Boyang and Mr. LIN Yuqi as the executive Directors; and Mr. XU Xiangyang, Mr. LI Ming and Mr. NG Jack Ho Wan as the independent non-executive Directors.*