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Cheshi Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1490)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Cheshi Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company, its subsidiaries and its consolidated affiliated entities (collectively, the “**Group**”) for the year ended December 31, 2020 together with the comparative figures for the year ended December 31, 2019 as set out below.

FINANCIAL SUMMARY

	Year ended December 31		
	2020	2019	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	180,404	177,615	1.6
Gross Profit	152,461	148,763	2.5
Profit for the year attributable to owners of the Company	64,641	51,710	25.0
Adjusted net profit ⁽¹⁾	79,099	60,315	31.1

(1) Adjusted net profit is defined as profit for the year adjusted by adding back or excluding share-based compensation expenses, Listing expenses, over-provision of income tax expense in respect of the prior year and fair value gain on convertible redeemable preference shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

		2020	2019
	Note	RMB'000	RMB'000
Revenue	4	180,404	177,615
Cost of providing services		(27,943)	(28,852)
Gross profit		152,461	148,763
Other income		3,230	3,056
Other gains, net		812	3,932
Reversal of net impairment loss/(net impairment loss) on financial assets		1,569	(3,703)
Selling and distribution expenses		(34,185)	(47,757)
Administrative expenses		(34,809)	(34,426)
Research and development expenses		(10,469)	(12,507)
Operating income		78,609	57,358
Finance income		269	383
Finance costs		(493)	(84)
Finance (costs)/income, net		(224)	299
Share of profit of an associate		6	—
Profit before income tax		78,391	57,657
Income tax expense	5	(13,750)	(5,947)
Profit and total comprehensive income for the year attributable to owners of the Company		64,641	51,710
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
Basic	6	0.08	0.06
Diluted	6	0.07	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets		13,614	1,091
Intangible assets		10,836	11,633
Long-term deposits		1,597	—
Deferred tax assets		1,790	2,207
Financial asset at fair value through other comprehensive income		388	—
		<u>28,225</u>	<u>14,931</u>
Current assets			
Prepayments, deposits and other receivables		22,547	13,715
Amounts due from shareholders		310	331
Contract assets		669	8,056
Trade and bill receivables	8	127,078	114,563
Financial assets at fair value through profit or loss	9	133,083	41,656
Income tax recoverable		—	186
Cash and cash equivalents		27,382	76,670
		<u>311,069</u>	<u>255,177</u>
Total assets		<u><u>339,294</u></u>	<u><u>270,108</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		655	655
Treasury shares		(69)	(69)
Reserves		65,785	55,426
Retained earnings		132,002	71,612
Total equity		<u>198,373</u>	<u>127,624</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at December 31, 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		6,587	—
Convertible redeemable preference shares		<u>—</u>	<u>48,377</u>
		6,587	48,377
Current liabilities			
Trade payables	10	3,032	5,519
Contract liabilities		2,280	3,765
Accruals and other payables	11	54,517	60,676
Lease liabilities		5,484	555
Dividend payable		13,600	13,600
Income tax payable		7,680	9,992
Convertible redeemable preference shares	12	<u>47,741</u>	<u>—</u>
		134,334	94,107
Total liabilities		<u>140,921</u>	<u>142,484</u>
Total equity and liabilities		<u>339,294</u>	<u>270,108</u>

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 22, 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 XC Group Limited ("XC Group"). The ultimate controlling party of the Group is Mr. Xu Chong ("Mr. Xu").

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

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI") and convertible redeemable preference shares, which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(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 January 1, 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the amended standards and framework did not have any material impact on the current year or any prior periods.

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

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to IFRS 16	Covid-19-related Rent Concessions ⁽¹⁾
Annual Improvement Project (Amendments)	Annual Improvements to IFRSs 2018-2020 ⁽²⁾
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments ⁽²⁾
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
IFRS 17	Insurance Contracts ⁽³⁾
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

Notes

- (1) effective for accounting periods beginning on or after June 30, 2020
- (2) effective for accounting periods beginning on or after January 1, 2022
- (3) effective for accounting periods beginning on or after January 1, 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, which the Group assists car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles; or trades automobiles to customers during the advertising campaign of car dealers, assists in logistic arrangements and quality inspection ("Transaction facilitation service").

Geographical information

All the revenue of the Group was generated in the PRC during the year. All non-current assets were kept in the PRC.

The revenue geographical information above is based on where the Company and the 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 during the year is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers:		
<i>Recognised over time</i>		
Online advertising service	178,957	175,055
Transaction facilitation service	210	2,560
<i>Recognised at a point in time</i>		
Transaction facilitation service	1,237	—
	<u>180,404</u>	<u>177,615</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	<u>18,473</u>	<u>19,927</u>

5 INCOME TAX EXPENSE

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

The Group's entities incorporated in Hong Kong are subject to Hong Kong profits tax of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits during the year ended December 31, 2020 (2019: 16.5%).

(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 year ended December 31, 2020 (2019: 25%).

One subsidiary of the Group in the PRC was approved as High and New Technology Enterprise on October 25, 2017, and accordingly, it was subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2020 (2019: 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 years ended December 31, 2020 and 2019, 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 RMB14,315,000 (2019: RMB7,034,000), as at December 31, 2020 of the Group's subsidiaries in Mainland China earned after January 1, 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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax	13,333	11,326
Over-provision in respect of the prior year	—	(5,431)
Deferred income tax	<u>417</u>	<u>52</u>
Income tax expense	<u><u>13,750</u></u>	<u><u>5,947</u></u>

6 EARNINGS PER SHARE

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended December 31, 2020 and 2019, 850,000,000 ordinary shares being the number of issued ordinary shares of the Company as at December 31, 2020, were deemed to have been issued and allocated on January 1, 2017 as if the Company has been incorporated by then. In addition, the aforementioned 850,000,000 ordinary shares have been adjusted and applied retrospectively for the proportional changes in the number of ordinary shares with corresponding change in resources as a result of the issuance of ordinary shares by the Company as part of the Group reorganisation before the listing when computing the basic and diluted earnings per share for the years ended December 31, 2020 and 2019.

(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 years ended December 31, 2020 and 2019.

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 June 21, 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.

	2020	2019
Profit attributable to equity owners of the Company (RMB'000)	64,641	51,710
Weighted average number of ordinary shares in issue	850,000,000	850,000,000
Basic earnings per share (in RMB/share)	<u><u>0.08</u></u>	<u><u>0.06</u></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.

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.

	2020	2019
Profit attributable to equity owners of the Company (RMB'000) (i)	64,005	50,087
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (ii)	900,000,000	880,000,000
Diluted earnings per share (in RMB/share)	0.07	0.06

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

	2020 RMB'000	2019 RMB'000
Profit attributable to the ordinary equity owners of the Company:		
Used in calculating basic earnings per share	64,641	51,710
Less: fair value gain on convertible redeemable preference shares	(636)	(1,623)
Used in calculating diluted earnings per share	64,005	50,087

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

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000	850,000,000
Adjustments for calculation of diluted earnings per share: Convertible redeemable preference shares and bonus shares	50,000,000	30,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	900,000,000	880,000,000

7 DIVIDEND

The board of directors of the Company does not recommend the payment of any final dividend for the year ended December 31, 2020 (2019: nil).

8 TRADE AND BILL RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bill receivables	10,597	13,920
Trade receivables	122,349	102,863
	<u>132,946</u>	<u>116,783</u>
Less: allowance for impairment	(5,868)	(2,220)
Total trade and bill receivables, net	<u><u>127,078</u></u>	<u><u>114,563</u></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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	63,771	48,703
91 to 180 days	26,974	22,441
181 to 365 days	24,805	28,303
Over 1 year	6,799	3,416
	<u><u>122,349</u></u>	<u><u>102,863</u></u>

Ageing of bill receivables was within 6 months.

- (b) The carrying amounts of the Group's trade and bill receivables were denominated in RMB and approximated to their fair values.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 gains, net" in the consolidated statement of comprehensive income.

The financial assets at FVTPL were denominated in RMB.

10 TRADE PAYABLES

Trade payables are non-interest-bearing.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	1,045	1,984
91 to 180 days	386	1,199
181 to 365 days	359	1,094
Over 2 years	1,242	1,242
	<u><u>3,032</u></u>	<u><u>5,519</u></u>

The carrying amounts of the Group's trade payables were denominated in RMB and approximated to their fair values.

11 ACCRUALS AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Payroll and welfare payables	17,225	24,219
Other taxes payable	12,509	16,401
Trading deposits received	392	519
Rebate payables	1,209	1,607
Listing expense payables	12,939	7,232
Payable to advertising service providers	7,211	7,847
Others	3,032	2,851
Total	54,517	60,676

The carrying amounts of the Group's accruals and other payables approximated to their fair values and were denominated in the following currencies:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	54,488	60,668
US\$	21	—
HK\$	8	8
	54,517	60,676

12 CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On May 27, 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 June 21, 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 December 31, 2020, or the Company has failed to obtain listing status by December 31, 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 Series A 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:

	RMB'000
Issuance of Series A Preferred Shares on May 27, 2019	50,000
Changes in fair value	<u>(1,623)</u>
As at December 31, 2019 and January 1, 2020	48,377
Changes in fair value	<u>(636)</u>
As at December 31, 2020	<u><u>47,741</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.

Key valuation assumptions used to determine the fair value of Series A Preferred Shares are as follows:

	2020	2019
Risk-free interest rate	2.50%	2.56%
Discounts for lack of marketability ("DLOM")	5%	25%
Volatility	<u>48.17%</u>	<u>42.25%</u>

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.

13 SUBSEQUENT EVENTS

On January 27, 2021, a subsidiary of the Company subscribed a wealth management product at subscription amount of RMB15 million in cash. The wealth management product is offered by a licensed bank established under the laws of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

2020 is a challenging year for the automobile industry. According to the CIC Report, as COVID-19 spread around the world in 2020, car sales in China fell by 92% in February 2020. The sales volume of new passenger automobiles in the six months ended June 30, 2020 was approximately 7.8 million units, representing a negative growth rate of approximately 22.5% compared to that for the corresponding period in 2019. Moreover, the total sales volume of new passenger automobiles in China is expected to decrease to 19.7 million units in 2020, accounting for a drop of approximately 7.9% compared to that in 2019. In terms of the advertising expenditure of the automobile industry, it is expected to decrease slightly to RMB40.9 billion in 2020 accounting for a drop of approximately 2.6% compared to that in 2019, due to the outbreak of the COVID-19 resulting in reduced marketing expenditures from small and medium-sized automakers and many unexpectedly cancelled offline events. Nevertheless, due to 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 45.6% in 2019 and is expected to reach 59.8% in 2020.

Despite the drop in car sales and advertising expenditure during the first half of 2020 due to the COVID-19 outbreak, it is noted that going forward, there will be a shift of automobile marketing budget from offline to online. Due to the change of consumer preference from offline to online consumption, it is expected that there will be an increasing demand for online automobile platforms to offer high quality, innovative and rich automobile content. Given the cancellations of offline events and activities and combined with the emergence of 5G technology, artificial intelligence, big data and algorithms, innovative and interactive online advertising tools such as virtual showroom, live streaming events and short videos have become more and more common in the automobile advertising industry. Advertisers have thus turned to the use and integration of digital technologies in their marketing strategies in order to disseminate their advertising contents in a cost-efficient manner. As a result, they have imposed higher requirements and expectations on the quality of advertising content and the effectiveness of their online marketing tools and strategies. 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 recovered strongly. According to the CIC Report, for the nine months ended September 30, 2020, the negative growth rate of new car sale accounted for approximately 12.4% indicating a recovery in new car sales as a result of effective containment measures to combat the effects of the COVID-19 outbreak. For the three months ended June 30, 2020 and the three months ended September 30, 2020, the sales volume of new passenger automobiles in China was approximately 5.0 million units and 5.5 million units, representing year-on-year growth rates of 2.2% and 7.7% compared to those sales volume in the same period of previous year, respectively. In light of the recovery of the automobile industry, the Company managed to obtain positive results by generating approximately RMB180.4 million in revenue for the year ended December 31, 2020 as compared to approximately RMB177.6 million for the corresponding period in 2019.

Group Overview

Founded in September 2015, the Group acquired the business and assets of “Cheshi.com” in October 2015, a vertically-integrated automotive website portal, which commenced operations in the PRC in September 1999. Since then, 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 listing of the Shares on the Main Board of the Stock Exchange on the Listing Date, the Company could access the capital markets in Hong Kong thereby enhancing 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. 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

The COVID-19 outbreak has caused certain impacts on the Group’s business during the first half of 2020. The Group’s Transaction Facilitation Service was affected as it could not organize as many group-purchase events as it had initially expected. This has led to a decrease in revenue generated from the Transaction Facilitation Services by approximately RMB1.1 million, or approximately 43.5%, from approximately RMB2.6 million for the year ended December 31, 2019 to approximately RMB1.4 million for the year ended December 31, 2020. The Group’s Online Advertising Service was also affected by the COVID-19 outbreak in the first half of 2020 as a decrease in revenue was recorded for the Online Advertising Services in the amount of approximately RMB58.7 million for the six months ended June 30, 2020 as compared with RMB75.2 million for the corresponding period in 2019, since the Group experienced an overall decrease of advertising expenditure sourced from its customers.

Nevertheless, the automobile industry began to rebound in the second half of 2020 and the Group eventually managed to obtain better results from the Online Advertising Service for the year ended December 31, 2020 as compared with the corresponding period in 2019. For the year ended December 31, 2020, the revenue generated from the Group’s Online Advertising Service amounted to approximately RMB179.0 million as compared to approximately RMB175.1 million for its corresponding period in 2019. This was because the Company entered into 430 new service contracts for the Online Advertising Service for the year ended December 31, 2020 as compared to 406 new service contracts entered in the corresponding period in 2019. As a result, the Group’s revenue amounted to approximately RMB180.4 million for the year ended December 31, 2020, representing a year-by-year increase of approximately 1.6% from the year ended December 31, 2019 and its net profit for the year ended December 31, 2020 amounted to approximately RMB64.6 million, increasing by approximately 25.0% as compared to the corresponding period in 2019.

Set out below are the important milestones of the Group's businesses for the year ended December 31, 2020:

(1) The Group continued to strengthen its leading market position in the PRC automobile advertising industry

For the year ended December 31, 2020, the Company recorded DUV on its proprietary and third party platforms of approximately 10.6 million. Additionally, the Company's website were visited by users with an industry-leading 9.1 times per month on average as of December 31, 2020. The Company's online automobile database continued to expand in 2020. As of December 31, 2020, the automobile database contained over 2.0 million vehicle configurations, over 4.8 million automobile photos with a coverage of over 61,000 car models, 3,495 series and 331 brands.

(2) The establishment of strategic cooperations with leading we-media platforms and banking institutions

The Company has formed strategic relationships and have entered into collaboration agreements with a leading we-media platform and well-known banking institutions for the distribution of its automobile contents on their platforms.

(3) The continual development of the Group's SaaS services

There have been certain improvements to the Group's SaaS services in the latter half of 2020, namely the addition of the Group's platform tool, Cheshi Bao (車市寶) and the launch of the Hao Maiche (好賣車) business platform in 2020 which is the Company's new social customer relationship management product. Based on a combination of cloud management platform, big data and artificial intelligence core algorithms, the Group's SaaS services aims to provide comprehensive and digital marketing solutions for the automobile industry across different platforms.

Outlook

In 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 to include automobile aftermarket service companies through the expansion of its transaction team.

(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.

According to public sources, SaaS companies generated US\$100.0 billion in revenue accounting for 25.0% of the software industry in the United States in 2019. It is expected that revenue generated from SaaS services to achieve a 21.0% year-by-year growth in the next ten years, reaching US\$780.0 billion in 2030 and accounting for 81.0% of the software industry in the United States. In light of this major trend in the internet and software industry, the Company 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 and we-media advertising companies with (i) capability to produce content with good quality and quantity that can supplement and enrich its 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.

FINANCIAL REVIEW

For the year ended December 31, 2020, the Group's total revenue was approximately RMB180.4 million, representing an increase of approximately RMB2.8 million, or approximately 1.6%, from approximately RMB177.6 million for the year ended December 31, 2019. The increase in revenue was mainly due to the increase in revenue from the Group's Online Advertising Services by approximately RMB3.9 million, or approximately 2.2%, from approximately RMB175.1 million for the year ended December 31, 2019 to approximately RMB179.0 million for the year ended December 31, 2020 but such increase was partially offset by the decrease in revenue from the Group's Transaction Facilitation Services by approximately RMB1.1 million, or approximately 43.5%, from approximately RMB2.6 million for the year ended December 31, 2019 to approximately RMB1.4 million for the year ended December 31, 2020. The decrease in the Group's Transaction Facilitation services was mainly due to the decrease in group-purchase events for the year ended December 31, 2020 caused by COVID-19 outbreak during the first half of 2020.

The table below sets forth a breakdown of revenue by our business segments, shown in actual amounts and as percentage to total revenue for the years indicated:

	Year ended December 31				
	2020		2019		year-on-year
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>% change</i>
Online Advertising Services	178,957	99.2	175,055	98.6	2.2
Transaction Facilitation Services	1,447	0.8	2,560	1.4	(43.5)
Total	<u>180,404</u>	<u>100.0</u>	<u>177,615</u>	<u>100.0</u>	

Cost of providing services

The Group's cost of providing services decreased by approximately RMB0.9 million, or approximately 3.2%, to approximately RMB27.9 million for the year ended December 31, 2020.

Gross profit and gross profit margin

As a result of the above, gross profit increased by approximately RMB3.7 million, or approximately 2.5%, from approximately RMB148.8 million for the year ended December 31, 2019 to approximately RMB152.5 million for the year ended December 31, 2020. Gross profit margin increased to approximately 84.5% for the year ended December 31, 2020 from approximately 83.8% for the year ended December 31, 2019.

Other income

For the year ended December 31, 2020, the Group's other income increased by approximately RMB0.2 million, or approximately 5.7%, to approximately RMB3.2 million for the year ended December 31, 2020 from approximately RMB3.1 million for the year ended December 31, 2019.

Other gains

The Group recorded other gains of approximately RMB0.8 million for the year ended December 31, 2020 as compared to other gains of approximately RMB3.9 million for the year ended December 31, 2019 which was mainly attributable to the exchange loss in the amount of approximately RMB2.9 million recorded for the year ended December 31, 2020 as compared with the exchange gain in the amount of approximately RMB451,000 for the year ended December 31, 2019. The exchange loss of approximately RMB2.9 million for the year ended December 31, 2020 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 year ended December 31, 2020, the Group's selling and distribution expenses amounted to approximately RMB34.2 million, representing a decrease of approximately RMB13.6 million, or approximately 28.4%, from approximately RMB47.8 million for the year ended December 31, 2019, mainly due to (i) the decrease in marketing and promotion expenses by approximately RMB3.3 million, or approximately 24.3%, to approximately RMB10.4 million for the year ended December 31, 2020 from approximately RMB13.7 million for the year ended December 31, 2019 due to the change in the Company's marketing strategy to focus more on online marketing as opposed to offline marketing which is generally more expensive; and (ii) the decrease in employee benefit and expenses by approximately RMB8.5 million, or approximately 29.0%, to approximately RMB20.8 million for the year ended December 31, 2020 from approximately RMB29.2 million for the year ended December 31, 2019 due to changes in the Company's sales and marketing policy in 2020 as bonus payments will thereafter be paid to its marketing employees over a period of time rather than in one lump sum.

Administrative expenses

For the year ended December 31, 2020, the Group's administrative expenses amounted to approximately RMB34.8 million, representing an increase of approximately RMB0.4 million, or approximately 1.1%, from approximately RMB34.4 million for the year ended December 31, 2019, mainly due to (i) the increase in auditor's remuneration in the amount of approximately RMB1.2 million; (ii) the increase in depreciation of right-of-use assets by approximately RMB1.7 million, or approximately 58.6%, to approximately RMB4.5 million for the year ended December 31, 2020 from approximately RMB2.8 million for the year ended December 31, 2019 due to the relocation of the Group's headquarters in Beijing, the PRC; and (iii) the increase in employee benefit expenses for our administrative staff from share-based payments under the SA Scheme and RSU Scheme by approximately RMB6.1 million, or approximately 46.7%, to approximately RMB14.2 million for the year ended December 31, 2020 from approximately RMB9.7 million for the year ended December 31, 2019, partially offset by the decrease in Listing expenses by approximately RMB6.7 million, or approximately 42.6%, to approximately RMB9.0 million for the year ended December 31, 2020 from approximately RMB15.7 million for the year ended December 31, 2019.

Research and development expenses

For the year ended December 31, 2020, the Group's research and development expenses amounted to approximately RMB10.5 million, representing a decrease of approximately RMB2.0 million, or approximately 16.3%, from approximately RMB12.5 million for the year ended December 31, 2019, mainly due to (i) the decrease in expenses for website maintenance and internet improvement by approximately RMB1.5 million, or approximately 24.1%, to approximately RMB4.8 million for the year ended December 31, 2020 from approximately RMB6.4 million for the year ended December 31, 2019 as the Group's R&D projects from previous years have been completed; and (ii) the decrease in employee benefit expenses (mostly in the form of a bonus reduction) for its R&D staff by approximately RMB0.8 million, or approximately 14.6%, to approximately RMB4.8 million for the year ended December 31, 2020 from approximately RMB5.6 million for the year ended December 31, 2019.

Finance costs

For the year ended December 31, 2020, the Group's finance costs amounted to approximately RMB0.5 million, representing an increase of approximately RMB0.4 million, or approximately 486.9% from approximately RMB0.1 million for the year ended December 31, 2019, mainly from the expenses arising from the relocation of the Group's headquarters in Beijing.

Income Tax expense

For the year ended December 31, 2020, the Group's income tax expense amounted to approximately RMB13.8 million, representing an increase of approximately RMB7.8 million, or approximately 131.2% from approximately RMB5.9 million for the year ended December 31, 2019. The increase was mainly due to the tax refunds we received in 2019 which is accumulated from previous years.

Profit for the year

For the year ended December 31, 2020, profit attributable to owners of the Company was approximately RMB64.6 million (2019: approximately RMB51.7 million) representing an increase of approximately RMB12.9 million, or approximately 25.0%, as compared with the year ended December 31, 2019.

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 "IFRS"), the Company utilized non-IFRS adjusted net profit ("Adjusted Net Profit") as an additional financial measure. Adjusted Net Profit is defined as profit for the year, as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) Listing expenses, (iii) over-provision of income tax expense in respect of the prior year, and (iv) 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 years ended December 31, 2020 and 2019 to the nearest measures prepared in accordance with IFRS.

	For the Year Ended December 31,				
	2020	% of		% of	
	RMB'000	Total	2019	Total	year-on-year
		Revenue	RMB\$'000	Revenue	% change
Profit for the year	64,641	35.8	51,710	29.1	25.0
Add back/(exclude):					
Share-based compensation expenses	6,108	3.4	—	—	—
Listing expenses	8,986	5.0	15,659	8.8	-42.6
Over-provision of income tax					
expense in respect of the prior year	—	—	(5,431)	-3.0	—
Fair value gain on convertible					
redeemable preference shares	(636)	-0.4	(1,623)	-0.9	-60.8
Non-IFRS measure adjusted net					
profit	79,099	43.8	60,315	34.0	31.1

Liquidity and capital resources

As at December 31, 2020, the Group had current assets of approximately RMB311.1 million (December 31, 2019: approximately RMB255.2 million) and current liabilities of approximately RMB134.3 million (December 31, 2019: approximately RMB94.1 million). The current ratio was 2.3 at December 31, 2020 as compared with 2.7 at December 31, 2019.

As of December 31, 2020, the Group's cash and cash equivalents amounted to approximately RMB27.4 million which is mainly funded from the net cash flows generated from operating activities. The cash and cash equivalents as at December 31, 2020 denominated in RMB, HK\$ and US\$ amounted to approximately RMB24.4 million, approximately HK\$1.1 million and approximately US\$0.3 million, respectively. As at December 31, 2020, the Group did not have any bank borrowings (December 31, 2019: 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.

	Year ended December 31	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	51,578	53,021
Net cash used in investing activities	(90,920)	(19,791)
Net cash (used in)/generated from financing activities	(7,030)	6,862
Net (decrease)/increase in cash and cash equivalents	(46,372)	40,092
Cash and cash equivalents as at the beginning of the year	76,670	36,130
Effect of exchange rate difference	(2,916)	448
Cash and cash equivalents as at December 31	<u>27,382</u>	<u>76,670</u>

Operating activities

For the year ended December 31, 2020, net cash generated from operating activities was approximately RMB51.6 million, compared to approximately RMB53.0 million for the year ended December 31, 2019.

Investing activities

For the year ended December 31, 2020, net cash used in investing activities was approximately RMB90.9 million, which primarily included (i) the payment for purchase of property, plant and equipment of approximately RMB2.0 million; and (ii) the payment for purchase of financial assets at fair value through profit or loss of approximately RMB278.4 million, offset by the proceeds from the disposal of financial assets at fair value through profit or loss of approximately RMB189.9 million. For the year ended December 31, 2019, net cash used in investing activities was approximately RMB19.8 million.

Financing activities

For the year ended December 31, 2020, net cash used in financing activities was approximately RMB7.0 million, mainly due to the combined effect of payment of professional expenses paid in connection with the issuance of new Shares for the Global Offering of approximately RMB1.4 million and the payment of lease liabilities of approximately RMB5.6 million. For the year ended December 31, 2019, net cash generated from financing activities was approximately RMB6.9 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 years ended December 31, 2020 and 2019 are set out below:

	As at December 31	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	2,018	320
Intangible assets	189	nil

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 year ended December 31, 2020, 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 December 31, 2020, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2019: nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

On January 27, 2021, 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) (“**NBCB**”), at a subscription amount of RMB15.0 million in cash. The subscription of the Financial Product constituted a discloseable transaction of the Company under the Listing Rules. NBCB is a licensed bank established under the laws of the PRC, which is principally engaged in the provision of corporate and personal banking and other financial services in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002142). Please refer to the Company's announcement dated February 4, 2021 for more details.

* For identification purposes only

As of the date of this announcement, the fair value of the Financial Product is RMB15.0 million and amounted to approximately 4.42% of the total assets of the Company as at December 31, 2020. There has been no net change in fair value of the Financial Product since January 27, 2021 and up to the date of this announcement.

The Company aims to enhance the Company's capital efficiency as well as the return from working capital by utilizing its idle capital to subscribe for the Financial Product issued by the commercial banks and other financial institutions in the PRC to earn additional income without affecting its normal operations. At the same time, the Financial Product offers a better potential return to the Group when compared to the deposit interest rates normally offered by commercial banks in the PRC.

Save as disclosed above, for the year ended December 31, 2020 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 December 31, 2020, the Group did not have any material contingent liabilities (December 31, 2019: nil).

Employees and Remuneration Policies

As of December 31, 2020, the Group had 210 full-time employees, most of whom were based in China (December 31, 2019: 193). For the year ended December 31, 2020, the Group's employee benefit and expenses amounted to approximately RMB47.2 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.

In recognition of the contributions of the Company's Directors, senior management and key employees and to further incentivize them to promote the Group's development, the Company has adopted the SA Scheme and the RSU Scheme on June 25, 2019, pursuant to which 100,000,000 underlying 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 80,000,000 restricted share awards (representing 80,000,000 underlying Shares) under the SA Scheme to certain of the executive Directors and selected employees of the Group, and to grant 2,170,000 RSUs (representing 2,170,000 underlying Shares) under the RSU Scheme to selected employees of the Group. Such grants have been recorded as share-based payments of the Company in the Group's consolidated statement of comprehensive income for the year ended December 31, 2020 subject to the vesting conditions as set out in the grant letters of the respective schemes.

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\$243.0 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	39.8	96.7	0	96.7	By the end of 2023
Strengthen R&D and IT system and develop and promote new products	36.1	87.7	0	87.7	By the end of 2023
Future investments and acquisitions	14.1	34.3	0	34.3	By the end of 2023
Working capital	10.0	24.3	0	24.3	By the end of 2023
Total	<u>100.0</u>	<u>243.0</u>	<u>0</u>	<u>243.0</u>	

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

Significant events after year end

Save as disclosed above in relation to the subscription of the Financial Product on January 27, 2021, the Group is not aware of any significant events after the year ended December 31, 2020 and up to the date of this announcement.

Dividend

The Company did not recommend any payment of dividends for the year ended December 31, 2020 (2019: nil).

Annual General Meeting

The AGM will be held on Friday, May 28, 2021. A notice convening the AGM will be published and dispatched to Shareholders in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Monday, May 24, 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. 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.

During the period from the Listing Date and up to the date of this announcement, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the deviation from code provision A.2.1.

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 review the corporate governance policies and compliance with the CG Code each financial year and apply the “comply or explain” principle in the corporate governance report which will be included in the annual reports.

The Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, marketing, human resources, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of the Board members.

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 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the period from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

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 has reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2020.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of financial position as at December 31, 2020 and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cheshi.com. The annual report of the Company for the year ended December 31, 2020 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 announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“AGM”	the forthcoming annual general meeting of the Company to be held on Friday, May 28, 2021
“App”	application, a program designed to run on a mobile device
“Auditor”	PricewaterhouseCoopers
“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)
“Congshu Beijing”	Congshu Beijing Technology Company Limited (縱樹 (北京) 科技有 限公司), a limited liability company established under the laws of the PRC on September 28, 2015, one of the Company’s consolidated affiliated entities and is deemed to be an indirect wholly owned subsidiary of the Company pursuant to the contractual arrangements
“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

“DUV”	daily unique visitors, representing the number of unique visitors that access the websites for a single day
“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
“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
“MUV”	monthly unique visitors, representing the number of unique visitors that access the website for a single month
“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
“PV”	a metric defined as the total number of pages viewed on websites

“Prospectus”	the prospectus of the Company dated December 31, 2020
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	restricted share unit
“RSU Nominee”	Glory Tower Investments Limited, a BVI business company incorporated under the laws of the BVI on May 30, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to and under the RSU Scheme
“RSU Scheme”	the RSU scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in “Statutory and General Information—G. RSU Scheme and SA Scheme-1. RSU Scheme” in Appendix IV to the Prospectus
“SA Nominee”	Colourful Sky International Limited, a BVI business company incorporated under the laws of the BVI on May 29, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the shares underlying the restricted share awards for the benefit of eligible participants pursuant to and under the SA Scheme
“SA Scheme”	the restricted share award scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in “Statutory and General Information— G. RSU Scheme and SA Scheme-2. SA Scheme” in Appendix IV to the Prospectus
“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

“%” per cent

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management members and staff of the Group for their hard work in the past year. I would also like to give my sincere gratitude to our Shareholders, partners and stakeholders for their continued support, and hope to receive their continued support in the future.

By Order of the Board
Cheshi Holdings Limited
Xu Chong
Chairman and Chief Executive officer

Beijing, the PRC, March 29, 2021

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