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CHESHI TECH

Cheshi Technology Inc.

車市科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1490)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Cheshi Technology Inc. 車市科技有限公司 (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022, as follows:

FINANCIAL SUMMARY

	Six months ended 30 June,		
	2023	2022	Changes
	RMB'000	RMB'000	%
Revenue	75,518	74,793	1.0
Gross profit	59,420	53,803	10.4
Profit for the period	28,054	12,956	116.5
Adjusted net profit ⁽¹⁾	28,060	13,070	114.7

(1) Adjusted net profit is defined as profit for the period adjusted by adding back share-based compensation expenses which represent the expense on Post-IPO RSU Scheme.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
	Notes	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	75,518	74,793
Cost of sales		<u>(16,098)</u>	<u>(20,990)</u>
Gross profit		59,420	53,803
Other income and gains		13,300	12,182
Selling and distribution expenses		(28,070)	(25,463)
Administrative expenses		(12,876)	(17,537)
Research and development costs		(5,702)	(7,179)
Reversal of impairment losses/(impairment losses) on financial and contract assets		2,293	(558)
Finance costs		<u>(107)</u>	<u>(455)</u>
PROFIT BEFORE TAX	5	28,258	14,793
Income tax expense	6	<u>(204)</u>	<u>(1,837)</u>
PROFIT FOR THE PERIOD		<u>28,054</u>	<u>12,956</u>
Attributable to:			
Owners of the parent		27,923	14,068
Non-controlling interests		<u>131</u>	<u>(1,112)</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB0.03	RMB0.01
Diluted		RMB0.03	RMB0.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>28,054</u>	<u>12,956</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>28,054</u>	<u>12,956</u>
Attributable to:		
Owners of the parent	27,923	14,068
Non-controlling interests	<u>131</u>	<u>(1,112)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment		6,203	4,416
Intangible assets		2,304	2,823
Goodwill		6,153	6,153
Right-of-use assets		1,290	1,856
Financial assets at fair value through profit or loss		30,228	30,228
Equity instruments designated at fair value through other comprehensive income		229	229
Long-term prepayments, deposits and other receivables		90	95
Deferred tax assets		1,305	1,598
Total non-current assets		47,802	47,398
CURRENT ASSETS			
Inventories		514	–
Trade receivables	9	62,299	85,700
Contract assets		8,310	13,071
Contract costs		386	1,654
Financial assets at fair value through profit or loss		10,038	9,852
Debt investments at fair value through other comprehensive income		22,393	8,199
Prepayments, deposits and other receivables		19,567	20,321
Income tax recoverable		3,765	2,561
Time deposits with original maturity of over three months		224,808	105,448
Cash and cash equivalents		188,994	278,216
Total current assets		541,074	525,022
CURRENT LIABILITIES			
Trade payables	10	3,811	7,208
Contract liabilities		6,623	7,166
Other payables and accruals		44,958	52,636
Lease liabilities		529	863
Tax payable		10,787	10,260
Total current liabilities		66,708	78,133
NET CURRENT ASSETS		474,366	446,889
TOTAL ASSETS LESS CURRENT LIABILITIES		522,168	494,287

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		728	980
Loans from a shareholder		2,732	2,659
Deferred tax liabilities		45	45
		<hr/>	<hr/>
Total non-current liabilities		3,505	3,684
		<hr/>	<hr/>
Net assets		518,663	490,603
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	840	840
Treasury shares		(23,563)	(23,563)
Other reserves		542,944	515,015
		<hr/>	<hr/>
		520,221	492,292
		<hr/>	<hr/>
Non-controlling interests		(1,558)	(1,689)
		<hr/>	<hr/>
Total equity		518,663	490,603
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities’ exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING 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 information reported to the CODM, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented. Revenue from external customers for each product and service is disclosed in note 4 to the financial statements.

Geographical information

During the reporting period, the Group operated within one location because all of its revenues were generated in Mainland China and all of its long-term assets/capital expenditures were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

Revenue from customers which amounted to more than 10% of the Group’s revenue during the six months ended 30 June 2023 and 2022 are set out below:

	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Customer A	10,499	N/A*
Customer B	7,950	N/A*
Customer C	7,500	12,434

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue for the respective period.

4. REVENUE

The Group determined that it has two revenue streams 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 sales of automobiles, which the Group purchases from car manufactures and sells them to customers (“Mobility business”).

(a) Disaggregated revenue information

For the six months ended 30 June 2023

Revenue streams	Online advertising service RMB’000	Mobility business RMB’000	Total RMB’000
Timing of revenue recognition			
Services transferred at a point in time	–	–	–
Services transferred over time	75,518	–	75,518
	<u>75,518</u>	<u>–</u>	<u>75,518</u>

For the six months ended 30 June 2022

Revenue streams	Online advertising service RMB’000	Mobility business RMB’000	Total RMB’000
Timing of revenue recognition			
Services transferred at a point in time	–	6,907	6,907
Services transferred over time	67,886	–	67,886
	<u>67,886</u>	<u>6,907</u>	<u>74,793</u>

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Online advertising services

Online advertising service income is recognised when the advertisements are published over the stated period of display on its own online platform, other linked online portals, or mobile applications. The payment is generally due within 30 to 180 days from the date of billing.

Mobility business

The performance obligation is satisfied upon delivery of the automobiles and customers are usually required to pay in advance.

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	–	6,880
Cost of services provided	16,098	14,110
Employee benefit expense	25,841	28,987
Depreciation of property, plant and equipment	696	543
Depreciation of right-of-use assets	566	2,484
Amortisation of intangible assets	519	542
Research and development costs:		
Current year expenditure	5,702	7,179
Foreign exchange differences, net	(7,222)	(9,410)
(Reversal of impairment)/Impairment of trade receivables	(2,239)	386
(Reversal of Impairment)/Impairment of contract assets	(54)	127
Impairment of prepayments, deposits and other receivables	–	45
Gains on financial assets at fair value through profit or loss	(376)	(664)
Bank interest income	(5,255)	(986)
Share-based compensation expense	6	114
Value-added tax super credit	(305)	(391)
Auditor's remuneration	400	400

6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

(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 been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

(d) PRC corporate income tax (“CIT”)

A subsidiary of the Group in the PRC has obtained the approval from the in-charge tax authority in the PRC as a High-New Technology Enterprise as defined under the New Enterprise Income Tax Law. Such entity is entitled to a reduced preferential enterprise income tax (“EIT”) rate at 15% (“HNTE Preferential Tax Rate”) for a 3-year period from October 2020 to October 2023. Accordingly, it was subject to the HNTE Preferential Tax Rate at 15% for the six months ended 30 June 2023 (2022: 15%).

Pursuant to the PRC EIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the period.

The major components of the income tax expense for the period are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	2,053	2,589
Overprovision in prior years	(2,142)	(764)
Deferred	293	12
	<hr/>	<hr/>
Total tax charge for the period	204	1,837
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7. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (for six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,115,678,915 (2022: 1,118,335,249) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	27,923	14,068
	<hr/>	<hr/>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,111,192,000	1,118,335,249
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9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the recognition date of gross trade receivables and net of loss allowance, is as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 90 days	32,380	47,148
91 to 180 days	18,144	24,820
181 days to 1 year	10,771	12,820
1 year to 2 years	1,004	912
	<u>62,299</u>	<u>85,700</u>

10. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 3 months	729	7,013
3 to 6 months	2,887	–
6 months to 1 year	–	–
Over 1 year	195	195
	<u>3,811</u>	<u>7,208</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. SHARE CAPITAL

Shares

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Authorized: 10,000,000,000 ordinary shares of US\$0.0001 each as at 31 December 2022 (2021: 10,000,000,000 ordinary shares of US\$0.0001)	<u>1,000</u>	<u>1,000</u>
Issued and fully paid: 1,234,600,000 ordinary shares as at 30 June 2023 (2022: 1,234,600,000 ordinary shares)	<u>840</u>	<u>840</u>

The Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2022 (Audited) and 1 January 2023	<u>1,234,600,000</u>	<u>840</u>
At 30 June 2023 (Unaudited)	<u>1,234,600,000</u>	<u>840</u>

12. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

As the impact of the COVID-19 epidemic gradually receded and the relevant stimulus policies continued to be introduced, the macroeconomic environment and the automobile industry began to recover moderately. According to the data of the CAAM, the production and sales of passenger vehicles in China during the six months ended June 30, 2023 were approximately 11,281,000 units and 11,268,000 units respectively, representing a period-on-period growth of 8.1% and 8.8%, respectively. From the performance of the passenger car market in the first half of this year, the government launched a series of policies to promote automobile consumption, the end-of-quarter rush by automobile enterprises, and the continuous growth in sales and exports of new energy vehicles have collectively driven the dual growth in production and sales of China's passenger car market in the first half of this year.

Benefiting from the recovery of the automobile industry, China's automobile advertising industry is also experiencing a rebound. According to public data, China's automobile advertising and information market increased from RMB49.9 billion in 2015 to RMB74.8 billion in 2019, representing a CAGR of 10.7%, and is expected to increase from RMB56.8 billion in 2020 to RMB116.4 billion in 2025, representing a CAGR of 15.4%. In terms of penetration rate, the online automobile advertising penetration rate in China grew from 33.7% in 2015 to 45.6% in 2019. With the continuous enrichment of self-media content and the development of AI technology, the offline marketing budget is expected to continue to be shifted online in the future, and it is projected that the penetration rate of China's online automobile advertising will reach 58.6% in 2025.

In view of the Group's advanced and strong in-house technological capabilities, the Group has maintained steady development in its existing businesses. At the same time, the Group continues to promote the development strategy of "super connector" in the automobile industry and actively deployed in the related areas of the industry chain to construct the "second growth curve". For the six months ended June 30, 2023, the Group's total revenue was approximately RMB75.5 million, achieving positive performance compared to approximately RM74.8 million for the six months ended June 30, 2022.

Group Overview

Founded in September 2015 and acquired the business and assets of "Cheshi.com" in October 2015, a vertically integrated automobile portal which commenced operation in September 1999 in the PRC, 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 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 accesses the capital markets in Hong Kong, thereby enhancing its financial position and brand awareness. In September 2021, the Company was renamed as “Cheshi Technology Inc.”, showing the Company’s entrepreneurial spirit and culture focusing on perseverance, breakthroughs and innovation. In 2021, the Company officially enters the mobility business market. By implementing the planning of industrial internet and business digitalization, leveraging the dual-driven mode of technology and service and adhering to the development strategy of digitalization, collaboration and intelligentization, the Company strives to establish an efficient industrial collaboration network and full-chain service ecosystem in the form of an internet platform for the automobile industry and achieve the strategic goal of becoming a “super connector” of China’s automobile industry.

Business Overview

In the first half of 2023, the Group also maintained a steady rebound amidst the mild recovery of the automobile industry. For the six months ended June 30, 2023, the Group’s operating revenue was approximately RMB75.5 million, representing an increase of approximately 1.0% as compared to approximately RMB74.8 million for the six months ended June 30, 2022, which was mainly due to the increase in the Company’s online advertising business revenue as compared to the corresponding period. Specifically, for the six months ended June 30, 2023, the Group’s revenue from online advertising services was approximately RMB75.5 million, representing an increase of approximately 11.2% as compared to the six months ended June 30, 2022.

For the six months ended June 30, 2023, the gross profit was approximately RMB59.4 million, representing an increase of approximately 10.4% as compared to approximately RMB53.8 million for the six months ended June 30, 2022. For the six months ended June 30, 2023, the net profit of the Group was approximately RMB28.1 million, representing an increase of approximately 116.5% as compared to the six months ended June 30, 2022, which was mainly attributable to the Group’s principal operating income increased compared with the corresponding period and the business structure and operational efficiency were optimized and improved.

Set out below are the important milestones of the Group’s businesses for the six months ended June 30, 2023:

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

For the six months ended June 30, 2023, the Group continued to optimize and improve its automobile new media content matrix. The Group is able to publish content across platforms throughout the whole internet with one click through Picker, an independently-developed vertical cloud service system of the Group. Meanwhile, the Group has been increasing its video content and ecological platform to enhance the overall effectiveness and industry competitiveness of online advertising services.

(2) *The Group continued to optimise its IT systems and implement the application of AI technology*

Through Baidu and related AI technology platforms, the Group utilizes AI technology to assist in content creation and content review, ensuring the quality of professional content and improving the efficiency of original work production. At the same time, the Group also actively explores cross-border cooperation with AI technology companies to commence in-depth cooperation around content technology, ecosystem building, and empowerment of the entire industry chain, etc. Relying on the Group's massive user data and deep insights into the automobile industry, the Group has realised the perfect integration of intelligent AI technology with automobile digital marketing and ecosystem service provision, as well as innovation in the mode of service provision.

Outlook

In the second half of 2023, the Group 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, improve the quality of content services and influence in the industry and speed up the commercialization of content service.

(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 providing them with targeted and precise one-stop marketing and after-sales services. In addition, the Group plans to realise operational efficiency and car content quality enhancement through AI technology.

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

The Group 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) are in sound and stable financial conditions.

(4) Actively promoting commercial layout in the automobile industrial internet

The Group plans to provide multi-dimensional business and technology empowerment to enterprises in the automobile industry chain through model innovation and business optimization. Adhering to the development strategy of digitalization, collaboration and intelligentization, the Group will establish an efficient industrial collaboration network and full-chain service ecosystem in the form of an internet platform for the automobile industry.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2023, the Group's total revenue was approximately RMB75.5 million, representing an increase of approximately RMB0.7 million, or approximately 1.0%, from approximately RMB74.8 million for the six months ended June 30, 2022. In particular, this change was due to the increase in the Group's online advertising business revenue as compared to the corresponding period.

Cost of sales

The Group's cost of sales decreased by approximately RMB4.9 million, or approximately 23.3%, from approximately RMB21.0 million for the six months ended June 30, 2022 to approximately RMB16.1 million for the six months ended June 30, 2023. Such decrease was mainly due to the Group's optimization of its organizational and business structure.

Gross profit and gross profit margin

As a result of the above, gross profit increased by approximately RMB5.6 million, or approximately 10.4%, from approximately RMB53.8 million for the six months ended June 30, 2022 to approximately RMB59.4 million for the six months ended June 30, 2023. Gross profit margin increased to approximately 78.7% for the six months ended June 30, 2023 from approximately 71.9% for the six months ended June 30, 2022.

Other income and gains

The Group's other income and gains increased by approximately RMB1.1 million, or approximately 9.2%, to approximately RMB13.3 million for the six months ended June 30, 2023 from approximately RMB12.2 million for the six months ended June 30, 2022 mainly due to the fact that the Group's other income and gains was primarily derived from the impact of changes in currency exchange rates.

Selling and distribution expenses

For the six months ended June 30, 2023, the Group's selling and distribution expenses amounted to approximately RMB28.1 million, representing an increase of approximately RMB2.6 million, or approximately 10.2%, from approximately RMB25.5 million for the six months ended June 30, 2022 mainly due to the increase in market promotion activities.

Administrative expenses

For the six months ended June 30, 2023, the Group's administrative expenses amounted to approximately RMB12.9 million, representing a decrease of approximately RMB4.7 million, or approximately 26.6%, from approximately RMB17.5 million for the six months ended June 30, 2022 mainly due to the Company's overall optimization of the organizational structure, resulting in enhanced operational efficiency.

Research and development expenses

For the six months ended June 30, 2023, the Group's research and development expenses amounted to approximately RMB5.7 million, representing a decrease of approximately RMB1.5 million, or approximately 20.6%, from approximately RMB7.2 million for the six months ended June 30, 2022 mainly due to the improvement in the Group's research and development efficiency.

Finance costs

For the six months ended June 30, 2023, the Group's finance costs amounted to approximately RMB0.1 million, representing a decrease of approximately RMB0.3 million from approximately RMB0.5 million for the six months ended June 30, 2022, mainly due to the decrease in borrowing costs.

Income tax expense

For the six months ended June 30, 2023, the Group's income tax expense amounted to approximately RMB0.2 million, representing a decrease of approximately RMB1.6 million, or approximately 88.9% from approximately RMB1.8 million for the six months ended June 30, 2022, mainly due to the receipt of government tax refund.

Profit for the period

For the six months ended June 30, 2023, profit attributable to owners of the Group was approximately RMB27.9 million (June 30, 2022: approximately RMB14.1 million), representing an increase of approximately RMB13.9 million, or approximately 98.5%, from the corresponding period in 2022, mainly due to the increase in advertising revenue during the same period, alongside the optimization of the business cost structure and the enhancement in the Group's operational efficiency.

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 ("**Adjusted Net Profit**") as an additional financial measure. Adjusted Net Profit is defined as profit for the Reporting Period, as adjusted by adding back share-based compensation expenses, which represent the expenses on Post-IPO RSU Scheme.

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, 2023 and 2022 to the nearest measures prepared in accordance with IFRS.

	For the six months ended June 30,				% of period-over-period change
	2023 <i>RMB'000</i>	% of total revenue	2022 <i>RMB'000</i>	% of total revenue	
Profit for the period	28,054	37.1	12,956	17.3	116.5
Add back:					
Share-based compensation expenses	6	0.01	114	0.2	(95)
Non-IFRS measure adjusted net profit	28,060	37.2	13,070	17.5	114.7

Liquidity and capital resources

As of June 30, 2023, the Group had current assets of approximately RMB541.1 million (December 31, 2022: approximately RMB525.0 million) and current liabilities of approximately RMB66.7 million (December 31, 2022: approximately RMB78.1 million). The current ratio was 8.1 times as at June 30, 2023 as compared with 6.7 times as at December 31, 2022.

As of June 30, 2023, the Group's cash and cash equivalents amounted to approximately RMB189.0 million which is mainly funded from the net cash flows generated from operating activities. The cash and cash equivalents as at June 30, 2023 denominated in RMB, HK\$ and US\$ amounted to approximately RMB179.2 million, approximately HK\$6.4 million and approximately US\$0.5 million, respectively. As at June 30, 2023, the Group did not have any bank borrowings (December 31, 2022: Nil) and the Group's gearing ratio (gearing ratio is defined as the ratio of total liabilities to total equity) is 13.5% (December 31, 2022: 16.7%). 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.

	For the six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	25,830	20,254
Net cash (used in)/generated from investing activities	(121,653)	(19,768)
Net cash (used in)/generated from financing activities	(621)	(4,879)
Net (decreased)/increase in cash and cash equivalents	(96,444)	(4,393)
Cash and cash equivalents as at the beginning of the period	278,216	328,675
Effect of exchange rate difference	7,222	9,099
Cash and cash equivalents as at June 30	188,994	333,381

Operating activities

For the six months ended June 30, 2023, net cash generated from operating activities was approximately RMB25.8 million, which primarily included cash generated from operating activities of approximately RMB25.2 million for the six months ended June 30, 2023 offset by the income tax paid of approximately RMB0.6 million for the six months ended June 30, 2023. For the six months ended June 30, 2022, net cash generated from operating activities was approximately RMB20.3 million.

Investing activities

For the six months ended June 30, 2023, net cash used in investing activities was approximately RMB121.7 million which primarily included proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB39.7 million, offset primarily by the purchase of financial assets at fair value through profit or loss of approximately RMB39.5 million. For the six months ended June 30, 2022, net cash generated from investing activities was approximately RMB19.8 million.

Financing activities

For the six months ended June 30, 2023, net cash used in financing activities was approximately RMB0.6 million, primarily including the payment of lease liabilities of approximately RMB0.6 million. For the six months ended June 30, 2022, net cash generated from financing activities was approximately RMB4.9 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 six months ended June 30, 2022 and 2023 are set out below:

	For the six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Property, plant and equipment	2,483	424
Intangible assets	–	–

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, 2023, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Pledge of Assets

As of June 30, 2023, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2022: Nil).

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

The financial assets that we invested mainly include investments in unlisted investment funds and wealth management products. The Board confirmed that the transactions in these financial assets on standalone and aggregate basis during the Reporting Period did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

On October 13, 2021, Changxing Weinete Congyue Equity Investment Partnership (L.P.)* (長興微網縱躍股權投資合夥企業(有限合夥)) (“**Weinete Fund**”) (as limited partner), Wang Yuanshu (a natural person as limited partner) and Gongqingcheng Taoyuan Investment Management Co., Ltd.* (共青城韜遠投資管理有限公司) (now known as Shanghai Xintong Boda Private Equity Fund Management Co., Ltd.* (上海新瞳博達私募基金管理有限公司)) (“**Taoyuan Investment**”) (as general partner) entered into a partnership agreement in respect of Gongqingcheng Ruibo Equity Investment Partnership (L.P.)* (共青城銳博股權投資合夥企業(有限合夥)) (the “**Ruibo Fund**”), pursuant to which Weinete Fund agreed to subscribe for the limited partnership interests in the Ruibo Fund, for a capital commitment of RMB30 million, representing 59.99% of the registered capital of the Ruibo Fund as of June 30, 2023. Such fund is managed by Taoyuan Investment with a view to make equity or quasi-equity investment into private equity projects.

For details, please refer to the announcements of the Company dated May 12, 2021, October 13, 2021 and November 16, 2021.

For the six months ended June 30, 2023, the Group has the following significant investment:

	Percentage of interest held		Investment costs		Gains recognized	Fair value	
	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2023	in other gains*	As of June 30, 2023	As of December 31, 2022
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ruibo Fund	58.79	58.79	30,000	30,000	186	30,186	30,186

* includes unrealised gains recognised in profit or loss attributable to balances held as of December 31, 2022. For the six months ended June 30, 2023 the Group had no gains recognized in other gains.

As of June 30, 2023, the percentage to total assets value of the Group is approximately 5.13%, representing a decrease of approximately 0.14% from approximately 5.27% as at December 31, 2022, mainly due to the increase of the total assets value of the Group.

Save as disclosed above, there were no other significant investments held, nor were material acquisitions or disposals of subsidiaries, associates and joint ventures, during the Reporting Period. Apart from those disclosed in this announcement, there was no plan authorized by the Board for other material investments or addition of capital assets at the date of this announcement.

Contingent Liabilities

As of June 30, 2023, the Group did not have any material contingent liabilities (December 31, 2022: Nil).

Employees and Remuneration Policies

As of June 30, 2023, the Group had 114 full-time employees, most of whom were based in China (June 30, 2022: 137). For the six months ended June 30, 2023, the Group's employee benefit and expenses amounted to approximately RMB25.8 million (including salary, wages, and bonuses, pension costs and other social security costs, housing benefits, other employee benefits and share-based compensation).

The Group 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

On September 30, 2021, the Company has adopted a Post-IPO RSU Scheme, pursuant to which a scheme custodian will purchase Shares out of a contributed amount settled or contributed by the Company, and such Shares will be held on trust in accordance with the term of the Post-IPO RSU Scheme. The purpose of the Post-IPO RSU Scheme is to drive performance within the Group by focusing on core key performance indicators that align with the Group's overall performance, to engage, attract and retain skilled and experienced personnel, and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. For details, please refer to the Company's announcement dated September 30, 2021. In addition, the Company had adopted a pre-IPO restricted share unit scheme and a restricted share award scheme on June 25, 2019.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing (after deducting the underwriting fees and related cost and expenses) amounted to approximately HK\$246.8 million. As at June 30, 2023, the details of utilization of net proceeds from the Listing are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Listing (HK\$ million)	Utilised as at December 31, 2022 (HK\$ million)	Utilised as at June 30, 2023 (HK\$ million)	Unutilised as at June 30, 2023 (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Solidify the Company's market position and quantity of PGC (Note 1)	39.8	98.2	56.6	73.4	24.8	By the end of 2023
Strengthen research and development and IT system and develop and promote new products (Note 2)	36.1	89.1	58.5	79.4	9.7	By the end of 2023
Future investments and acquisitions (Note 3)	14.1	34.8	13.2	18.5	16.3	By the end of 2023
Working capital	10.0	24.7	16.4	21	3.7	By the end of 2023
Total	100.0	246.8	144.7	192.3	54.5	

Notes:

- (1) To solidify the Company's market position and quantity of its PGC through the following measures: (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) To strengthen R&D and IT system and develop and promote new products through the following measures: (i) optimizing the Picker engine; (ii) enhancing the existing IT systems and infrastructure of the Company 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) To make future investments and acquisitions by investing in targets companies meeting the following conditions (including PGC producers and we-media advertising companies): (i) with 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 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

There are no material events subsequent to June 30, 2023 which could have a material impact on our operating and financial performance as of the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023 (June 30, 2022: Nil).

CORPORATE GOVERNANCE

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed below, the Company had complied with all applicable code provisions set forth in the CG Code during the Reporting Period.

Code provision C.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 of the Company (“CEO”) are both performed by Mr. XU. 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 CEO 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 roles 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 Board will continue to review and consider segregating the roles of the Chairman and CEO at an appropriate time, taking into account the circumstances of the Group.

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 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 the Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

In September 2021, the Company appointed Kastle Limited as the scheme custodian (the "**Custodian**") under the Post-IPO RSU Scheme to purchase shares to be held by trust for the future grant of restricted share unit pursuant to the terms and conditions of the Post-IPO RSU Scheme. During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company. No restricted share unit was granted as at June 30, 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Board has established 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 for the Audit Committee which clearly set out its duties and obligations (the terms of reference for the Audit Committee 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 unaudited interim condensed consolidated financial statements and the interim results announcement of the Group for the six months ended June 30, 2023 and is of the view that the interim results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for the six months ended June 30, 2023 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

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

“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	board of directors of the Company
“BVI”	the British Virgin Islands
“CAAM”	China Association of Automobile Manufacturers
“CAGR”	compound annual growth rate
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended and supplemented from time to time, where references to code provisions in this announcement refer to code provisions in the CG Code that came into effect on January 1, 2022
“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
“Cheshi Holdings”	Cheshi Holdings Inc., formerly known as 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
“Company” or “the Company”	Cheshi Technology Inc. 車市科技有限公司 (previously known as 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 this announcement, refers to the controlling shareholders of our Company, being Mr. Xu and Cheshi Holdings
“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

“Group”, “we”, “us”, or “our”	the Company and its subsidiaries
“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
“Mr. XU”	Mr. XU Chong (徐翀), a founder, an executive Director, Chairman, the chief executive officer of the Company and a Controlling Shareholder
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“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
“Post-IPO RSU Scheme”	the post-IPO RSU scheme approved and conditionally adopted by the Board on September 30, 2021
“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, 2023
“Ruibo Fund”	Gongqingcheng Ruibo Equity Investment Partnership (L.P.)* (共青城銳博股權投資合夥企業(有限合夥)), a partnership established and registered in the PRC
“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 Services”	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

By order of the Board
Cheshi Technology Inc.
XU Chong
Chairman and chief executive officer

Hong Kong, August 30, 2023

As at the date of this announcement, the Board comprises Mr. XU Chong, Mr. LIU Lei 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.

* *For identification purposes only*