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C H E S H I T E C H

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, 2024

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, 2024, together with the comparative figures for the corresponding period in 2023, as follows:

FINANCIAL SUMMARY

	Six months ended 30 June,		
	2024	2023	Changes
	RMB'000	RMB'000	%
Revenue	66,974	75,518	-11.3%
Gross profit	42,316	59,420	-28.8%
Profit for the period	4,328	28,054	-84.6%
Adjusted net profit ⁽¹⁾	4,328	28,060	-84.6%

(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 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	66,974	75,518
Cost of sales		<u>(24,658)</u>	<u>(16,098)</u>
Gross profit		42,316	59,420
Other income and gains		8,199	13,300
Selling and distribution expenses		(29,410)	(28,070)
Administrative expenses		(11,217)	(12,876)
Research and development costs		(6,042)	(5,702)
(Impairment losses)/reversal of impairment losses on financial and contract assets		(8)	2,293
Finance costs		(128)	(107)
Other expenses		<u>(2)</u>	<u>–</u>
PROFIT BEFORE TAX	5	3,708	28,258
Income tax credit/(expense)	6	<u>620</u>	<u>(204)</u>
PROFIT FOR THE PERIOD		<u>4,328</u>	<u>28,054</u>
Attributable to:			
Owners of the parent		4,525	27,923
Non-controlling interests		<u>(197)</u>	<u>131</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB0.004	RMB0.03
Diluted		RMB0.004	RMB0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>4,328</u>	<u>28,054</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,328</u>	<u>28,054</u>
Attributable to:		
Owners of the parent	4,525	27,923
Non-controlling interests	<u>(197)</u>	<u>131</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment		5,946	6,178
Intangible assets		9,040	1,868
Goodwill		6,153	6,153
Right-of-use assets		2,667	2,892
Financial assets at fair value through profit or loss		24,998	24,998
Equity instruments designated at fair value through other comprehensive income		148	148
Long-term prepayments, deposits and other receivables		294	250
Deferred tax assets		2,215	2,283
Time deposits with original maturity of over one year		20,217	10,216
Total non-current assets		71,678	54,986
CURRENT ASSETS			
Inventories		514	514
Trade receivables	9	72,286	94,172
Contract assets		8,531	4,609
Contract costs		142	1,033
Financial assets at fair value through profit or loss		10,209	10,061
Debt investments at fair value through other comprehensive income		13,179	1,580
Prepayments, deposits and other receivables		19,455	16,415
Income tax recoverable		3,322	3,322
Time deposits with original maturity of over three months		27,944	53,027
Cash and cash equivalents		394,936	369,880
Total current assets		550,518	554,613
CURRENT LIABILITIES			
Trade and bills payables	10	14,301	10,005
Contract liabilities		7,275	6,232
Other payables and accruals		45,712	43,450
Loan from a shareholder		2,559	2,495
Lease liabilities		1,549	1,295
Tax payable		11,653	12,070
Total current liabilities		83,049	75,547
NET CURRENT ASSETS		467,469	479,066
TOTAL ASSETS LESS CURRENT LIABILITIES		539,147	534,052

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 June 2024

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		941	1,512
Other non-current liabilities		2,000	–
Deferred tax liabilities		351	605
		<hr/>	<hr/>
Total non-current liabilities		3,292	2,117
		<hr/>	<hr/>
Net assets		535,855	531,935
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	840	840
Treasury shares		(23,971)	(23,563)
Other reserves		562,349	557,824
		<hr/>	<hr/>
Non-controlling interests		(3,363)	(3,166)
		<hr/>	<hr/>
Total equity		535,855	531,935
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 2024 and 2023 are set out below:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	11,029	–

- * 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 provision of integrated marketing service, which the Group provides with marketing analysis and marketing execution programs for car manufacture (“integrated marketing service”).

(a) Disaggregated revenue information

For the six months ended 30 June 2024

Revenue streams	Online advertising service <i>RMB’000</i>	Integrated marketing service <i>RMB’000</i>	Total <i>RMB’000</i>
Timing of revenue recognition			
Services transferred at a point in time	–	11,029	11,029
Services transferred over time	55,945	–	55,945
	<u>55,945</u>	<u>11,029</u>	<u>66,974</u>

For the six months ended 30 June 2023

Revenue stream	Online advertising service <i>RMB’000</i>
Timing of revenue recognition	
Services transferred over time	75,518
	<u>75,518</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.

Integrated marketing service

The performance obligation is satisfied when the marketing activities contained in the contracts are fulfilled and confirmations are received from the customer. The payment is generally due within 90 days from the date of billing.

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of services provided		24,658	16,098
Employee benefit expense		23,934	25,841
Loss on disposal of items of property, plant and equipment		17	–
Depreciation of property, plant and equipment		944	696
Depreciation of right-of-use assets		672	566
Amortisation of intangible assets		830	519
Research and development costs:			
Current year expenditure		6,042	5,702
Foreign exchange differences, net		(1,343)	(7,222)
Reversal of impairment of trade receivables		(40)	(2,239)
(Reversal of impairment)/Impairment of contract assets		48	(54)
Gains on financial assets at fair value through profit or loss		(814)	(376)
Bank interest income		(5,938)	(5,255)
Share-based compensation expense		–	6
Value-added tax super credit		(30)	(305)
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% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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 2023 to October 2026. Accordingly, it was subject to the HNTE Preferential Tax Rate at 15% for the six months ended 30 June 2024 (2023: 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	499	2,053
Overprovision in prior years	(933)	(2,142)
Deferred	(186)	293
	<hr/>	<hr/>
Total tax charge for the period	(620)	204
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2024 (for six months ended 30 June 2023: 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 1,110,870,571 (2023: 1,111,192,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	Six months ended 30 June	
	2024	2023
	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	4,525	27,923
	<hr/>	<hr/>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,110,870,571	1,111,192,000
	<hr/> <hr/>	<hr/> <hr/>

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 aging 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 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 30 days	12,944	23,266
31 to 90 days	22,121	23,038
91 to 180 days	16,574	24,894
181 to 365 days	19,985	18,557
Over 1 year	662	4,417
Total	<u>72,286</u>	<u>94,172</u>

10. TRADE AND BILLS PAYABLES

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	13,395	3,414
3 to 6 months	861	6,591
6 months to 1 year	45	–
Total	<u>14,301</u>	<u>10,005</u>

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

Bills payables are with a maturity period of within six months.

11. SHARE CAPITAL

Shares

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Authorized: 10,000,000,000 ordinary shares of US\$0.0001 each as at 31 December 2023 (2022: 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 2024 (2023: 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 2023 (Audited) and 1 January 2024	<u>1,234,600,000</u>	<u>840</u>
At 30 June 2024 (Unaudited)	<u>1,234,600,000</u>	<u>840</u>

12. COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Under the combined influence of the global macroeconomic environment, changes in global trade policies, and advancements in technology, competition in the automotive industry in 2024 has intensified. Normalized price wars have become the main strategy to capture market share. According to data from the CAAM, the production and sales of passenger vehicles in China during the six months ended June 30, 2024 were approximately 11.9 million units and 12.0 million units, representing a period-on-period growth of 5.4% and 6.3%, respectively; the production and sales volume of China's commercial vehicles reached 2.0 million and 2.1 million, representing a period-on-period increase of 2.0% and 4.9%. Under the continuous development of the automobile industry and advancements in technology, China's production and sales of new energy vehicles account for over 60% of global marketing, ranking the first in the world for nine consecutive years. Driven by both policy and market forces, during the six months ended June 30, 2024, the production and sales of new energy vehicles totalling 4.9 million units and 4.9 million units, respectively, up 30.1% and 32% period-on-period; the sales of new energy vehicles have reached 35.2% of the total new automobile sales. Simultaneously, China's automobile exports during the six months ended June 30, 2024, were approximately 2.8 million units, representing a 30.5% increase period-on-period; China's new energy vehicles export reached 0.6 million units, representing a 13.2% increase period-on-period. The export volume of new energy vehicles accounts for approximately 12.0% of the total automobile sales during the same period.

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, growth was slow over the past three years due to the impact of the COVID-19 pandemic. However, since 2023, the penetration rate has seen improvement. The online automobile advertising penetration rate in China reached 45.6% in 2020. 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, representing a CAGR of 5.14%.

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

For the six months ended June 30, 2024, the Group’s operating revenue was approximately RMB67.0 million, representing a decrease of approximately 11.3% as compared to approximately RMB75.5 million for the six months ended June 30, 2023, which was mainly due to the decrease in the Company’s online advertising business revenue as compared to the corresponding period. Specifically, for the six months ended June 30, 2024, the Group’s revenue from Online Advertising Services was approximately RMB56.0 million, representing a decrease of approximately 25.9% as compared to the six months ended June 30, 2023 and the revenue from integrated marketing service was approximately RMB11.0 million (June 30, 2023: nil).

For the six months ended June 30, 2024, the gross profit was approximately RMB42.3 million, representing a decrease of approximately 28.8% as compared to approximately RMB59.4 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, the net profit of the Group was approximately RMB4.3 million, representing a decrease of approximately 84.6% as compared to the six months ended June 30, 2023, which was mainly attributable to the decrease in revenue and the increase in the cost of sales.

Set out below are the important milestones of the Group’s businesses for the six months ended June 30, 2024:

(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, 2024, 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 continued putting more investment in short-form video content creation and operation in 2024 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 2024, the Group intends to continue to develop 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) Stepping up efforts in the Group’s technology R&D and further enhancing 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 automobile manufacturers and 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 criteria for identifying suitable targets, including PGC producers, we-media advertising platforms and enterprises in automobile technology sector and new energy sector, are the following: (i) the services and core technologies provided can create synergy with the Group’s business; (ii) it owns considerable user traffic; and (iii) it has a sound and stable financial condition.

(4) Actively expanding the automobile overseas business

The Group is currently actively planning for the overseas expansion of its automobile business, with Thailand as the starting point, gradually extending to Southeast Asian countries and other regions with potential for growth in the automotive sector. The Group has already secured the trademark license for the renowned British automotive program “Top Gear”. The Group will provide high-quality automobile content and leverage its extensive brand influence to disseminate it on overseas social media platforms. Meanwhile, the Group plans to establish a new overseas brand to assist Chinese automobile manufacturers in accelerating their international expansion efforts and to offer professional and efficient online automobile information and purchasing services to overseas car buyers.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2024, the Group's total revenue was approximately RMB67.0 million, representing a decrease of approximately RMB8.5 million, or approximately 11.3%, from approximately RMB75.5 million for the six months ended June 30, 2023. In particular, this change was due to the decrease in the Group's online advertising business revenue as compared to the corresponding period.

Cost of sales

The Group's cost of sales increased by approximately RMB8.6 million, or approximately 53.4%, from approximately RMB16.1 million for the six months ended June 30, 2023 to approximately RMB24.7 million for the six months ended June 30, 2024. Such increase was mainly due to the Group carried out more market promotion activities to enhance consumers' desire for purchases in view of the intensifying market competition, which resulted in an increase of the costs associated with brand development and promotion.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by approximately RMB17.1 million, or approximately 28.8%, from approximately RMB59.4 million for the six months ended June 30, 2023 to approximately RMB42.3 million for the six months ended June 30, 2024. Gross profit margin decreased to approximately 63.2% for the six months ended June 30, 2024 from approximately 78.7% for the six months ended June 30, 2023.

Other income and gains

The Group's other income and gains decreased by approximately RMB5.1 million, or approximately 38.4%, to approximately RMB8.2 million for the six months ended June 30, 2024 from approximately RMB13.3 million for the six months ended June 30, 2023 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, 2024, the Group's selling and distribution expenses amounted to approximately RMB29.4 million, representing an increase of approximately RMB1.3 million, or approximately 4.8%, from approximately RMB28.1 million for the six months ended June 30, 2023 mainly due to the increase in market promotion activities.

Administrative expenses

For the six months ended June 30, 2024, the Group's administrative expenses amounted to approximately RMB11.2 million, representing a decrease of approximately RMB1.7 million, or approximately 12.9%, from approximately RMB12.9 million for the six months ended June 30, 2023 mainly due to the Group's overall optimization of the organizational structure, resulting in enhanced operational efficiency.

Research and development expenses

For the six months ended June 30, 2024, the Group's research and development expenses amounted to approximately RMB6.0 million, representing an increase of approximately RMB0.3 million, or approximately 6.0%, from approximately RMB5.7 million for the six months ended June 30, 2023 mainly due to the Group's system and technology updates and upgrades.

Finance costs

For the six months ended June 30, 2024, the Group's finance costs amounted to approximately RMB0.1 million, which is equal to that for the six months ended June 30, 2023.

Income tax expense

For the six months ended June 30, 2024, the Group's income tax expense amounted to approximately RMB-0.6 million, representing a decrease of approximately RMB0.8 million, or approximately 403.9% from approximately RMB0.2 million for the six months ended June 30, 2023, mainly due to the receipt of government tax refund.

Profit for the period

For the six months ended June 30, 2024, profit attributable to owners of the Group was approximately RMB4.3 million (June 30, 2023: approximately RMB28.0 million), representing a decrease of approximately RMB23.7 million, or approximately 84.6%, from the corresponding period in 2023, mainly due to the decrease in revenue and the increase in the cost of sales.

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, 2024 and 2023 to the nearest measures prepared in accordance with IFRS.

	For the six months ended June 30,				% of period-over-period change
	2024 RMB'000	% of total revenue	2023 RMB'000	% of total revenue	
Profit for the period	4,328	6.5	28,054	37.1	(84.6)
Add back:					
Share-based compensation expenses	0	0	6	0.02	(100)
Non-IFRS measure adjusted net profit	4,328	6.5	28,060	37.2	(84.6)

Liquidity and capital resources

As of June 30, 2024, the Group had current assets of approximately RMB550.5 million (December 31, 2023: approximately RMB554.6 million) and current liabilities of approximately RMB83.0 million (December 31, 2023: approximately RMB75.5 million). The current ratio was 6.6 times as at June 30, 2024 as compared with 7.3 times as at December 31, 2023.

As of June 30, 2024, the Group's cash and cash equivalents amounted to approximately RMB394.9 million which is mainly funded from the net cash flows generated from operating activities. The cash and cash equivalents as at June 30, 2024 denominated in RMB, HK\$ and US\$ amounted to approximately RMB229.6 million, approximately HK\$28 million and approximately US\$201.7 million, respectively. As at June 30, 2024, the Group did not have any bank borrowings (December 31, 2023: Nil) and the Group's gearing ratio (gearing ratio is defined as the ratio of total liabilities to total equity) is 16.1% (December 31, 2023: 14.6%). 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,	
	2024 RMB'000	2023 RMB'000
Net cash generated from operating activities	11,559	25,830
Net cash generated/(used in) from investing activities	13,354	(121,653)
Net cash (used in)/generated from financing activities	(1,200)	(621)
Net increase/(decrease) in cash and cash equivalents	23,713	(96,444)
Cash and cash equivalents as at the beginning of the period	369,880	278,216
Effect of exchange rate difference	1,343	7,222
Cash and cash equivalents as at June 30	394,936	188,994

Operating activities

For the six months ended June 30, 2024, net cash generated from operating activities was approximately RMB11.6 million, which primarily included cash generated from operating activities of approximately RMB11.5 million for the six months ended June 30, 2024 offset by the income tax paid of approximately RMB17 thousand for the six months ended June 30, 2024. For the six months ended June 30, 2023, net cash generated from operating activities was approximately RMB25.8 million.

Investing activities

For the six months ended June 30, 2024, net cash generated from investing activities was approximately RMB13.4 million which primarily included proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB60.2 million, offset primarily by the purchase of financial assets at fair value through profit or loss of approximately RMB59.5 million. For the six months ended June 30, 2023, net cash used in investing activities was approximately RMB121.7 million.

Financing activities

For the six months ended June 30, 2024, net cash used in financing activities was approximately RMB1.2 million, primarily including the payment of lease liabilities of approximately RMB0.7 million. For the six months ended June 30, 2023, net cash generated from financing activities was approximately RMB0.6 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 and website use right. Capital expenditures for the six months ended June 30, 2023 and 2024 are set out below:

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	732	2,483
Intangible assets	6,001	–

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.

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

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in the PRC. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group are mainly denominated in RMB.

Pledge of Assets

As of June 30, 2024, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2023: 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.)* (長興微網樑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, 2024. 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, 2024, the Group has the following significant investment:

	Percentage of interest held		Investment costs		Losses recognized in other losses*	Fair value	
	As of June 30, 2024	As of December 31, 2023	As of June 30, 2024	As of December 31, 2023		As of June 30, 2024	As of December 31, 2023
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ruibo Fund	<u>58.79</u>	<u>58.79</u>	<u>30,000</u>	<u>30,000</u>	<u>5,002</u>	<u>24,998</u>	<u>24,998</u>

* includes unrealised losses recognised in profit or loss attributable to balances held as of December 31, 2023. For the six months ended June 30, 2024, the Group had no gains and losses recognized.

As of June 30, 2024, the percentage to total assets value of the Group is approximately 4.1%.

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, 2024, the Group did not have any material contingent liabilities (December 31, 2023: Nil).

Employees and Remuneration Policies

As of June 30, 2024, the Group had 126 full-time employees, most of whom were based in China (June 30, 2023: 114). For the six months ended June 30, 2024, the Group's employee benefit and expenses amounted to approximately RMB23.9 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There are no material events subsequent to June 30, 2024 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, 2024 (June 30, 2023: Nil).

CORPORATE GOVERNANCE

The Company has adopted the CG Code as set out in Appendix C1 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 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 as set out in Appendix C3 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 Reporting Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company (including sale of treasury shares). No restricted share unit was granted as at June 30, 2024 and up to the date of this announcement.

As at June 30, 2024, there is no treasury shares (as defined under the Listing Rules) held by the Company.

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. SUN Yong. 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, 2024 and is of the view that the interim results for the six months ended June 30, 2024 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, 2024 will be despatched to the Shareholders upon request 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 C3 to the Listing Rules, as amended and supplemented from time to time
“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., 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, 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 C3 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
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2024
“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

“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
“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 27, 2024

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. SUN Yong and Mr. NG Jack Ho Wan as the independent non-executive Directors.

* *For identification purposes only*