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CHESHITECH

Cheshi Technology Inc.

车市科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1490)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Cheshi Technology Inc. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2020 as set out below.

FINANCIAL SUMMARY

	Year ended December 31,		Changes %
	2021	2020	
	RMB'000	RMB'000	
Revenue	197,185	180,404	9.30
Gross profit	146,403	152,461	-3.97
Profit for the year attributable to owners of the Company	41,013	64,641	-36.55
Adjusted net profit ⁽¹⁾	58,816	79,099	-25.64

(1) Adjusted net profit is defined as profit for the year adjusted by adding back or excluding share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preference shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	197,185	180,404
Cost of sales	5	<u>(50,782)</u>	<u>(27,943)</u>
Gross profit		<u>146,403</u>	<u>152,461</u>
Other income	6	15,901	3,230
Other gains, net	7	7,907	812
Net (impairment loss)/reversal of impairment loss on financial assets	5	(235)	1,569
Selling and distribution expenses	5	(51,444)	(34,185)
Administrative expenses	5	(47,779)	(34,809)
Research and development expenses	5	<u>(17,768)</u>	<u>(10,469)</u>
Operating income		52,985	78,609
Finance income		617	269
Finance costs		<u>(839)</u>	<u>(493)</u>
Finance costs, net		(222)	(224)
Share of profit of an associate		<u>-</u>	<u>6</u>
Profit before income tax		52,763	78,391
Income tax expense	8	<u>(11,930)</u>	<u>(13,750)</u>
Profit for the year		<u>40,833</u>	<u>64,641</u>
Profit is attributable to:			
Owners of the Company		41,013	64,641
Non-controlling interests		<u>(180)</u>	<u>-</u>
		<u>40,833</u>	<u>64,641</u>
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
Basic	9	<u>0.04</u>	<u>0.08</u>
Diluted	9	<u>0.04</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>40,833</u>	<u>64,641</u>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial asset at fair value through other comprehensive income	<u>30</u>	<u>–</u>
Other comprehensive income for the year, net of tax	<u>40,863</u>	<u>64,641</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	41,043	64,641
Non-controlling interests	<u>(180)</u>	<u>–</u>
	<u>40,863</u>	<u>64,641</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets		8,906	13,614
Intangible assets		10,048	10,836
Long-term deposits		1,600	1,597
Deferred tax assets		1,152	1,790
Financial assets at fair value through profit or loss	<i>12</i>	38,935	–
Financial asset at fair value through other comprehensive income		418	388
		<hr/> 61,059	<hr/> 28,225
Current assets			
Inventories		876	–
Prepayments, deposits and other receivables		25,241	22,547
Amounts due from shareholders		–	310
Contract assets		2,207	669
Trade and bill receivables	<i>11</i>	119,644	127,078
Financial assets at fair value through profit or loss	<i>12</i>	21,153	133,083
Income tax recoverable		1,419	–
Cash and cash equivalents		328,675	27,382
		<hr/> 499,215	<hr/> 311,069
Total assets		<hr/> 560,274	<hr/> 339,294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2021

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital		840	655
Share premium		246,004	–
Treasury shares		(20,032)	(69)
Reserves		81,486	65,785
Retained earnings		<u>172,038</u>	<u>132,002</u>
Capital and reserves attributable to owners of the Company		480,336	198,373
Non-controlling interests		<u>(322)</u>	<u>–</u>
Total equity		<u>480,014</u>	<u>198,373</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,848	6,587
Loan from a shareholder	15	12,974	–
Deferred tax liabilities		<u>2,263</u>	<u>–</u>
		<u>17,085</u>	<u>6,587</u>
Current liabilities			
Trade payables	13	1,270	3,032
Contract liabilities		9,086	2,280
Accruals and other payables	14	33,221	54,517
Lease liabilities		5,070	5,484
Loan from a shareholder		2,160	–
Dividend payable		–	13,600
Income tax payable		12,368	7,680
Convertible redeemable preference shares	16	<u>–</u>	<u>47,741</u>
		<u>63,175</u>	<u>134,334</u>
Total liabilities		<u>80,260</u>	<u>140,921</u>
Total equity and liabilities		<u>560,274</u>	<u>339,294</u>

NOTES

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

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

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

Amendments to IAS39, IFRS4, IFRS 7, IFRS 9 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

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

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

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

Amendments to IFRS 16 Annual Improvement Project (Amendments) Amendments to IFRS 3, IAS 16 and IAS 37 AG 5 (Revised)	<i>Covid-19 Related Rent Concessions beyond 2021⁽¹⁾ Annual Improvements to IFRSs 2018-2020⁽²⁾ Narrow-scope amendments⁽²⁾ Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations⁽²⁾</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current⁽³⁾</i>
Amendments to IAS 1 and IFRS Practice Statement 2 Amendments to IAS 12	<i>Disclosure of Accounting Policies⁽³⁾ Deferred Tax related to Assets and Liabilities arising from a Single Transaction⁽³⁾</i>
Amendments to IAS 8 IFRS 17 Amendments to IFRS 17 Hong Kong Interpretation 5 (2020)	<i>Definition of Accounting Estimates⁽³⁾ Insurance Contracts⁽³⁾ Amendments to IFRS 17⁽³⁾ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause⁽³⁾</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or contribution of Assets between an Investor and its Associate or Joint Venture⁽⁴⁾</i>

⁽¹⁾ effective for accounting periods beginning on or after 1 April 2021

⁽²⁾ effective for accounting periods beginning on or after 1 January 2022

⁽³⁾ effective for accounting periods beginning on or after 1 January 2023

⁽⁴⁾ no mandatory effective date is determined yet but early application is permitted

The Group will adopt the new and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION

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

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

- the provision of automobile-related advertising service and publication of automobile-related articles and videos, both of which are published on the Group's online platform ("**Online advertising service**");
- the provision of transaction facilitation service, which the Group assists car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles; or trades automobiles to customers during the advertising campaign of car dealers, assists in logistic arrangements and quality inspection ("**Transaction facilitation service**");
- the sales of automobiles; and
- the provision of software as a service ("**SaaS**") service income upon customer's request and charge its customers service fee based on the volume of data information provided to the customers.

Geographical information

All the revenue of the Group was generated in the PRC during the years ended 31 December 2021 and 2020. All non-current assets were kept in the PRC as at 31 December 2021 and 2020.

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

4 REVENUE

(a) An analysis of the Group's revenue during years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers:		
<i>Recognised over time</i>		
Online advertising service	178,905	178,957
Transaction facilitation service	–	210
<i>Recognised at a point in time</i>		
Transaction facilitation service	625	1,237
SaaS service	6,922	–
Sales of automobiles	10,733	–
	<u>197,185</u>	<u>180,404</u>

(b) Information about the major customer⁽¹⁾

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A ⁽²⁾	<u>N/A</u>	<u>18,473</u>

(1) There is no customer contribute over 10% of total revenue of the Group for the year ended 31 December 2021.

(2) The respective customer did not contribute over 10% of the total revenue of the Group in the current year.

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	10,700	–
Marketing and promotion expenses	21,526	10,402
Amortisation of intangible assets	1,072	986
Depreciation of property, plant and equipment	1,013	585
Depreciation of right-of-use assets	5,085	5,560
Employee benefit expenses	68,761	47,209
Expense of website maintenance and internet improvement	15,566	7,054
Advertisement production and other direct expenses	22,557	17,072
Listing expenses	3,289	8,986
Other taxes	2,516	2,364
Legal and professional fee	2,809	259
Consultancy fee	5,537	1,118
Provision for impairment of trade receivables and contract assets	1,184	3,559
Reversal of bad debt previously written off	(949)	(5,108)
Auditor's remuneration	2,324	1,237
Miscellaneous	5,018	4,554
	<u>168,008</u>	<u>105,837</u>

6 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grant (<i>Note (a)</i>)	6,876	988
Value added tax super credit	843	1,499
Consultancy income (<i>Note (b)</i>)	6,535	–
Waiver of account payables	1,242	–
Others	405	743
	<u>15,901</u>	<u>3,230</u>

Note:

- (a) The amount represents government grant from Chaoyang People's Government of the PRC in respect of the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2021. There are no unfulfilled conditions and other contingencies attached to the government grant.
- (b) The consultancy income represents advisory services in relation to merger and acquisition provided to independent third parties during the year ended 31 December 2021 with total contract sums of RMB6,535,000.

7 OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value gain on financial assets at FVTPL	11,179	2,864
Fair value gain on convertible redeemable preference shares	–	636
Gain from termination of lease	–	17
Gain on deemed disposal of an associate	–	232
Exchange loss, net	(3,272)	(2,937)
	<u>7,907</u>	<u>812</u>

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	9,162	13,333
Over-provision in the prior year	(133)	–
Deferred income tax	2,901	417
	<hr/>	<hr/>
Income tax expense	11,930	13,750
	<hr/> <hr/>	<hr/> <hr/>

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

(a) Cayman Islands

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

(b) British Virgin Islands

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

(c) Hong Kong

The Group's entities incorporated in Hong Kong are subject to Hong Kong profits tax of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits during the year ended 31 December 2021 (2020: 16.5%).

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The statutory PRC CIT rate is 25% for the year ended 31 December 2021 (2020: 25%).

A subsidiary of the Group in the PRC has obtained approved from the in-charge tax authority in the PRC as 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 a subject to the HNTE Preferential Tax Rate at 15% for the year ended 31 December 2021 (2020: 15%).

(e) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas – incorporated immediate holding companies. During the years ended 31 December 2021 and 2020, the Group does not have any profit distribution plan. Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to RMB19,177,000 (2020: RMB13,704,000) as at 31 December 2021 of the Group's subsidiaries in Mainland China earned after 1 January 2008, because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners of the Company by the weighted average number of outstanding ordinary shares in issue during the years ended 31 December 2021 and 2020, excluding shares held for employee share scheme.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the Pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the above said ordinary shares continued being recognised as Series A Preferred Shares according to the substance. Accordingly, the aforesaid ordinary shares and the 25,000,000 bonus shares were not included in the calculation of basic earnings per share for the year ended 31 December 2020. On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share was automatically converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date.

	Year ended 31 December	
	2021	2020
Profit attributable to equity owners of the Company (RMB'000)	41,013	64,641
Weighted average number of ordinary shares in issue	1,127,893,360	850,000,000
Basic earnings per share (in RMB/share)	<u>0.04</u>	<u>0.08</u>

(b) Diluted earnings per share

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

Diluted earnings per share equals to the basic earnings per share for the year ended 31 December 2021 as there were no potential dilutive ordinary shares outstanding during the year.

For the year ended 31 December 2020, the diluted earnings per share was calculated by considering the impact of the aforesaid 25,000,000 Series A Preferred Shares and 25,000,000 bonus shares, in which the related redemption feature of the Pre-IPO Shareholder's Agreement is in the money and has dilutive impact on the earnings per share calculation.

	Year ended 31 December 2020
Diluted earnings per share	
Profit attributable to equity owners of the Company (RMB'000) (i)	64,005
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (ii)	900,000,000
Diluted earnings per share (in RMB/share)	<u>0.07</u>

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

	Year ended 31 December 2020 <i>RMB'000</i>
Profit attributable to the ordinary equity owners of the Company:	
Used in calculating basic earnings per share	64,641
Less: fair value gain on convertible redeemable preference shares	<u>(636)</u>
Used in calculating diluted earnings per share	<u><u>64,005</u></u>

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

	Year ended 31 December 2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000
Adjustments for calculation of diluted earnings per share:	
Convertible redeemable preference shares and bonus shares	<u>50,000,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u><u>900,000,000</u></u>

10 DIVIDEND

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

11 TRADE AND BILL RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bill receivables	11,514	10,597
Trade receivables	<u>115,169</u>	<u>122,349</u>
	126,683	132,946
Less: allowance for impairment	<u>(7,039)</u>	<u>(5,868)</u>
Total trade and bill receivables, net	<u><u>119,644</u></u>	<u><u>127,078</u></u>

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 30 days	22,513	38,516
31 to 90 days	30,567	25,255
91 to 180 days	30,853	26,974
181 to 365 days	25,662	24,805
Over 1 year	5,574	6,799
	<u>115,169</u>	<u>122,349</u>

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

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

12 FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Unlisted investment funds		
– Level 3 investment (<i>note (a)</i>)	<u>38,935</u>	<u>–</u>
	<u>38,935</u>	<u>–</u>
Current assets		
Unlisted investment funds		
– Level 2 investment (<i>note (b)</i>)	21,153	–
Wealth management products	<u>–</u>	<u>133,083</u>
	<u>21,153</u>	<u>133,083</u>
	<u>60,088</u>	<u>133,083</u>

- (a) The Group has made an investment in a private equity fund in the PRC. The fair value is within level 3 of the fair value hierarchy. During the year ended 31 December 2021, a fair value gain of RMB8,935,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.
- (b) The Group has made investment in a private fund which is registered in the Cayman Islands amounted to RMB10,963,000. The fair value is within level 2 of the fair value hierarchy. During the year ended 31 December 2021, a fair value gain of RMB113,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.

The Group has made investment in a private fund which is registered in the PRC amounted to RMB10,190,000. The fair value is within level 2 of the fair value hierarchy. During the year ended 31 December 2021, a fair value gain of RMB190,000 (2020: Nil) is recognised in the consolidated statement of comprehensive income.

The financial assets at FVTPL were denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	49,125	133,083
US\$	10,963	–
	<u>60,088</u>	<u>133,083</u>

During the year, the following income was recognised in the consolidated statement of comprehensive income:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net fair value gains on financial assets at FVTPL	11,179	2,864
	<u>11,179</u>	<u>2,864</u>

13 TRADE PAYABLES

Trade payables are non-interest-bearing.

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	1,055	1,045
91 to 180 days	–	386
181 to 365 days	70	359
Over 1 year	145	1,242
	<u>1,270</u>	<u>3,032</u>

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

14 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current portion		
Payroll and welfare payable	12,457	17,225
Other taxes payable	15,632	12,509
Trading deposits received	598	392
Rebate payables	425	1,209
Listing expense payables	–	12,939
Payable to advertising service providers	853	7,211
Others	3,256	3,032
	<u>33,221</u>	<u>54,517</u>
Total	<u>33,221</u>	<u>54,517</u>

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	33,063	54,488
US\$	158	21
HK\$	–	8
	33,221	54,517

15 LOAN FROM A SHAREHOLDER

On 10 September 2021, a minority shareholder of a subsidiary of the Group has granted a loan of RMB12,740,000 to the subsidiary, in portion to its equity interest in this subsidiary. The minority shareholder is a company owned by the ultimate shareholder of the Company, Mr. Xu. The loan bears an interest rate of 6% per annum and is repayable in three years from the drawdown date on 10 September 2021.

16 CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the Company became 475,000,000 ordinary shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the Pre-IPO Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000.

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

(a) Conversion feature

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

(b) Redemption feature

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

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

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

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

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

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

(d) The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

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

17 SUBSEQUENT EVENTS

Following the outbreak of Coronavirus Disease 2019, its variant "Omicron" has developed severely in early 2022. The Group will pay close attention to the development of the outbreak and evaluate its impact on the financial position and operating results of the Group in 2022. Pending development of such subsequent non-adjusting event, the Group's financial results for the year ending 31 December 2022 may be affected, the extend of which could not be estimated as at the date of approval of these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

2021 was a year of challenges and opportunities for the automobile industry in China. As the impact of the COVID-19 pandemic gradually subsided, China's automobile industry began to recover in 2021. According to data from the CAAM, in 2021, China's automobile production and sales rose 3.4% and 3.8% year-on-year to 26.1 million units and 26.3 million units respectively, putting an end to the downward trend over three consecutive years, and the market is expected to maintain growth in 2022. In particular, the new energy vehicle market grew strongly in China. As shown by data from the MIIT, in 2021, the production and sales of new energy vehicles in China reached 3.6 million units and 3.5 million units, representing a year-on-year increase of 1.6 times, ranking first in the world for seven consecutive years. Along with the stable growth of the entire automobile market, the automobile advertising industry in China has also developed continuously. According to publicly available information, the automobile advertising and information market in China increased from RMB49.9 billion in 2015 to RMB74.8 billion in 2019, representing a compound annual growth rate (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%. By market penetration in China, the online automobile advertising increased from 33.7% in 2015 to 45.6% in 2019. Driven by the impact of the COVID-19 pandemic and technologies such as the mobile internet and the metaverse, the offline marketing budgets are expected to continue to turn to online marketplaces in the future. It is estimated that the market penetration of online automobile advertising will reach 58.6% in China by 2025. On the other hand, the "chip shortage" throughout the year continued to put pressure on the production and operation of automobile manufacturers and dealers, adding uncertainty to the development of the domestic and global automobile industry.

According to the research data from CIC, an industry consultant, China's mobility business market amounted to RMB5.7 trillion in 2020 and is expected to grow at a compound annual growth rate of 13.1% to RMB10.6 trillion by 2025. And driven by policies, such as the "official car reform", "online car-hailing policy" and "new tax policy reform", the enterprise mobility business market embraces good opportunity for development. According to the research data from iResearch, China's enterprise mobility business market was close to RMB250 billion in 2020.

Given the advanced and strong internal technical capabilities of the Group, the Company maintained stable in the development of existing businesses. In addition, due to the comprehensive implementation of industrial internet and the establishment of digital ecosystems by the Company to form the "second growth curve" and optimize revenue structure in 2021. As of December 31, 2021, the Company recorded revenue of approximately RMB197.2 million, representing a positive performance compared with approximately RMB180.4 million for the corresponding period of 2020.

Group Overview

Founded in September 2015, the Group acquired the business and assets of “Cheshi.com” in October 2015, a vertically-integrated automotive website portal, which commenced operations in China in September 1999. Since then, the Group has developed into one of the leading automobile vertical media advertising platforms in China and is committed to provide its business partners and end users with comprehensive and high-quality automobile content and one-stop marketing solutions. The automobile content is produced by the Group’s in-house content team and distributed across its proprietary platforms, comprising of the Group’s PC websites, mobile websites and mobile applications and a network of over 1,000 business partner platforms. The Group’s widely distributed content drives high user traffic which in turn attracts automobile advertisers to use its advertising services and which in turn would solidify the Group’s market position in the automobile vertical media advertising industry.

Following the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date, the Company accesses the capital markets in Hong Kong, thereby enhancing its financial position and brand awareness. In September 2021, the Company was renamed as “CHESHI TECH”, showing the Company’s entrepreneurial spirit and culture focusing on perseverance, breakthroughs and innovation. In 2021, the Company officially enters the travel service 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 2021, affected by the COVID-19 pandemic, the chip shortage and other negative factors, the Group maintained a stable growth trend. For the year ended December 31, 2021, the Group's revenue amounted to approximately RMB197.2 million, representing an increase of approximately 9.3% compared with approximately RMB180.4 million for the corresponding period of 2020, which was due to the increase in the revenue from the Company's new businesses over the corresponding period. Among them, for the year ended December 31, 2021, revenue from the Online Advertising Services of the Group was approximately RMB178.9 million, broadly flat with the corresponding period of 2020. Revenue from the Transaction Facilitation Services of the Group was approximately RMB0.6 million, representing a decrease of approximately 56.8% compared to the corresponding period of 2020, which was due to limited offline activities affected by the pandemic. In respect of new businesses, for the year ended December 31, 2021, the Company successfully realized the commercialization of technology and mobility business, recording revenue from the SaaS Services and the Mobility Business of approximately RMB6.9 million and approximately RMB10.7 million, respectively.

Gross profit for the year ended December 31, 2021 was approximately RMB146.4 million, representing a decrease of approximately 4% compared with approximately RMB152.5 million for the corresponding period of 2020. For the year ended December 31, 2021, the Group's net profit was approximately RMB40.8 million, representing a decrease of approximately 36.8% compared to the corresponding period of 2020, which was mainly due to the increase in the Group's share-based incentive expenses, selling and research and development expenses. For the year ended December 31, 2021, the Group's adjusted net profit (adjusted by adding back or deducting the following items: share-based compensation expenses and listing expenses) was approximately RMB58.8 million, representing a decrease of approximately 25.6% compared to the corresponding period of 2020, which was mainly due to (i) the increase in the research and development investment and operation cost for improving the quality of video-based PGC and promoting new business; and (ii) affected by the "chip shortage" in the automotive industry, the marketing budget of automobile manufacturers decreased, resulting in a slower growth rate of advertising revenue.

Set out below are the important milestones of the Group's businesses for the year ended December 31, 2021:

(1) The Group further consolidated its leading market position in the automobile advertising industry in the People's Republic of China ("China")

During the year ended December 31, 2021, the Company continued to optimize and improve its automobile new media content matrix. The Company is able to publish contents across platforms throughout the whole internet by one click through Picker, an independently-developed vertical cloud service system of the Group. Meanwhile, the Company put more investment in short-form video content creation and operation in 2021 to enhance the overall effectiveness and industry competitiveness of online advertising services.

(2) *The Group’s software as a service (“SaaS”) realized continuous development*

During the year ended December 31, 2021, the Group made certain improvement on the technology business sector, including organizational restructuring, product development and function upgrading. At present, the Group has three SaaS products, including Yixiao (易效平台), Cheshibao (車市寶) and Haomaiche (好賣車). Based on the combination of cloud management platform, big data and artificial intelligent core algorithm, the Group aims to provide the automobile industry with all-around, digitalized cross-platform marketing solutions through its SaaS services.

(3) *The Group’s Mobility Business achieved a breakthrough*

The Group intended to establish the largest government-enterprise mobility business platform in China. During the year ended December 31, 2021, the Group made important progress by establishing cooperative relationships with two automobile companies, namely, “Geely Automobile” and “Shanghai GM”. The Group has started the sales of new energy vehicles, including “Dongfeng”, “Buick Velite” and “WM” to car rental companies, which provided further services to government, central state-owned enterprises, colleges and universities and other enterprises and institutions.

(4) *The Group established strategic cooperation with ICBC*

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

(5) *The Group established strategic cooperation with Auto 360 (360 汽車頻道)*

In November 2021, the Group established strategic cooperation with Auto 360 (360 汽車頻道) to explore innovative business models in, among others, content technology, full-chain empowerment of automobile companies and internet of vehicles (IoV) security.

(6) *The Group established strategic cooperation with Huafeng Meteorological Media Group (“Huafeng Group”)*

In December 2021, the Group entered into a strategic cooperation agreement with Huafeng Group, a subsidiary of China Meteorological Administration. The cooperation focuses on mobility, particularly big transportation and big energy, to provide users with personalized and customized mobility service and seek business innovation in the aspects of meteorological resources, media resources and user data resources. Huafeng Group is directly owned by China Meteorological Administration and a leading state-owned meteorological service enterprise owning various superior media resources, including China Weather.com (中國天氣網), China Weather app (中國天氣通) and China Weather TV (中國天氣頻道), providing services to over 70 billion persons.

Outlook

Throughout 2022, the Company intends to continue to build on its future business plans and strategies. Such development initiatives include:

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

The Group plans to enhance the quality and quantity of its PGC, improve brand awareness and deepen the 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 research and development and further enhancing IT systems, products development and SaaS services*

The Group plans to optimize the Picker engine, enhance 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 during research and development as well as marketing, and provide them with targeted and precise one-stop marketing and after-sales services.

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

The Company plans to evaluate and selectively pursue strategic alliance, investment and acquisition opportunities to complement its existing services and strategies. Its 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 commercial presence 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, and promote industrial upgrading and higher efficiency by adopting an innovative model in automobile leasing, centralized procurement and supply chain finance, etc.

FINANCIAL REVIEW

During the Reporting Period, the Group's total revenue was approximately RMB197.2 million, representing an increase of approximately RMB16.8 million, or approximately 9.3%, from approximately RMB180.4 million for the year ended December 31, 2020. The increase in revenue was mainly due to (i) the increase of the SaaS Services contributing to revenue growth of approximately RMB6.9 million for the year ended December 31, 2021; and (ii) the increase of the Mobility Business contributing to revenue growth of approximately RMB10.7 million for the year ended December 31, 2021; such increase was partially offset by the decrease in revenue from the Transaction Facilitation Services by approximately RMB0.8 million or approximately 56.8% from RMB1.4 million for the year ended December 31, 2020 to approximately RMB0.6 million for the year ended December 31, 2021. The decrease in revenue from the Transaction Facilitation Services was mainly due to the fact that offline activities were restricted due to the pandemic.

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

	Year ended December 31,				
	2021		2020	year-on-year	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>% change</i>
Online Advertising Services	178,905	90.8	178,957	99.2	0
Transaction Facilitation Services	625	0.3	1,447	0.8	-56.8
SaaS Services	6,922	3.5	–	–	–
Mobility Business					
– Sales of Automobiles	10,733	5.4	–	–	–
Total	<u>197,185</u>	<u>100.0</u>	<u>180,404</u>	<u>100.0</u>	-9.3

Cost of providing services

During the Reporting Period, the Group's cost of principal operations increased by approximately RMB22.9 million or 81.7% to approximately RMB50.8 million (for the year ended December 31, 2020: approximately RMB27.9 million). The increase in cost of principal operations was due to (i) more staff costs and increased investment in video-based PGC to improve the advertising effect and industry competitiveness; and (ii) the development of new business pushed up the overall cost.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by approximately RMB6.1 million or approximately 4.0% from approximately RMB152.5 million for the year ended December 31, 2020 to approximately RMB146.4 million for the year ended December 31, 2021. Gross profit margin decreased from approximately 84.5% for the year ended December 31, 2020 to approximately 74.2% for the year ended December 31, 2021. The decrease in gross profit margin was due to (i) the increase in cost of investment in video-based PGC; and (ii) the increase in procurement costs driven by the commencement of the mobility business.

Other income

Other income of the Group increased by approximately RMB12.7 million or approximately 392.3% from approximately RMB3.2 million for the year ended December 31, 2020 to approximately RMB15.9 million for the year ended December 31, 2021 which is comprised of (i) government grant obtained from the Chaoyang People's Government of the PRC due to the successful Listing of the Company; and (ii) consultancy income which represents the advisory services in relation to merger and acquisition provided to independent third parties.

Other gains, net

The Group recorded other gains of approximately RMB7.9 million during the Reporting Period (for the year ended December 31, 2020: other gains of approximately RMB0.8 million) which was mainly attributable to the fair value gains recorded by the Group's financial assets at fair value.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB51.4 million, representing an increase of approximately RMB17.2 million, or approximately 50.5%, from approximately RMB34.2 million for the year ended December 31, 2020, mainly due to (i) the increase in sales persons needed to promote the development of the Group's new businesses; and (ii) the increase in marketing expenses incurred by the advertising business.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB47.8 million, representing an increase of approximately RMB13.0 million, or approximately 37.2%, from approximately RMB34.8 million for the year ended December 31, 2020, mainly due to the increase in equity incentive expenses.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to approximately RMB17.8 million, representing an increase of approximately RMB7.3 million or approximately 69.7% from approximately RMB10.5 million for the year ended December 31, 2020, mainly due to the increased investment in the research and development of SaaS products and the iterative upgrade of existing technology products.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB0.8 million, representing an increase of approximately RMB0.3 million or 70.2% from approximately RMB0.5 million for the year ended December 31, 2020, mainly due to the increase in interest expense.

Income Tax expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB11.9 million, representing a decrease of RMB1.9 million, or 13.2%, from approximately RMB13.8 million for the year ended December 31, 2020. The decrease was mainly due to the decrease in operating profit compared with the corresponding period last year.

Profit for the year

During the Reporting Period, profit attributable to owners of the Company was RMB40.8 million (for the year ended December 31, 2020: approximately RMB64.6 million) representing a decrease of approximately RMB23.8 million, or 36.6% as compared with the year ended December 31, 2020 due to the increase in equity incentive expenses, selling and research and development expenses.

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

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

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

The following tables set forth reconciliations of the Group's non-IFRS measures for the years ended December 31, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

	For the year ended December 31,				
	2021	% of total revenue	2020	% of total revenue	year- on-year % change
	RMB'000	%	RMB'000	%	%
Profit for the year	40,833	20.7	64,641	35.8	(36.8)
Add back/(exclude):					
Share-based compensation expenses	14,694	7.5	6,108	3.4	140.6
Listing expenses	3,289	1.7	8,986	5.0	(63.4)
Fair value gain on convertible redeemable preference shares	–	–	(636)	(0.4)	–
Non-IFRS measure adjusted net profit	58,816	29.8	79,099	43.8	(25.6)

Liquidity and financial resources and capital structure

As at December 31, 2021, the Group had current assets of RMB499.2 million (December 31, 2020: RMB311.1 million), representing an increase of approximately RMB188.1 million or 60.5%, mainly due to the increase in cash and cash equivalents arising from the initial public offering. The Group had current liabilities of RMB63.2 million (December 31, 2020: RMB134.3 million), representing a decrease of approximately RMB71.1 million or 52.9%, mainly due to (i) the conversion of convertible redeemable preference shares into equity assets; and (ii) the decrease in dividend payable and listing expense payables. The current ratio was 7.9 at December 31, 2021 as compared with 2.3 at December 31, 2020.

As of December 31, 2021, the Group's cash and cash equivalents amounted to approximately RMB328.7 million which is mainly funded from the net cash flows generated from operating activities (e.g. collection of accounts receivables). As at December 31, 2021, the Group did not have bank borrowings (December 31, 2020: Nil). The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

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

Capital expenditure

The Group's capital expenditures mainly included property, plant and equipment, right-of use assets and intangible assets. Capital expenditures for the year ended December 31, 2021 and 2020 are set out below:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment and right-of-use assets	1,390	2,018
Intangible assets	285	189

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.

Pledge of Assets

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

Significant Investment and Material Event During the Reporting Period

Establishment and subscription of fund

On May 12, 2021, Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司) (a wholly-owned subsidiary of the Company, as general partner) (“**Beihai Congshu**”) and Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司) (a wholly-owned subsidiary of the Company, as limited partner) (“**Congshu Beijing**”) have entered into a partnership agreement (the “**Partnership Agreement**”) with Gongqingcheng Taoyuan Investment Management Co., Ltd.*(共青城韜遠投資管理有限公司) (as general partner) (“**Taoyuan Investment**” being the registered trademark of Taoyuan Investment) in relation to the establishment of a partnership fund with a proposed total investment amount of RMB1 billion (the “**Weinet Fund**”), to serve as a capital platform for joint investment, integration of upstream and downstream resources in the industry chain and diversification of mergers and acquisitions. The Weinert Fund is launched by Xintong Capital*(新瞳資本) (“**Xintong Capital**” being the registered trademark of Taoyuan Investment) and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital mainly participates in growth stage projects in the internet sector and is led by the head of strategic investment department of Sina Weibo, Mr. Liu Yunli, and other individuals with years of experience in private equity investment. The initial registered capital of the Weinert Fund is RMB51 million. Pursuant to the Partnership Agreement, Taoyuan Investment, Beihai Media and Congshu Beijing have agreed to contribute RMB1 million, RMB1 million and RMB49 million, respectively, representing approximately 2.0%, 2.0% and 96.1%, respectively, of the initial registered capital of the Weinert Fund.

On October 13, 2021, Weinert Fund (as limited partner), Wang Yuanshu (a natural person as limited partner) and 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)), pursuant to which Weinert Fund agreed to subscribe for the limited partnership interests in the said fund, for a capital commitment of RMB30 million. Such fund is managed by Taoyuan Investment.

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

Change of name and stock short code

On August 19, 2021, the official registered English name of the Company has changed from “Cheshi Holdings Limited” to “Cheshi Technology Inc.”, and the Chinese name of “車市科技有限公司” has been adopted as the dual foreign name of the Company. On September 23, 2021, the stock short name of the Company for trading in the Shares on the Stock Exchange was changed from “CHESHI” to “CHESHI TECH” in English and “車市科技” was adopted in Chinese. For details, please refer to the announcements of the Company dated July 6, 2021, August 16, 2021 and September 17, 2021 and the circular of the Company dated July 29, 2021.

Subsequently, the Company has adopted a new logo with effect from March 28, 2022. For details, please refer to the section headed “Event Subsequent to the Reporting Period” in this announcement.

Save as disclosed above, for the year ended December 31, 2021 and up to date of this announcement, there was no important event affecting the Group.

Contingent Liabilities

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

Employees and Remuneration Policies

As of December 31, 2021, we had 172 full-time employees, most of whom were based in China. The number of employees employed by the Group may change from time to time as required and employee emoluments are determined with reference to market conditions and the performance, qualifications and experience of individual employees.

We have established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. On September 30, 2021, the Company has adopted a post-IPO restricted share unit scheme (the “**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 announcement of the Company dated September 30, 2021. For details, please refer to the announcement of the Company 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. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications.

USE OF PROCEEDS

Use of 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 December 31, 2021, 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, 2021 (HK\$ million)	Unutilised as at December 31, 2021 (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	25.5	72.7	By the end of 2023
Strengthen research and development and IT system and develop and promote new products (Note 2)	36.1	89.1	30.2	58.9	By the end of 2023
Future investments and acquisitions (Note 3)	14.1	34.8	11.6	23.2	By the end of 2023
Working capital	10.0	24.7	8.2	16.5	By the end of 2023
Total	100.0	246.8	75.5	171.3	

Notes:

- (1) To solidify the Company's market position and quantity of 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 research and development and IT system and develop and promote new products through the following measures: (i) optimizing the Picker engine of the Company; (ii) enhancing existing IT systems and infrastructures 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 target 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) having 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.

As at December 31, 2021, the Group has unutilised net proceeds of approximately HK\$171.3 million from the Listing. The unutilised net proceeds are placed in licensed banks in Hong Kong. The Group will use the remaining net proceedings progressively in the way described in the Prospectus, depending on actual business needs and to exhaust the remaining balance by the end of 2023. There is no change to the intended use of proceeds as disclosed in the Prospectus.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Following the change of English name of the Company from “Cheshi Holdings Limited” to “Cheshi Technology Inc.” and the adoption of Chinese name of “車市科技有限公司” on August 19, 2021, with effect from March 28, 2022, the Company has adopted a new logo as follow.



Following the outbreak of Coronavirus Disease 2019, its variant “Omicron” has developed severely in early 2022. The Group will pay close attention to the development of the outbreak and evaluate its impact on the financial position and operating results of the Group in 2022. Pending development of such subsequent non-adjusting event, the Group’s financial results for the year ending December 31, 2022 may be affected, the extend of which could not be estimated as at the date of this announcement.

Save as disclosed above, the Group is not aware of any significant events after the year ended December 31, 2021 and up to the date of this announcement.

DIVIDEND

The Company did not recommend any payment of dividends for the year ended December 31, 2021 (2020: Nil).

Annual General Meeting

The AGM will be held on May 17, 2022. A notice convening the AGM will be published on April 11, 2022 and dispatched to Shareholders in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from 12 May 2022 to 17 May 2022, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. 11 May 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the period from the Listing Date to December 31, 2021 and up to the date of this announcement, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the deviation from code provision C.2.1.

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 are both performed by Mr. Xu Chong. Given that Mr. Xu is one of our founders who had provided strategic guidance and leadership throughout the development of the Group’s business, our Board believes that vesting the roles of both chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within our Group, and providing more effective and efficient overall strategic planning and management oversight for our Group. The Board considers that Mr. Xu’s dual role at this stage is conducive to maintaining the continuity of the Company’s policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to December 31, 2021 and up to the date of this announcement.

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. The purchase of share was approved by the Board. During October to December 2021, 33,780,000 Shares were purchased on the Stock Exchange and subscribed by the Custodian with an average price of HK\$0.7 per Share which amounted to an aggregate price of HK\$24,659,000 (equivalent to approximately RMB19,977,000 as at 31 December 2021). No restricted share unit was granted as at December 31, 2021 and up to the date of this announcement.

Save as disclosed hereinabove, during the period from the Listing Date to December 31, 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the consolidated financial statements of the Group for the year ended December 31, 2021 and the disclosure in this announcement.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2021, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Company's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2021 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cheshi.com. The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“AGM”	the forthcoming annual general meeting of the Company to be held on May 17, 2022
“Auditor”	PricewaterhouseCoopers
“Board” or “Board of Directors”	board of directors of the Company
“CAAM”	China Association of Automobile Manufacturers
“CEO”	chief executive officer of the Company
“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
“Company” or “our Company” or “the Company”	Cheshi Technology Inc., an exempted company incorporated in the Cayman Islands on November 22, 2018 with limited liability and listed on the Stock Exchange on January 15, 2021 (Stock code: 1490)
“Controlling Shareholder(s)”	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 XC Group Limited
“Director(s)”	director(s) of the Company
“DLOM”	Discounts for lack of marketability
“Global Offering”	the Hong Kong public offering of 20,400,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 183,600,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards
“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
“iResearch”	Shanghai iResearch Co., Ltd, an independent market research and consulting company
“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 Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MIIT”	Ministry of Industry and Information Technology
“PGC”	professionally-generated content
“Prospectus”	the prospectus of the Company dated December 31, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“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
“%”	per cent

APPRECIATION

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

By Order of the Board
Cheshi Technology Inc.
Xu Chong

Chairman, Chief Executive Officer and Executive Director

Beijing, the PRC, March 28, 2022

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

* For identification purposes only