德銀天下股份有限公司

DEEWIN TIANXIA CO.,LTD

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2418

GLOBAL OFFERING

Sole Sponsor

中信建投國際
CHINA SECURITIES INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

中信建投國際
CHINA SECURITIES INTERNATIONAL

华泰国际
HUATAI INTERNATIONAL

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

德銀天下股份有限公司
DEEWIN TIANXIA CO.,LTD

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**543,000,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**54,300,000 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**488,700,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$2.13 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2418**

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Joint Bookrunners and Joint Lead Managers

光銀國際 CEB INTERNATIONAL

BOC INTERNATIONAL

中泰國際 ZHONGTAI INTERNATIONAL

富途證券

老虎證券 TIGER BROKERS

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

EDDID 艾德金融

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Representative (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about 8 July 2022 (Hong Kong time) and, in any event, not later than 9 July 2022 (Hong Kong time). The Offer Price will be not more than HK$2.13 per H Share and is currently expected to be not less than HK$1.78 per H Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK$2.13 per H Share for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK$2.13 per H Share. If, for any reason, the Offer Price is not agreed between us and the Sole Representative (for itself and on behalf of the Underwriters) on or before 9 July 2022 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Representative (for itself and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the indicative Offer Price range below stated in this prospectus (which is HK$1.78 to HK$2.13 per H Share) and/or the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares being offered under the Global Offering will be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.deewintx.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Representative (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong, and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.deewintx.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

30 June 2022

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.deewintx.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company in accordance with the Listing Rules.

If you are an **intermediary, broker** or **agent,** please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be made for a minimum of 1,500 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
1,500	3,227.20	45,000	96,816.02	450,000	968,160.25	4,500,000	9,681,602.43
3,000	6,454.40	60,000	129,088.03	600,000	1,290,880.33	6,000,000	12,908,803.23
4,500	9,681.60	75,000	161,360.04	750,000	1,613,600.41	7,500,000	16,136,004.04
6,000	12,908.81	90,000	193,632.06	900,000	1,936,320.49	9,000,000	19,363,204.85
7,500	16,136.00	120,000	258,176.06	1,200,000	2,581,760.64	12,000,000	25,817,606.46
9,000	19,363.21	150,000	322,720.09	1,500,000	3,227,200.81	15,000,000	32,272,008.08
10,500	22,590.40	180,000	387,264.10	1,800,000	3,872,640.97	18,000,000	38,726,409.69
12,000	25,817.61	210,000	451,808.12	2,100,000	4,518,081.13	21,000,000	45,180,811.31
13,500	29,044.81	240,000	516,352.13	2,400,000	5,163,521.29	24,000,000	51,635,212.92
15,000	32,272.01	270,000	580,896.15	2,700,000	5,808,961.46	27,150,000[1]	58,412,334.62
30,000	64,544.03	300,000	645,440.16	3,000,000	6,454,401.62		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

*If there is any change in the following expected timetable, we will issue an announcement on the respective websites of the Company at **www.deewintx.com** and the Stock Exchange at **www.hkexnews.hk**.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Thursday, 30 June 2022

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . 11:30 am on Friday, 8 July 2022

Application lists open[3] . . . . 11:45 am on Friday, 8 July 2022

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, 8 July 2022

Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Friday, 8 July 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close . . . . 12:00 noon on Friday, 8 July 2022

Expected Price Determination Date[5] . . . . Friday, 8 July 2022

(1) Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares to be published

on or before . . . . Thursday, 14 July 2022

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from . . . . Thursday, 14 July 2022

Announcement of (1) and (2) above to be published on the website of the Company at **www.deewintx.com**[9] and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Thursday, 14 July 2022
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function	from 8:00 a.m. on Thursday, 14 July 2022 to 12:00 midnight on Wednesday, 20 July 2022
The allocation results telephone enquiry by calling +852 2862 8555 between	9:00 a.m. and 6:00 p.m. on Thursday, 14 July 2022 to Friday, 15 July 2022 and Monday, 18 July 2022 to Tuesday, 19 July 2022
Despatch/Collection of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6][7]	Thursday, 14 July 2022
Despatch/Collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[6][8]	Thursday, 14 July 2022
Dealings in the H Shares on the Stock Exchange expected to commence	9:00 a.m. on Friday, 15 July 2022

The application for the Hong Kong Offer Shares will commence on Thursday, 30 June 2022 through to Friday, 8 July 2022. Such time period is longer than the normal market practice of 3.5 days. The application monies (including brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and Financial Reporting Council transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 14 July 2022. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Friday, 15 July 2022.

Notes:

(1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 8 July 2022, the application lists will not open on that day. For further information please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying through the CCASS EIPO service" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, 8 July 2022, and in any event will not be later than Saturday, 9 July 2022. If, for any reason, the Offer Price is not agreed among the Sole Representative (for itself and on behalf of the Underwriters) and our Company on or before Saturday, 9 July 2022, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) Applicants who have applied with the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques and H Share certificates (as applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 July 2022 or such other date as notified by us in the newspapers. Applicants being individuals who are eligible to personal collection must not authorise any other person to make collection on their behalf.

Applicants who have applied through **White Form eIPO** service by paying the application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and have paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — (b) If you apply through the CCASS EIPO service" in this prospectus.

H Share certificates (if applicable) and/or refunded cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates (if applicable) and/or refund cheques (if applicable) will be dispatched by ordinary post, at the risk of the applicants, to the addresses specified in the relevant applications shortly after the expiry of the time for collection at the date of dispatch of refund cheque as described in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(7) H Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 14 July 2022 but will only become valid evidence of title provided that the Global Offering becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) Refund cheques will be issued (where applicable) and e-Refund payment instructions will be dispatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheques. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(9) None of the websites or any of the information contained on the websites forms part of this prospectus.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We provide various value-added services, including logistics and supply chain services, financial services and IoV data services, to players along the commercial automobile industry chain. Commercial automobiles mainly include trucks, pickups, trailers, buses and lorries.

According to Frost & Sullivan Report, the commercial automobile industry chain can generally be divided into the following sections: (1) the upstream, which includes raw material supply and components manufacturing; (2) the midstream, which includes R&D, manufacturing and sales of automobiles; and (3) the downstream, which includes sales of aftermarket products and provision of automobile financing services.

Our Group was founded by Shaanxi Holding Group in 2005 to provide logistics and supply chain services for commercial automobiles manufactured by Shaanxi Holding Group. Shaanxi Holding Group is the fourth largest commercial automobile group in the PRC in terms of sale volume of heavy commercial automobiles in 2021, with a market share of 13.8% in 2021. Subsequently, we have further developed our business to provide a variety of services covering the commercial automobile industry chain. Our business operations can be categorised into the following sectors:

- **Logistics and supply chain service sector**, including (i) supply chain business, (ii) automobile sales business, and (iii) aftermarket product business. We provide logistics services and warehousing services to upstream components suppliers and midstream commercial automobile manufacturers. We also sell commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, and aftermarket products such as tyres and lubricants.

  We also provided third party logistics services to independent customers during the Track Record Period, which is neither a business along, nor related to, the commercial automobile supply chain. We are branching out to this new business and continue to actively expand third party logistics services and diversify our customer base. Leveraging our network, we provide logistics services to independent customers such as raw material suppliers, resources companies and express courier service providers. For further details, please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Continued diversification forms a strong foundation base" in this prospectus. Certain third party logistics services of our Group are subject to the Advance Arrangements which may expose us to heightened credit and solvency risks.

- **Supply chain financial service sector**, including (i) financial leasing business, and (ii) factoring business. Our financial leasing business provides quality commercial automobile purchase financing solutions to a wide range of downstream commercial automobile end-users. Our factoring business also serves both the upstream components suppliers and mid-downstream logistics companies by providing trade receivable financing to meet their capital needs.

- **IoV and data service sector**, including sales of IoV-related products and provision of IoV solutions, which involve pre-installation of IoV devices on commercial automobiles and provision of IoV data analytic services and solutions to industry players.

The following table sets forth the description of the business lines/business services under our three business sectors together with the description of their customers:

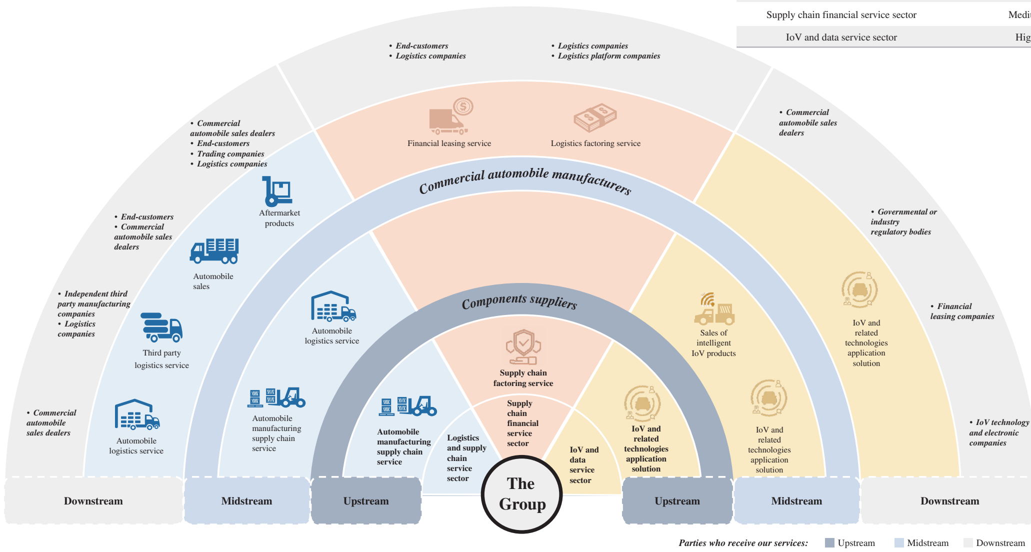
Business Sector	Business Line	Business Service	Services and products	Typical Customers
Logistics and supply chain service sector[1]	Supply chain business	Automobile manufacturing supply chain service	Components collection, transportation, warehousing, sorting, packaging and distribution.	• Components suppliers • Commercial automobile manufacturers
		Automobile logistics service	Transportation of new commercial automobiles from manufacturers to pick-up points designated by our customers.	• Commercial automobile manufacturers • Commercial automobile sales dealers
		Third party logistics service	Arranging third party logistics services to transport iron ore, steel and coal consigned to the designated places by the shippers.	• Independent third party manufacturing companies • Logistics companies
	Automobile sales business	–	Sales of commercial automobiles manufactured by Shaanxi Holding Group.	• End-customers • Commercial automobile sales dealers
	Aftermarket products business	–	Sales of (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products.	• Commercial automobile sales dealers • End-customers • Trading companies • Logistics companies
Supply chain financial service sector[2]	Financial leasing business	–	Provision of financing leasing solutions to purchasers of commercial automobiles.	• End-customers • Logistics companies
	Factoring business	Supply chain factoring service	Factoring trade receivables of participants of the commercial automobile industry.	• Components suppliers
		Logistics factoring service		• Logistics companies • Logistics platform companies
IoV and data service sector[3]	Sales of intelligent IoV products business	–	Sales of (i) intelligent IoV terminal products, (ii) intelligent display screens, and (iii) intelligent IoV accessories.	• Commercial automobile manufacturers
	IoV and related technologies application solution business	–	Data processing and analysis solutions.	• Commercial automobile manufacturer and components suppliers • Commercial automobile sales dealers • Governmental or industry regulatory bodies • Financial leasing companies • IoV technology and electronic companies

Notes:

1. Please refer to the section headed "Business — Logistics and Supply Chain Service Sector" in this prospectus.
2. Please refer to the section headed "Business — Supply Chain Financial Service Sector" in this prospectus.
3. Please refer to the section headed "Business — IoV and Data Service Sector" in this prospectus.

The diagram below illustrates how our relevant business lines/business services and major customers under our three business sectors are positioned along the commercial automobile supply chain:

Business Sectors	Level of coverage for the types of players in each sectors
Logistics and supply chain service sector	High
Supply chain financial service sector	Medium
IoV and data service sector	High



The following table sets forth a breakdown of revenue, gross profit and gross profit margin by our service sectors for the years indicated.

	Year Ended 31 December								
	2019			2020			2021		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	(RMB'000)	*(RMB'000)*	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Logistics and Supply Chain Service Sector[Note (1)]	2,125,248	135,340	6.4	2,252,652	172,634	7.7	2,004,585	166,241	8.3
Automobile manufacturing supply chain services[Note (5)]	617,851	81,918	13.3	796,847	129,482	16.2	627,569	118,037	18.8
Shaanxi Holding Group and Associated Customers[Note (3)]	617,784	81,912	13.3	795,115	129,393	16.3	622,541	117,878	18.9
Independent Customers[Note (4)]	67	6	9.0	1,732	89	5.1	5,028	159	3.2
Automobile logistics services[Note (6)]	437,012	8,671	2.0	491,012	3,893	0.8	437,233	7,869	1.8
Shaanxi Holding Group and Associated Customers	437,012	8,671	2.0	491,012	3,893	0.8	437,233	7,869	1.8
Third party logistics services[Note (7)]	332,847	7,152	2.1	189,690	197	0.1	395,056	10,224	2.6
Independent Customers	332,847	7,152	2.1	189,690	197	0.1	395,056	10,224	2.6
Automobile sale business[Note (8)]	651,554	25,318	3.9	665,287	20,223	3.0	441,237	14,187	3.2
Shaanxi Holding Group and Associated Customers	651,554	25,318	3.9	665,287	20,223	3.0	433,908	14,123	3.3
Independent Customers	0	0	–	0	0	–	7,329	64	0.9
Aftermarket product business	71,216	1,430	2.0	91,136	2,543	2.8	84,917	2,903	3.4
Shaanxi Holding Group and Associated Customers	39,918	775	1.9	5,607	183	3.3	2,256	66	2.9
Independent Customers	31,298	655	2.1	85,529	2,360	2.8	82,661	2,837	3.4
Supply Chain Financial Service Sector[Note (2)]	525,201	251,645	47.9	673,783	354,641	52.6	783,953	425,145	54.2
Financial Leasing Services[Note (9)]	454,164	220,031	48.4	634,585	336,366	53.0	747,793	404,700	54.1
Shaanxi Holding Group and Associated Customers	411,644	194,905	47.3	546,017	283,290	51.9	631,368	334,013	52.9
Independent Customers	42,520	25,126	59.1	88,568	53,076	59.9	116,425	70,687	60.7

	Year Ended 31 December								
	2019			2020			2021		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	(RMB'000)	*(RMB'000)*	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Factoring business *Note (10)*	59,110	24,897	42.1	38,589	18,181	47.1	35,221	20,245	57.5
Shaanxi Holding Group and Associated Customers	38,084	15,316	40.2	30,543	12,850	42.1	24,656	13,782	55.9
Independent Customers	21,026	9,581	45.6	8,046	5,331	66.3	10,565	6,463	61.2
IoV and Data Service Sector *Note (2)*	241,582	87,325	36.1	335,238	126,140	37.6	338,312	141,023	41.7
Intelligent IoV Products Sales Business *Note (11)*	182,101	48,267	26.5	253,646	66,001	26.0	229,498	59,400	25.9
Shaanxi Holding Group and Associated Customers	173,962	43,253	24.9	252,333	65,529	26.0	204,713	54,074	26.4
Independent Customers	8,139	5,014	61.6	1,313	472	35.9	24,785	5,326	21.5
IoV and Related Technologies Application Solution Business *Note (12)*	59,481	39,058	65.7	81,592	60,139	73.7	108,814	81,623	75.0
Shaanxi Holding Group and Associated Customers	32,309	21,215	65.7	47,027	34,663	73.7	60,140	45,120	75.0
Independent Customers	27,172	17,843	65.7	34,565	25,476	73.7	48,674	36,503	75.0
Total *Note (13)*	2,892,031	474,310	–	3,261,673	653,415	–	3,126,850	732,409	–

* *Except for the total revenue of each sector and the total revenue of the Group, the revenue generated from each category of customers and relevant calculations of the percentage do not include "other" revenue in each business segment. For further description about "others" business, please refer to the relevant business section and the section headed "Financial Information — Description of Major Components of Our Results of Operations — Revenue".*

Notes:

(1) The revenue and gross profit of the logistics and supply chain service sector was higher in 2020 than in 2021, which was primarily due to (i) the decrease in revenue and gross profit generated from sales of goods of our logistics and supply chain service sector as a result of decrease in sales of commercial automobiles caused by the gradual decline in the market demand for heavy duty commercial automobiles in 2021, and (ii) the decrease in revenue and gross profit generated from logistics and warehousing services as a result of the reduction in our logistics services provided to certain commercial automobile manufacturers caused by a decrease in the production and sales of heavy duty commercial automobiles in 2021. For further details, please refer to the section headed "Financial Information — Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020" in this prospectus.

(2) The revenue, gross profit and gross profit margin of the Supply Chain Financial Service Sector and IoV and Data Service Sector maintained steady growth, which was in line with our stable expansion of business operations during the Track Record Period.

(3) Shaanxi Holding Group and Associated Customers includes Shaanxi Holding Group, Overlapping Logistics Customers, Overlapping Factoring Customers, Overlapping Financial Leasing Customers and Overlapping IoV Customers.

(4) Independent Customers include Independent Logistics Supply Chain Customers, Independent Factoring Customers, Independent Financial Leasing Customers and Independent IoV Customers.

(5) The year-on-year increase in the gross profit margin of automobile manufacturing supply chain services is mainly due to our cost reductions, increased efficiency, and increased business volume. In particular, since 2019, the Company continued to reduce its staff numbers and increase efficiency to maintain a steady growth in gross profit margin.

(6) In 2020, the overall gross profit margin of automobile logistics service was low primarily due to our long-haul transportation business which was hampered by the COVID-19 pandemic in 2020 as strict controls and measures were imposed by governments regarding transportation between provinces, and labour costs increased, which lowered the overall gross profit margin. In 2021, the overall gross profit margin recovered to a similar level found in 2019 mainly because our business gradually recovered to the previous level.

(7) The profit margin of our third party logistics services in 2020 was lower than those in 2019 and 2021 mainly due to the majority of projects with certain customers completed in 2020 having a lower gross profit margin as the Company considered this customers potential and prospects for future collaboration and business.

(8) The profit margins for each group of customers differ mainly due to our sale of commercial automobiles to Independent Customers being newly developed in 2021, where the gross profit margin fluctuates significantly depending on the actual commercial automobile model sold.

(9) The profit margin of our financial leasing services was lower in 2019 than in other years mainly due to the enhanced marketing activities undertaken by our financial leasing business in response to increased market competition in 2019, in particular our adoption of a series of promotion policies, which lowered internal rate of return and the corresponding gross profit margin. The profit margins for each group of customers differ primarily because the financial leasing business has been concentrating on the Shaanxi Holding Group brand from its establishment. As we develop business with non-Shaanxi Holding Group brands, we will charge higher fees based on our risk assessment. The risk of Shaanxi Holding Group brand is lower than that of the non-Shaanxi Holding Group mainly due to the installation of the locking system that was developed by our Group on the commercial automobiles of Shaanxi Holding Group.

(10) The profit margin of our factoring business in 2020 and 2021 was higher than 2019 mainly due to the strengthened risk control of our factoring business since 2020 to reduce the default ratio for the new factoring transactions. In particular, the profit margin in 2020 was slightly higher than 2021 mainly because the Company had successfully collected the penalty interest from certain overdue projects resulting in a relatively high gross profit for such period in the fourth quarter of 2020.

(11) The profit margins for each group of customers differ mainly due to the volume discount pricing we offer. During the Track Record Period, Shaanxi Holding Group and Associated Customers purchased a considerable volume of our products whereas the purchases made by Independent Customers are more infrequent. As the purchases made by Independent Customers are infrequent, the profit margin of the products purchased by them may affect our overall gross profit margin of the relevant period substantially. For 2020 and 2021, the products purchased by Independent Customers are mainly products with a lower profit margin.

(12) The main cost of the services we provided under our IoV and related technologies application solutions business is network bandwidth, which is shared by all types of customers and therefore the profit margins for each group of customers are the same.

(13) Please also refer to (i) the section headed "Financial Information" for detailed discussion of revenue, gross profit and gross profit margin and (ii) the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence" for detailed discussion on the material fluctuations and the disparities among each customer category, during the Track Record Period.

The following table sets forth the operating results of our business sectors during the Track Record Period:

	Years ended 31 December		
	2019	2020	2021
Logistics and Supply Chain Service Sector			
Units of commercial automobiles covered by our automobile manufacturing supply chain service *(in thousand)*	138.7	154.5	135.5
Commercial automobile shipping volume of our automobile logistics service *(in thousand)*	136.6	200.4	166.2
Supply Chain Financial Service Sector			
Invested amount of our major financial leasing service *(RMB in thousand)*	5,992,726.6	8,628,365.8	6,536,519.8
Total invested funds of our factoring service *(RMB in thousand)*	2,173,632.5	1,700,174.6	2,294,330.9
IoV and Data Service Sector			
Number of commercial automobiles equipped with our intelligent IoV product *(in thousand)*	152.6	208.4	167.5
Number of commercial automobiles covered by our automobile financial leasing IoV service *(in thousand)*	51.3	74.8	63.4

During the Track Record Period, we leveraged our quality customer services to promote our business operations. For the years ended 31 December 2019, 2020 and 2021, our revenue was approximately RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively, representing a CAGR of 4.0% between 2019 and 2021. In addition, for the same periods, our profit was approximately RMB241.1 million, RMB318.0 million and RMB368.7 million, respectively, representing a CAGR of 23.7% between 2019 and 2021. For details, please refer to the section headed "Financial information" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve long-term growth and development:

- Leveraging the strength of and strong business relationships with our Controlling Shareholders, we became a key market player providing value-added service to automobile service industry in China
- With our synergetic advantage, we are well positioned to seize the growing opportunities in the commercial automobile service industry
- Our experience in the commercial automobile supply chain sector has enabled us to enhance our logistics and supply chain service capabilities

- Our large IoV platform and advanced data technology support the growth of our IoV and data business

- Experienced management team and strong support from our Controlling Shareholders

For details of our competitive strengths, please see the section headed "Business — Our Competitive Strengths" in this prospectus.

BUSINESS STRATEGIES

Our main business strategies are as follows:

- We adopt both offline and online measures to improve our commercial automobile aftermarket service offerings

- We focus on improving the core IoV technology and data service capabilities to consolidate our advantages

- We continue to consolidate our industry advantages in supply chain financial services and third party logistics services to optimise our business structure

- We continuously improve our employees' career prospects and enhance incentive schemes to attract and cultivate talents

For details of our business strategies, please see the section headed "Business — Business Strategies" in this prospectus.

SUMMARY HISTORICAL FINANCIAL STATEMENTS

The following tables present our summary consolidated financial information as at and for the years ended 31 December 2019, 2020 and 2021. This summary is derived from our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. Please read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in the section headed "Financial Information" in this prospectus.

Summary Consolidated Statements of Comprehensive Income

The following table below sets forth our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages to our total revenue for the years indicated:

	Year ended 31 December					
	2019		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Revenue	2,892,031	100.0	3,261,673	100.0	3,126,850	100.0
Cost of revenue	(2,417,721)	(83.6)	(2,608,258)	(80.0)	(2,394,441)	(76.6)
Gross profit	474,310	16.4	653,415	20.0	732,409	23.4
Selling expenses	(45,600)	(1.6)	(48,135)	(1.5)	(38,232)	(1.2)
Administrative expenses	(117,586)	(4.1)	(129,374)	(4.0)	(127,744)	(4.1)
Research and development expenses	(20,199)	(0.7)	(25,841)	(0.8)	(30,533)	(1.0)
Net impairment losses on financial assets	(24,566)	(0.8)	(101,868)	(3.1)	(146,157)	(4.7)
Other income	21,321	0.7	26,187	0.8	45,028	1.4
Other gains – net	1,617	0.1	659	0.0	(829)	(0.0)
Operating profit	289,297	10.0	375,043	11.5	433,942	13.9
Finance income	22,795	0.8	22,799	0.7	12,293	0.4
Finance costs	(7,983)	(0.3)	(3,266)	(0.1)	(6,764)	(0.2)
Finance income – net	14,812	0.5	19,533	0.6	5,529	0.2
Share of net profit of an associate and accounted for using the equity method	3,756	0.1	5,251	0.2	5,123	0.2
Profit before income tax	307,865	10.6	399,827	12.3	444,594	14.2
Income tax expense	(66,719)	(2.3)	(81,790)	(2.5)	(75,857)	(2.4)
Profit for the year	241,146	8.3	318,037	9.8	368,737	11.8
Profit attributable to:						
– The equity holders of the Company	207,493	7.1	273,994	8.4	362,719	11.6
– Non-controlling interests	33,653	1.2	44,043	1.4	6,018	0.2

With the expansion of our business operations and increase of business operation efficiency, together with enhanced cost control and risk management, both our profitability and our net profit recorded steady increased during the Track Record Period.

Summary Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Non-current assets			
Property, plant and equipment	94,275	99,613	93,178
Intangible assets	10,511	14,385	22,856
Investment in an associate	7,791	9,660	9,623
Right-of-use asset	38,746	34,057	62,147
Other receivables	36,160	16,903	111,145
Loan receivables	2,217,026	3,183,318	2,104,188
Deferred income tax assets	63,033	86,884	135,698
	2,467,542	3,444,820	2,538,835
Current assets			
Inventories	89,773	81,596	183,468
Trade receivables	476,527	494,156	467,505
Prepayments	38,190	49,363	86,924
Other receivables	62,704	66,495	165,493
Financial assets at fair value through other comprehensive income*Note (1)*	274,328	520,314	367,020
Loan receivables	4,356,247	6,045,995	6,080,627
Restricted cash at banks	536,312	467,452	84,816
Cash and cash equivalents	730,143	196,915	213,339
	6,564,224	7,922,286	7,649,192
Total assets	9,031,766	11,367,106	10,188,027
Total equity attributable to equity holders of the Company	1,636,553	2,147,855	2,444,375
Non-controlling interests	55,745	1,146	5,372
Total equity	1,692,298	2,149,001	2,449,747

Note:

(1) Our financial assets at fair value through other comprehensive income represented notes receivables primarily from customers of our logistics and supply chain service and IoV and data service sector. For further details, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Financial Assets at Fair Value through Other Comprehensive Income" in this prospectus.

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Non-current liabilities			
Lease liabilities	9,734	12,172	23,409
Bond payables	–	74,544	103,785
Provisions for warranty	9,235	8,573	2,558
Other payables	628,928	1,405,097	1,026,190
Contract liabilities	34,465	41,531	28,064
Borrowings	190,598	124,068	395,019
Deferred government grants	16,501	16,088	14,043
	889,461	1,682,073	1,593,068
Current liabilities			
Trade and other payables	3,291,473	5,533,884	1,403,839
Lease liabilities	17,257	10,288	24,730
Bond payables	85,332	248,459	836,072
Contract liabilities	62,898	99,797	128,267
Current income tax liability	36,703	29,788	46,894
Borrowings	2,956,344	1,613,816	3,705,410
	6,450,007	7,536,032	6,145,212
Total liabilities	7,339,468	9,218,105	7,738,280
Net current assets	**114,217**	**386,254**	**1,503,980**

Please refer to the section headed "Financial Information – Liquidity and Capital Resources" for further detailed discussion of the nature and movement of major balance sheet items during the Track Record Period.

Summary Consolidated Statements of Cash Flow

We financed our operations primarily through cash generated from our operating activities, capital contribution from our Shareholders, bank borrowings, loans from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions. As at 31 December 2019, 2020 and 2021, we had cash and cash equivalents of RMB730.1 million, RMB196.9 million and RMB213.3 million, respectively.

The following table sets forth our selected cash flows for the years indicated:

	Year ended 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Operating profit before changes in working capital	**342,335**	**513,001**	**628,422**
Changes in working capital	(254,642)	(1,128,859)	(1,003,904)
Cash generated from/ (used in) operations	87,693	(615,858)	(375,482)
Interests received	22,795	22,799	12,293
Income tax paid	(88,255)	(112,811)	(107,565)
Net cash generated from/(used in) operating activities	**22,233**	**(705,870)**	**(470,754)**
Net cash generated from/(used in) investing activities	**430**	**(14,500)**	**(19,347)**
Net cash generated from financing activities	**75,545**	**187,142**	**506,525**

For the years ended 31 December 2020 and 2021, our Group recorded net cash outflow from operating activities of RMB705.9 million and RMB470.8 million, respectively. The cash outflow for the year ended 31 December 2020 mainly arose from the financial leasing business. We make a lump sum payment of purchase price upon purchase of the leased commercial vehicles by the lessor while collecting instalment repayments from the lessees over a period of time, which was typically 2 years. The cash outflow was primarily due to the increased investment in financial leasing business in line with our expansion of business scale in 2020, while the additional fund required to the business expansion was mainly from capital injection from related parties and the issuance of asset-backed notes in 2020 which were reflected as financing cash inflow. In addition, the cash outflow for the year ended 31 December 2021 also mainly arose from the financial leasing business and factoring business. The cash outflow was mainly due to the increase in borrowings to fund our repayment of loans from related parties and our issuance of two batches of asset-backed securities during the year ended 31 December 2021. For our logistics and supply chain service sector, and IoV and data service sector, we recorded cash inflow from operating activities for the three years ended 31 December 2021 for such business segments. For our supply chain financial service sector, we recorded net operating cash outflow for the years ended 31 December 2020 and 2021 since: (i) there is generally a limited period of mismatch between our cash inflow and outlay on the operational level for such business segment which results in short-term negative operating cash flows. For details, please refer to the section headed "Risk Factors – The financial leasing arrangements that we make may potentially have a mismatch in their duration and terms with their underlying funding sources, which may lead to liquidity issues" in this prospectus. According to the Frost & Sullivan Report, it is the industry norm for financial leasing and factoring businesses in China to record net operating cash outflows; and (ii) our repayment of loans from related parties in 2021 under our supply chain financial service sector also led to the net operating cash outflow position during the same year.

We expect that our net operating cash outflow position will turn into inflow in 2022 primarily because: (i) our funding for development of our supply chain financial service sector will become stable in 2022 and the corresponding investment fund flow and income flow from relevant investments will tend to set off; (ii) we do not intend to prepay the loans from related parties; such outstanding loans shall be repaid according to the payment schedule stipulated in the relevant agreements; and (iii) we will increase bank borrowing and borrowings from other financial institutions to fund our supply chain financial service sector, which will be recorded as operating cash inflow under the same sector. Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Cash Flow Analysis" for further detailed discussion of our cash flow and our plans to improve our cash flow position.

Key financial ratios

The following table sets forth certain of our key financial ratios as at the dates indicated:

	Year ended 31 December		
	2019	**2020**	**2021**
Return on average assets	3.0%	3.1%	3.4%
Return on average net assets	13.3%	14.5%	15.8%
Gross profit margin	16.4%	20.0%	23.4%
Net profit margin	8.3%	9.8%	11.8%
Current ratio	1.0	1.1	1.2
Quick Ratio	1.0	1.0	1.2
Gearing ratio	64.9%	71.3%	69.7%

Please refer to the section headed "Financial Information — Key Financial Ratios" for more information on the calculation and the movement of these financial ratios.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" section in this prospectus. **As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.** Some of the major risk factors that we face include:

- We heavily rely on our Controlling Shareholders and any material changes in our relationships with our Controlling Shareholders would have a material adverse impact on our business, financial conditions and operating results.

- Our historical financial conditions and operating results are not indicative of future performance and implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate.

- Our business operation will be materially and adversely affected if any force majeure events take place, such as natural disasters, public health crisis, including the outbreak of COVID-19, acts of God, acts of war or terrorism and civil or social unrest.

- Our financial leasing business and factoring business may be negatively affected if we are unable to effectively manage and reduce the credit and solvency risks associated with our business and operations and to monitor and maintain the quality of financial leasing and factoring assets adequately.

- The major focus of our businesses is on the commercial automobile-related industry. Our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC.

- Changes in industry standards imposed by the PRC government could restrict the supply of and reduce the demand for commercial automobiles in China, which in return would impact the market for other commercial automobile-related services and products.

- We operate in regulated industries, and any failure by us to comply with applicable laws and regulations, or obtain or maintain necessary approvals, licences and permits in a timely manner may adversely affect our business.

- Our business, financial conditions and operating results may be affected by the unpredictable changes in the legal and regulatory framework in a materially adverse manner.

- The business environment in which we carry out our business activities is becoming increasingly competitive.

OUR CUSTOMERS

During the Track Record Period, our major customers mainly included commercial automobile manufacturers and sales dealers, components suppliers, logistics companies, commercial automobile and aftermarket product end-users and governmental or industry regulatory bodies. Revenue from our five largest customers in aggregate were approximately RMB1,088.5 million, RMB1,250.5 million and RMB974.8 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 37.7%, 38.4% and 31.2% of our total revenue for the same periods. Revenue from our largest customer was approximately RMB688.1 million, RMB873.3 million and RMB688.6 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 23.8%, 26.8% and 22.0% of our total revenue for the same periods. Our largest customer during the Track Record Period was our connected person, namely Shaanxi Automobile Holding and certain of its associates. For further details in relation to our customer, please refer to the section headed "Business — Customers and Sales" in this prospectus.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included commercial automobile manufacturers, carrier and transportation fleet for logistics and supply chain services, aftermarket product suppliers and intelligent IoV product manufacturers. Transaction amount from our five largest suppliers of our Group in aggregate were approximately RMB958.9 million, RMB1,065.0 million and RMB873.4 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 40.7%, 40.7% and 37.1% of our total purchase for the same periods. Transaction amount from our largest supplier were approximately RMB583.5 million, RMB580.1 million and RMB479.2 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 24.8%, 22.2% and 20.4% of our total purchase for the same periods. Our largest supplier during the Track Record Period was our connected person, namely Shaanxi Automobile Holding and certain of its associates. For further details in relation to our customer, please refer to the section headed "Business — Suppliers and Purchases" in this prospectus.

COMPETITION

Our business landscape is highly fragmented with a total of approximately 1,000 players in 2021, most of which are small to medium enterprises. In 2021, we accounted for 1.1% and 9.5% market share in China and that in Western China by revenue, respectively, according to the Frost & Sullivan Report. In the same year, Tonghui ranked first in Western China with a revenue of RMB1.82 billion (representing approximately 11.9% of the total revenue of approximately RMB15.3 billion) of the overall commercial automobile logistics and supply chain service industry in China, according to the Frost & Sullivan Report.

The market concentration for our commercial automobile financial leasing business is relatively low and the top five players, in terms of the number of newly leased commercial automobiles, accounted for about 26.8% of the market share in 2021, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, Deewin Financial Leasing ranked fourth among all the commercial automobile manufacturer-connected financial leasing enterprises in the PRC in terms of the number of newly leased commercial automobiles in 2021.

The commercial factoring market in the PRC is highly competitive and fragmented with a large number of participants and no prominent leading companies, according to the Frost & Sullivan Report. As compared with other third-party commercial factoring companies, Deewin Factoring is able to acquire stable customers and business resources in the commercial automobile factoring market. With its strong connection with the commercial automobile manufacturers, we are able to maintain our competitiveness in the market, according to the Frost & Sullivan Report.

The commercial automobile manufacturer-connected IoV service industry in China is highly concentrated with the top five service providers accounting for 92.3% of the market share in 2021, according to the Frost & Sullivan Report. Based on the number of heavy commercial automobiles accessing IoV platform, we outperformed our competitors with a market share of 23.3% in 2021, and ranked first among all the commercial automobile manufacturer-connected IoV enterprises in China, according to the Frost & Sullivan Report. In addition, we ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021, according to the same source.

For details of competitive landscape of our businesses, please refer to the section headed "Business – Competition".

PRICING POLICY

In relation to logistics and supply chain service sector, (i) our pricing for automobile manufacturing supply chain service is determined by reference to the specific service model, the prevailing market price and the relevant costs incurred, (ii) for automobile logistics service, we provide a market-driven bidding process through which carriers are selected. Our selection criteria generally prioritise candidates who offer the lowest price to meet our standard on downstream carrier's transportation service capacity, (iii) our pricing for third party logistics service is determined by reference to the prevailing market price and the relevant costs incurred, (iv) our pricing for automobile sales service is determined mainly by reference to the commercial automobile manufacturer's suggested retail price and we retain certain flexibility in determining the retail prices of the new commercial automobile that we are authorised to sell, and (v) our pricing for our aftermarket products is determined by reference to the relevant commercial automobile-related manufacturer suggested price and we retain certain flexibility in determining the retail prices.

In relation to supply chain financial service sector, (i) the pricing policy of our financial leasing business is formulated with reference to categorisation of the financial lease products (rather than by customer segmentation), and (ii) the pricing of our factoring business is dependent on the product type, and the pricing for each product type accounts for a number of factors.

In relation to IoV and data service sector, (i) the prices of our intelligent IoV products are fixed through arm length's negotiations. Such prices are affected by the cost fluctuation of the relevant raw materials and the market conditions, and (ii) our pricing for IoV and related technologies application solution business is determined by reference to (a) the prevailing market price or (b) the associated cost of providing such solutions with a markup for profit after considering the development strategies, marketing policies and the market competition conditions.

For further details of the pricing policy regarding our business, please refer to the section headed "Business" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, Shaanxi Automobile, Shaanxi Automobile Holding and Shaanxi Commercial Automobile will be our Controlling Shareholders under the Listing Rules. Our Controlling Shareholders are leading commercial automobile manufacturers in the heavy commercial automobile industry in China. Shaanxi Automobile Holding is a state-owned enterprise established in 2012. Shaanxi Automobile and Shaanxi Commercial Automobile are non wholly-owned subsidiaries of Shaanxi Automobile Holding.

Although a considerable portion of our Group's business was associated with or related to Shaanxi Holding Group and the commercial automobiles manufactured by them, our business relationships with Shaanxi Holding Group and independent third party customers (including Shaanxi Automobile Holdings Group's components suppliers, commercial automobile sales dealers and end customers of Shaanxi Automobile branded commercial automobiles) are developed independently based on our competitive strengths. All of our customers (including our Controlling Shareholders and its associates) have the option to choose whether or not to use our services or purchase our products. Our Group has discretion to determine whether to provide services or sell products to such customers. Shaanxi Holding Group will not be involved in, nor have any direct or indirect influence on our customers' decisions. According to the Frost & Sullivan Report, in 2021, the top five commercial automobile manufacturers in the PRC have their own connected financial leasing, factoring, logistics services and IoV and data service companies. In line with the aforementioned industry norms, we have maintained a close relationship with Shaanxi Holding Group since our establishment. Shaanxi Holding Group was also the largest customer and supplier of our Group during the Track Record Period. Given (i) our established and stable business relationship with Shaanxi Holding Group, (ii) our stable track record of providing quality products and services to Shaanxi Holding Group, and (iii) our customised services provided to Shaanxi Holding Group, the Directors believe that we are an important strategic business partner and a trusted services provider for Shaanxi Holding Group. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Independence from our Controlling Shareholders – Operational Independence" in this prospectus.

During the Track Record Period, our Group has expanded and will continue to expand our services and diversify our customer base in all our three business sectors by. In 2021, the Group's revenue generated from Independent Customers was approximately RMB690.5 million (the revenue generated from Independent Customer does not include "other" revenue in each business segment). For details of our Controlling Shareholders, in particular our competition and key business relationships with our Controlling Shareholders, please refer to the sections headed "History and Corporate Development", "Relationship with Controlling Shareholders" and "Substantial Shareholders" in this prospectus.

We have entered into certain transactions with our Controlling Shareholders and/or their associates which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. For details, please refer to the section headed "Connected Transactions" in this prospectus.

DIVIDENDS

Our Group declared dividends in an aggregate amount of RMB63.0 million, RMB336.4 million and RMB68.0 million, respectively, for the years ended 31 December 2019, 2020 and 2021 to our then shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars.

We currently do not have any pre-determined dividend pay-out ratio. The payment and the amount of any future dividends will be at the discretion of our Board and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deem relevant and will be subject to our Articles and the Company Law.

LISTING EXPENSES

Our listing expenses primarily consist of underwriting commissions, professional fees paid to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions payable by us) in relation to the Global Offering are approximately RMB77.4 million (equivalent to HK$90.8 million), accounting for 8.5% of our estimated gross proceeds of HK$1,064.2 million from the Global Offering assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price between HK$1.78 and HK$2.13 per H Share). The aforementioned total estimated listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering includes (i) underwriting-related expenses (including but not limited to underwriting commissions and fees) of approximately RMB30.0 million (equivalent to HK$35.2 million), and (ii) non-underwriting-related expenses of approximately RMB47.4 million (equivalent to HK$55.6 million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountant of approximately RMB30.6 million (equivalent to HK$35.9 million), and (b) other fees and expenses of approximately RMB16.8 million (equivalent to HK$19.7 million).

During the Track Record Period, we incurred actual listing expenses of RMB22.3 million (equivalent to HK$26.2 million), RMB2.1 million (equivalent to HK$2.5 million) of which was charged to our consolidated statement of profit and loss and RMB20.2 million (equivalent to HK$23.7 million) and which is expected to be charged against equity upon successful Listing under the relevant accounting guidelines.

We expect to incur further listing expenses of approximately RMB55.1 million (equivalent to HK$64.6 million), of which RMB8.3 million (equivalent to HK$9.8 million) will be charged to our consolidated statement of profit or loss for the year ending 31 December 2022 and RMB46.7 million (equivalent to HK$54.9 million) is expected to be charged against equity upon successful Listing under the relevant accounting guidelines.

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$1.78	Based on an Offer Price of HK$2.13
Market capitalisation of the Shares(1)	HK$3,866.2 million	HK$4,626.4 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$1.71	HK$1.80

Notes:

(1) The calculation of market capitalisation is based on the assumption that 2,172,000,000 Shares will be in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), including 543,000,000 H Shares to be issued pursuant to the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets attributable to the Shareholders of our Company per Share in the above table is calculated after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" set out in Appendix II to this prospectus and on the basis of 2,172,000,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Global Offering has been completed and that the Over-allotment Option is not exercised.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price of between HK$1.78 and HK$2.13 per H Share), we estimate that we will receive net proceeds of approximately HK$973.4 million from the Global Offering after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK$154.4 million, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price of between HK$1.78 and HK$2.13 per H Share).

We intend to use the net proceeds of the Global Offering for the purposes and in the amounts set out below assuming that the Over-allotment Option is not exercised and the Offer Price is fixed at HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price):

- Approximately 37.5% of the net proceeds, or approximately HK$365.0 million, will be used for the development of an offline digital warehousing and distribution network, as well as a repair service network targeting at commercial automobile aftermarket

- approximately 22.5% of the net proceeds, or approximately HK$219.0 million, will be used for ongoing establishment of online service platform for commercial automobile aftermarket (being our CLGG Online Platform). Based on our existing CLGG Online Platform, we will carry out a system upgrade and development in order to establish a unified online service platform for users

- approximately 30.0% of the net proceeds, or approximately HK$292.0 million, will be used to enhance the core technology capabilities and data service capabilities of IoV and data service sector

- approximately 10.0% of the net proceeds, or approximately HK$97.4 million will be used for the replenishment of general working capital.

For further information, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

COVID-19 OUTBREAK

In 2020, outbreak of the COVID-19 in the PRC and around the globe led to an international public health crisis and, as a result, the global economy in general were materially and adversely affected. Due to the imposition of strict travel restrictions and controls in major cities to combat the transmission of the COVID-19, there was a significant decrease in international commercial activities and business transactions. In view of this unprecedented global health crisis, the GDP of the PRC contracted by 6.8% in the first quarter of 2020 when compared with the same period of 2019.

Since the first wave of COVID-19, the PRC Government had adopted a number of financial and monetary measures to ease the economic pressure brought about by the pandemic on businesses and to help support business across different industries. In prompt response to the aforementioned initiatives and supportive measures, we had adopted various special measures to assist our qualified customers and support our business operations. For instance, we provided temporary repayment deferment options to our financial leasing customers. During the deferment period, our customers were only required to pay the interest and not the principal amount outstanding, without risk of penalty for overdue payment. The special measures we provided to our qualified customers received customer recognition.

Since the second quarter of 2020, the economy of the PRC had gradually recovered after recording negative growth in the first quarter of 2020. Increased business needs and the corresponding increase in manufacturing demand drove the GDP of the PRC up by 3.2% in the second quarter in 2020. The PRC had gradually overcome the adverse impact of the COVID-19 outbreak and had slowly continued to recover. In line with this general economic recovery trend, our overall business operations also gradually recovered to normal and continued to grow. We recorded a revenue of approximately RMB3,261.7 million and a profit of approximately RMB318.0 million, respectively, for the year ended 31 December 2020, compared with a revenue of approximately RMB2,892.0 million and a profit of approximately RMB241.1 million, respectively, for the year ended 31 December 2019. As such, our financial performance for the year ended 31 December 2020 even improved as compared to the year ended 31 December 2019 based on our audited consolidated financial statements.

In mid-2021, due to an emergence of COVID-19 variant cases globally, a number of countries including the PRC had re-introduced restrictions over movement of people, such as travel bans, mandatory quarantine, stay-at-home orders and restrictions on gathering. In the PRC, cities where COVID-19 variant cases were discovered, including Guangzhou, Shenzhen, Nanjing, Yangzhou and Ruili, went through lockdown and the daily economic activities in these regions were subject to material and adverse impacts. Although our sales and marketing activities in the aforementioned cities were affected by the lockdown, considering that (i) our business operations were not concentrated in the aforementioned lockdown regions, (ii) all our major suppliers and major customers were not located in these relevant regions, and (iii) the PRC government was taking more active and stringent preventive measures to control the spread of COVID-19 variant cases in the PRC and the situation in the aforementioned lockdown regions was quickly brought under control with the daily economic activities returning back to normal, the emergence of COVID-19 variant cases did not bring any material and adverse interruption or impact to our business operations in 2021.

In the first four months of 2022, in order to combat the latest wave of COVID-19 pandemic outbreak in PRC, the relevant authorities have continued to adopt stringent restrictions on human and goods mobility, and even implemented lockdown in various PRC regions, including Xi'an in January 2022 and April 2022, Shenzhen in March 2022, and Jilin, Shanghai and Beijing in March 2022 to April 2022, which to a certain extent affected our normal business operations. For instance, our offices in Xi'an and Shanghai were closed from the end December 2021 to the end January 2022 and from the end March 2022 to the date of this prospectus, respectively. Administrative restrictions in Suzhou of Jiangsu Province, Taiyuan and Datong of Shanxi Province and Henan province in the first four months of 2022 also adversely affected our automobile sales business. Based on our unaudited management accounts, the overall revenue and net profit of our Group for the four months ended 30 April 2022 decreased for approximately 6.7% and 44.7%, respectively, compared to that for the four months ended 30 April 2021. Such decline in our overall revenue was primarily due to the reduced operational scale of our principal businesses (except for third party logistics service and factoring service) for the same period attributable to the temporary impact of COVID-19 pandemic in certain affected areas and/or transportation routes in the PRC. According to Frost & Sullivan Report, the sales volume of heavy duty commercial automobiles in the PRC was approximately 275.3 thousand units for the four months ended 30 April 2022, representing a decline of approximately 62.0% from the four months ended 30 April 2021. In particular, such sales volume was approximately 76.8 thousand and 43.8 thousand units for March 2022 and April 2022, respectively, representing a decline of approximately 66.6% and 77.3% from the respective months in 2021, according to the same report. As such, we believe that the COVID-19 pandemic has impact on both the commercial automobile industry as a whole and us as a key market player in the commercial automobile service industry in the PRC. In addition, our net profit decreased in a greater percentage than that of our revenue for the same period primarily because of the increase in business volume of, and hence revenue contribution from our third party logistics service which had a relatively low profit margin than that of our other business segments, whereas our financial leasing service and our IoV and data service which had relatively high profit margins contributed less revenue during the same period. Assuming that the impact of the epidemic on our Group's business operation will lessen in the second half of 2022 as the spread of COVID-19 pandemic is brought under control and there will be unfulfilled demands of our customers which will bounce back after the restrictions are lifted, we believe we will be able to substantially achieve our internal business and financial targets for the year of 2022.

Based on the current information available to our Directors and to the best knowledge, information and belief of our Directors, given that the outbreak has so far only brought about temporary impact on our business operations, in particular the impact on the transportation costs and the transportation efficiency of our logistics and supply chain service sector in relation to certain COVID-19 affected areas and/or transportation routes, our Directors believe, given the current conditions, COVID-19 is not expected to bring permanent interruption or impact to our overall business operations. Our Directors will continue to assess the impact of the COVID-19 on our operations and financial performance and closely monitor our exposure to the risks and uncertainties under the pandemic. We will take appropriate measures and inform our Shareholders and potential investors as and when necessary. For further details, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our business operation will be affected in a materially adverse manner if any force majeure events take place, such as natural disasters, public health crisis, including the outbreak of COVID-19, acts of god, acts of war or terrorism and civil or social unrest" in this prospectus.

RECENT DEVELOPMENTS

Pursuant to our unaudited financial statements, since 31 December 2021 and up to the date of this prospectus, our overall revenue and gross profit decreased primarily as a result of the temporary impact of COVID-19 pandemic in certain affected areas and/or transportation routes in the PRC, which were slightly lower than our expectations and the past trends. Please refer to the paragraphs headed "– COVID-19 Outbreak" in this section for further details.

The Group continues to focus on enhancing its business offering to maintain its competitive edge and diversify its customer base. From 1 January 2022 to the Latest Practicable Date, the Company has entered into 84 cooperation agreements and 20 letter of intent with Independent Customers. The estimated contract value of which (barring all unforeseen circumstances) are RMB1,095.1 million and RMB16.1 million in 2022, and RMB1,464.2 million and RMB28.0 million in 2023. Pursuant to such cooperation agreements and letter of intent, the Group will continue to expand our services and diversify our customer base in all our three business sectors. The Company expects that the proportion of revenue generated from Independent Customer will gradually increase in the future. For further details, please refer to the paragraph headed "Relationship with Controlling Shareholders – Independence from our Controlling Shareholders – Continued diversification forms a strong foundation base" in this prospectus.

As the situation of COVID-19 is constantly changing, including the sporadic outbreaks in various regions in China, such as Ruili, Tianjin and Xi'an, which led to region-wide lockdown, we will continue to assess the impact of the COVID-19 on our operations and financial performance and closely monitor our exposure to the risks and uncertainties under the new development of COVID-19 in China. In particular, our subsequent utilisation of inventories as at 31 December 2021 had been adversely affected by the COVID-19 outbreaks and the consequent administrative measures in Shanxi and Henan provinces as well as the Yangtze River Delta of the PRC in the first four months of 2022, particularly during the period from March 2022 to April 2022: (i) because of the temporary closure of local offices of several automobile administration departments in Suzhou of Jiangsu Province since March 2022, our commercial automobiles sales dealers were unable to carry out their sales and registration of our commercial automobiles; (ii) due to the restrictive measures of Taiyuan and Datong of Shanxi Province in March 2022 to April 2022, it has become difficult for our business staff to visit or to sign agreements or letters of intent with prospective customers, which to a certain extent adversely affected sales of our inventories of commercial automobiles; and (iii) picking up of commercial automobiles by our customers in Henan province in March 2022 was hindered by travel restrictions policies. Please refer to the section headed "Financial Information – Liquidity and Capital Resources – Inventories" in this prospectus for further details.

In addition, we expect to record a decrease in gross profit margin in 2022. Such decrease is primarily because: (i) in relation to our logistics and supply chain service sector, the margin of which remains relatively low due to industry nature according to Frost & Sullivan. This sector accounts for a substantial portion of our revenue and we will continue to expand our third party logistics services in 2022; and (ii) in relation to our supply chain financial service sector, the gross profit margin of which is expected to experience a decrease as a result of (a) the continuing intense market competition in 2022, and (b) our plan for diversification of financing channels in order to further expand our sources of funds in 2022, as a result, our expenses for obtaining funds is expected to be higher than those in 2021.

Further, we expect our profit will decrease in 2022 as we expect our management fees such as listing expenses will be slightly increased, while our profit generated from our business operations in 2022 is expected to decrease due to the impact of the COVID-19 as further discussed in the paragraphs headed "– COVID-19 Outbreak" in this section.

Recently, the PRC governmental authorities have promulgated, among other things, the Information Protection Law, the Data Security Law and the Measures for Cybersecurity Review to ensure cybersecurity, data and personal information protection, which shows that relevant laws and regulations governing such areas have been developing to enforce a tightening of relevant regulatory supervision. Specifically, the Cyberspace Administration of China ("**CAC**") had proposed the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulation**") on 14 November 2021 for public comments, which further provided guidance on the potential cybersecurity review scope. According to our PRC Legal Adviser, the Measures for Cybersecurity Review was implemented in February 2022, while the Draft Regulation has not been formally adopted as at the Latest Practicable Date. Since the Draft Regulation has been published recently and some of the requirements in the Draft Regulation are subject to more specific provisions or implementation standards, we are in the continuous process of evaluating the applicability of the various requirements under the Draft Regulation on our business. Please refer to the section headed "Regulatory Overview — Regulations regarding Information Security and Personal Information Protection" in this prospectus for details of relevant laws and regulations.

We and our PRC Legal Adviser are of the view that, the Measures for Cybersecurity Review and the Draft Regulation will not have any material adverse effect on our business operations, the Global Offering or the Listing if the Draft Regulation is promulgated in its current draft, on the basis that (i) as at the Latest Practicable Date, we had not been subject to any fines or administrative penalties imposed by any government authorities (including the CAC) in relation to infringement of data security laws and regulations; (ii) as at the Latest Practicable Date, there is no material leakage of data or personal information or violation of data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iii) we have already been taking measures to prepare for compliance with the requirements under the draft Regulation and, as disclosed in the section headed "Business — Information Technology — Data Privacy and Protection" in this prospectus, we have implemented measures to ensure ongoing compliance with relevant laws and regulations; (iv) we will continue to monitor the developments of data security regulations in the PRC; (v) should the Draft Regulations become effective, we will seek guidance from the relevant regulator to ensure our measures adopted are appropriate; and (vi) as advised by our PRC Legal Adviser, because (a) we did not possess personal information of over one million users during the Track Record Period and up to the Latest Practicable Date, and (b) although the exact scope of "affects or may affect national security" under the Draft Regulation and the current regulatory regime remains unclear and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, based on a telephone interview with the local CAC which has confirmed that the data processed by our group is not considered as critical data nor is such activity considered as affecting or may affect national security given that the nature of our business and the types and the types and volume of data we process, our Company will not be required to notify the CAC in writing of its Listing.

As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we are in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects, and the existing laws and regulations in cybersecurity, data security and personal data protection will not have a material adverse impact on our business operations and the Listing on the Stock Exchange. On the basis of the PRC Legal Adviser's view, nothing has come to the attention of the Sole Sponsor which would cause them to disagree with the reasonableness of (i) the PRC Legal Adviser's view that our Group has been in compliance with the laws and regulations related to cybersecurity, data and privacy in all material respects; and (ii) our Directors' view that the recent regulatory developments will not result in any material adverse change to our Group's business operation and financial performance after the Track Record Period and until the Listing.

However, as advised by our PRC Legal Adviser, the exact details of the Measures for Cybersecurity Review, the Draft Regulation and the current regulatory regime remains unclear. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — We may be subject to complex and evolving laws and regulations regarding confidentiality, privacy and data protection. Actual or alleged failure to ensure and protect the confidentiality of the data and information of our customers and to comply with privacy and data protection laws and regulations could subject us to penalties, negatively impact our reputation and deter customers from engaging us, and hence significant legal, financial and operational consequences" in this prospectus for the associated risks. Please refer to the section headed "Business — Information Technology — Data Privacy and Protection" in this prospectus for details of our measures to ensure data privacy and protection.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, other than disclosed in the paragraphs headed "– COVID-19 Outbreak" in this section, there had been no material adverse change in our financial or trading position or prospects since 31 December 2021, being the date of our latest audited financial statements, and up to the date of this prospectus, and there had been no event since 31 December 2021 and up to the date of this prospectus that would materially affect the information shown in the Accountant's Report set forth in Appendix I.

In this prospectus, unless the context otherwise requires, the following expression shall have the following meanings.

"Accountant's Report"	the report of the Reporting Accountant, the text of which is set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 8 February 2021, which will become effective on the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Associated Customers"	collectively, Overlapping Logistics Customers, Overlapping Factoring Customers, Overlapping Financial Leasing Customers and Overlapping IoV Customers
"Audit Committee"	audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet system (https://ip.ccass.com) or through the CCASS phone system (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China, except where the context requires otherwise and only for the purpose of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Company" or "our Company" or "the Company"	Deewin Tianxia Co., Ltd (德銀天下股份有限公司) (formerly known as Deewin Tianxia Investment Holding Co., Ltd.* (德銀天下投資控股有限公司)), a limited liability company established in the PRC on 14 August 2014 and registered as a joint stock company with limited liability on 25 December 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, refers to the controlling shareholders of our Company, being Shaanxi Automobile, Shaanxi Automobile Holding and Shaanxi Commercial Automobile
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deewin Factoring"	Shanghai Deewin Commercial Factoring Co., Ltd.* (上海德銀商業保理有限公司), a limited liability company established in the PRC on 17 September 2013, which is a wholly-owned subsidiary of the Company
"Deewin Financial Leasing"	Deewin Financial Leasing Co., Ltd.* (德銀融資租賃有限公司), a limited liability company established in the PRC on 24 November 2011, which is a wholly-owned subsidiary of the Company
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by our Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
"EIT"	enterprise income tax of the PRC
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"Fargo"	Shanghai Fargo Supply Chain Management (Group) Co., Ltd.* (上海遠行供應鏈管理(集團)有限公司), a limited liability company established in the PRC on 13 June 2012, which is a wholly-owned subsidiary of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us to prepare the Frost & Sullivan Report
"Frost & Sullivan Report"	the industry report prepared by Frost & Sullivan for the purpose of the Listing and commissioned by our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we" or "us"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 54,300,000 H Shares being initially offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering") at the Offer Price and on, and subject to, the terms and conditions described in this prospectus, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 June 2022 relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Controlling Shareholders, the Sole Representative and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this prospectus
"IFRSs"	International Financial Reporting Standards
"Independent Customers"	including Independent Logistics Supply Chain Customers, Independent Factoring Customers, Independent Financial Leasing Customers and Independent IoV Customers
"Independent Factoring Customers"	independent factoring customers to the Group who do not deal with Shaanxi Holding Group
"Independent Financial Leasing Customers"	independent financial leasing customers to the Group who are end-users of commercial automobiles of brands other than Shaanxi Holding Group, which mainly include external brands, trailers and second hand commercial automobiles
"Independent IoV Customers"	independent customers to the Group's IoV and data service sector who purchase the Group's IoV products and/or use the Group's IoV and related technologies application solutions and do not deal with Shaanxi Holding Group
"Independent Logistics Supply Chain Customers"	independent third party logistics and supply chain customers to the Group who are neither suppliers nor customers of Shaanxi Holding Group
"independent third party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company or an associate of any such entity(ies) or person(s) within the meanings ascribed thereto under the Listing Rules

"International Offer Shares"	the 488,700,000 H Shares being initially offered by us for subscription at the Offer Price under the International Offering together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Sole Representative and the International Underwriters on or around 8 July 2022, as further described in the section headed "Underwriting" in this prospectus
"Joint Bookrunners"	China Securities (International) Corporate Finance Company Limited, Huatai Financial Holdings (Hong Kong) Limited, CEB International Capital Corporation Limited, BOCI Asia Limited, Zhongtai International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited, Guotai Junan Securities (Hong Kong) Limited and Eddid Securities and Futures Limited
"Joint Global Coordinators"	China Securities (International) Corporate Finance Company Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Lead Managers"	China Securities (International) Corporate Finance Company Limited, Huatai Financial Holdings (Hong Kong) Limited, CEB International Capital Corporation Limited, BOCI Asia Limited, Zhongtai International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited, Guotai Junan Securities (Hong Kong) Limited and Eddid Securities and Futures Limited
"Latest Practicable Date"	21 June 2022, being the latest practicable date for ascertaining certain information in this prospectus before its publication

"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around 15 July 2022 on which the H Shares are to be listed and on which dealings in the H Shares are to be first permitted to take place on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were originally promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on August 27, 1994
"Meixin"	Meixin Insurance Agency (Shanghai) Co. Ltd.* (美信保險經紀(上海)有限公司), a limited liability company established in the PRC on 14 September 2010, in which 30.00% equity interest is held by the Company and remaining 70.00% equity interest is held by an independent third party
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	nomination committee of the Board

"Offer Price"	the final offer price per H Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 81,450,000 additional H Shares to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — The International Offering — Over-allotment Option" in this prospectus
"Overlapping Factoring Customers"	customers of our factoring service who were also the commercial automobile components suppliers or the logistics providers of Shaanxi Holding Group
"Overlapping Financial Leasing Customers"	customers who purchased commercial automobile manufactured by Shaanxi Holding Group through commercial automobile sales dealers and then chose to obtain our financial leasing service
"Overlapping IoV Customers"	customers of our IoV products or our IoV and related technologies application solutions who also have business relationship with Shaanxi Holing Group
"Overlapping Logistics Customers"	customers of our logistics and supply chain services (independent third parties to the Group) who are suppliers or customers of Shaanxi Holding Group, mainly including (i) customers of our automobile manufacturing supply chain services who are also the components suppliers of Shaanxi Holding Group; (ii) customers of our automobile logistics services who also purchased commercial automobiles from Shaanxi Holding Group; and (iii) customers of our automobile sales business who purchased commercial automobiles manufactured by Shaanxi Holding Group

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Dentons Law Office, the PRC legal adviser to our Company
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 8 July 2022, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 9 July 2022, or such other date as agreed between the parties to the Price Determination Agreement
"Promoters"	the promoters of our Company, namely Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Global Offering, details of which are described in the section headed "History and Corporate Development — Reorganisation" in this prospectus
"Reporting Accountant"	PricewaterhouseCoopers
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局), formerly known as the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), and where the context permits, include its local counterparts
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi Automobile"	Shaanxi Automobile Group Co., Ltd. (陝西汽車集團股份有限公司) (formerly known as Shaanxi Automobile Group Co., Ltd.* (陝西汽車集團有限責任公司)), a limited liability company established in the PRC on 18 November 1989 and registered as a joint stock company with limited liability on 30 March 2021. It is a Controlling Shareholder, in which 67.06% equity interest is held by Shaanxi Automobile Holding and 32.94% equity interest is held in aggregate by eight independent third parties. Our Company was held as to 92.09% by Shaanxi Automobile as at the Latest Practicable Date
"Shaanxi Automobile Group"	Shaanxi Automobile and its affiliated companies
"Shaanxi Automobile Holding"	Shaanxi Automobile Holding Group Co., Ltd.* (陝西汽車控股集團有限公司), a limited liability company established in the PRC on 20 August 2012 and a Controlling Shareholder, in which 51.00% equity interest is held by the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province and 49.00% equity interest is held by one company that is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province

"Shaanxi Commercial Automobile"	Shaanxi Group Commercial Automobile Co., Ltd.* (陝汽集團商用車有限公司), a limited liability company established in the PRC on 10 April 2002 and a Controlling Shareholder, in which 68.51% equity interest is held by Shaanxi Automobile and 31.49% equity interest is held in aggregate by three independent third parties. Our Company was held as to 0.72% by Shaanxi Commercial Automobile as at the Latest Practicable Date
"Shaanxi Heavy Duty Automobile"	Shaanxi Heavy Duty Automobile Co., Ltd.* (陝西重型汽車有限公司), a limited liability company established in the PRC on 18 September 2002, in which 49.00% equity interest is held by Shaanxi Automobile and 51.00% equity interest is held by Weichai Power Co., Ltd. (濰柴動力股份有限公司), which is a company listed on the Main Board of the Stock Exchange (stock code: 2338) and the main board of Shenzhen Stock Exchange (stock code: SZ000338) and an independent third party. Our Company was held as to 7.19% by Shaanxi Heavy Duty Automobile as at the Latest Practicable Date
"Shaanxi Holding Group"	Shaanxi Automobile and Shaanxi Automobile Holding and/or their respective associates (excluding the members of our Group)
"Shaanxi Huazhen"	Shaanxi Huazhen Vehicle Parts Co., Ltd.* (陝西華臻車輛部件有限公司), a limited liability company established in the PRC on 9 November 1998 and wholly-owned by Shaanxi Automobile and therefore is a connected person of the Company
"Shaanxi Wanfang"	Shaanxi Wanfang Auto Parts Co., Ltd.* (陝西萬方汽車零部件有限公司), a limited liability company established in the PRC on 8 January 2004 and wholly-owned by Shaanxi Automobile and therefore is a connected person of the Company
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Share(s)"	ordinary share(s) in the capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares
"Shareholder(s)"	holder(s) of the Shares

"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Sole Sponsor" and "Sole Representative"	China Securities (International) Corporate Finance Company Limited, a licensed corporation registered under the SFO permitted to carry on Type 1 and Type 6 regulated activities
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份上市的特別規定), promulgated by the State Council on August 4, 1994
"Stabilising Manager"	China Securities (International) Corporate Finance Company Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or the "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs as amended, supplemented or otherwise modified from time to time
"Tianxingjian"	Shaanxi Tianxingjian Internet of Vehicle Information Technology Co., Ltd.* (陝西天行健車聯網信息技術有限公司), a limited liability company established in the PRC on 18 June 2013, which is a wholly-owned subsidiary of the Company
"Tonghui"	Shaanxi Tonghui Automobile Logistics Co., Ltd.* (陝西通匯汽車物流有限公司), a limited liability company established in the PRC on 20 October 2005, which is a wholly-owned subsidiary of the Company
"Track Record Period"	the three financial years ended 31 December 2019, 2020 and 2021

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"**White Form eIPO**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent.

In this prospectus:

The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, regulations, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

* *For identification purposes only*

This glossary contains explanations of certain technical terms used in this prospectus. Some of these terms may not correspond to standard industry meanings or usage of these terms.

"after-sales service"	any assistance or service a seller or a service provider provides to a customer after a product is sold or service is provided
"aftermarket"	the concept of the market of all the transactions and services along the automobile use life cycle after the delivery of the automobile, including without limitation to supply of after-sale components (e.g. sales of after-sale tyre and lubricant), automobile financial service, automobile insurance, maintenance, automobile modification, automobile detailing, automobile leasing, roadside assistance and second-hand automobile dealing
"AI (artificial intelligence)"	new technology researching and developing theory, methodology, technology and application system for simulation, extension and expansion of human intelligence
"automated guided vehicle"	a kind of roller-driven robot which moves by following the guiding line, marks or magnetic stripe on the floor or through visual navigation or laser navigation
"automobile modification"	any assistance or service a seller or a service provider provides to a customer after a product is sold or service is provided
"Beidou System"	Beidou Navigation Satellite System, a Chinese system that uses satellite to provide autonomous geo-spatial positioning
"big data"	a type of datasets whose size is beyond the ability of typical database software tools to capture, store, manage and analyse, with characteristics such as enormous scale of data capacity, rapid data flow, varieties in data types and low value density
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"carrier"	the individual or organisation who transports passengers or goods for a profit
"CLGG Online Platform"	CLGG (車輪滾滾) Online Platform, an integrated service online platform for commercial automobiles provided by our Group

"cloud computing"	the process of dividing data calculation and processing programme into various small programmes via internet cloud, processing and analysing the results from such small programmes by a system being comprised by multitude servers and reverting the outcome back to the user
"commercial automobiles"	mainly include trucks, pickups, trailers, buses and lorries
"commercial automobile dealership"	a commercial automobile dealership business established through one or more dealership agreements between commercial automobile manufacturers and commercial automobile sales dealers. Such dealerships authorise the relevant dealers to conduct automobile sales, after-sales services, and other activities related business activities
"commercial automobile industry chain"	for the purpose of this prospectus and according to the Frost & Sullivan Report, commercial automobile industry chain refers to, among others, (i) the upstream section of raw materials supply and components manufacturing, (ii) the midstream section of R&D, manufacturing and sales of automobiles, and (iii) the downstream section of Sales of aftermarket products and provision of automobile financing services
"commercial automobile industry chain service"	a series of services along the sections of the commercial automobile industry chain
"commercial automobile manufacturer"	a company that produces commercial automobiles and/or components
"commercial automobile sale dealer(s)"	the sales dealer under the commercial automobile dealership
"embedded software"	a controlling application software with micro operation system or an independent controlling application software that are embedded in the hardware, to execute automatic tasks such as timely control, mobile computing, data processing, etc.
"existing reserve market"	an existing market which can be observed and ascertained, and involves market for existing and second-hand commercial automobiles
"existing volume"	the value of certain economic variables as at a specific time
"ETC"	electronic toll collection system to collect tolls electronically by using automatic automobile identification technology without need for the automobile to stop for payment

"GDP"	gross domestic product
"GPS"	Global Positioning System. a U.S. satellite-based radionavigation system that provides geolocation and time information to its receiver anywhere on the earth
"heavy commercial automobile"	a commercial automobile with maximum permitted overall weight limit between 14 tonnes and 49 tonnes
"incremental market"	a market where its boundary is expanding and its volume is increasing, and involves market for first-hand commercial automobiles
"internal rate of return"	the annualised effective compound interest rate at which the net present value of all lease-related cash flows (both positive and negative) from a particular lease term equal to zero
"IoT for Industry"	Also known as Industrial Internet of Things (IIoT), which refers to the extension and use of the IoT in industrial sectors and applications. With a strong focus on machine-to-machine (M2M) communication, big data, and machine learning, the IIoT enables industries and enterprises to have better efficiency and reliability in their operations. The IIoT encompasses industrial applications, including robotics, medical devices, and software-defined production processes.
"IoT" or "Internet of Things"	a type of network that realises intelligent identification, positioning, tracking, monitoring and management of targeted objects achieved by exchange of information and communication between such targets and internet via intelligent terminal products under pre-determined protocol
"IoV" or "Internet of Vehicles"	the business which uses sensing technology to collect data in relation to automobile, in particular the data of automobile operation, driving behaviour of drivers and driving location, in order to provide data service and information service to various market participants of automobile ecosphere
"ISO"	International Organisation for Standardisation
"IT"	information technology

"LPR"	LPR (Loan Prime Rate) is the most preferential lending rate offered by a commercial bank to its prime clients, and other lending rates can be offered by adding or subtracting basis points based on it. The LPR centralised quote and publish mechanism, is that the authorised publisher calculates the quotes provided by the panel banks as the average LPR and releases it to the general public. Currently the 1-year LPR and above-5-year LPR are published to the general public.
"light commercial automobile"	a commercial automobile with maximum permitted overall weight limit between 1.8 tonnes and six tonnes
"MD5"	an advanced algorithm ensuring the secured interchange between automobile engine and intelligent IoV terminal product
"medium commercial automobile"	a commercial automobile with maximum permitted overall weight limit between six tonnes and 14 tonnes
"middle (research and development) platform"	in relation to an operation system, a platform between the top platform and the foundation platform, which is a flexible and efficient structure meeting the needs from both the top platform and the foundation platform
"mini commercial automobile"	a commercial automobile with maximum permitted overall weight limit less than 1.8 tonnes
"net financing amount"	the actual amount financed by our Company after netting off the down payment received from our customer from the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable))
"new energy automobile"	an automobile with advanced technology and structure which is powered by unconventional vehicle fuel (or by conventional vehicle fuel but new power generating system), and is integrated with advanced vehicle dynamics control and drive technology, for example, pure electric vehicle and plug-in hybrid vehicle
"non-performing assets"	loan receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and these event(s) has an impact on the estimated future cash flows of loan receivables that can be reliably estimated
"over-the-air (OTA)"	over-the-air technology, a technology which enables remote management of software via movable telecommunication port

"satellite positioning device"	a device installed on a commercial automobile to facilitate the provision of geolocation positioning service by systems such as Beidou System or GPS
"SMEs"	small and medium enterprises
"Tianxingjian IoV System"	the system utilised by Tianxingjian for provision of our IoV and data service, including the intelligent IoV terminal products and accessories, the relevant software and the IoV and related technologies
"truck"	business goods transportation automobile, which is a commercial automobile designed and equipped for transportation goods; depending on the transportation tonnes, truck can be classified into mini duty truck, light duty truck, medium duty truck and heavy duty truck, which are generally referred to as mini commercial automobile, light commercial automobile, medium commercial automobile and heavy commercial automobile in this prospectus
"VR (virtual reality)"	a computer simulation system which can develop a virtual environment for users to be engaged

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedule" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business prospects;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our ability to maintain good relationships with business partners;
- our ability to control our credit risks and other risks inherent in our business;
- our ability to successfully implement our business plans and strategies;
- the actions of and developments affecting our major customers and suppliers;
- the ability to attract and retain our users;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the actions and developments of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- various business opportunities that we may pursue;
- our capital expenditure plans;

- our financial condition and performance;
- availability of bank loans and other forms of financing;
- our ability to control or reduce costs;
- our dividend policy;
- changes in global economic conditions and material volatility in the global financial markets;
- capital market developments;
- general political, social and economic conditions, including those related to the PRC;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- certain statements included in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as at the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Accordingly, you should not place undue reliance on any forward-looking information. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below and our financial statements and the related notes before making an investment in the Offer Shares. Our business and operations involve certain risks and uncertainties, many of which are beyond our control. You should pay particular attention to the fact that substantially all of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. For more information concerning the PRC and certain related matters discussed below, please refer to the section headed "Regulatory Overview" in this prospectus. Our business, financial conditions and operating results could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial conditions and operating results.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in the PRC, and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

We heavily rely on our Controlling Shareholders and any material changes in our relationships with our Controlling Shareholders would have a material adverse impact on our business, financial conditions and operating results.

We have a close business relationship with our Controlling Shareholders, Shaanxi Automobile and Shaanxi Automobile Holding. During the Track Record Period, a substantial part of our business was derived from, associated with or related to Shaanxi Automobile and its associates, in particular Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the commercial automobiles manufactured by them. Our Controlling Shareholders were also the largest customers and suppliers of our Group. We have entered into various transactions with our Controlling Shareholders and/or their associates in the course of our business operations during the Track Record Period. For the years ended 31 December 2019, 2020 and 2021, our revenue from Shaanxi Automobile Holding and/or its associates amounted to approximately RMB688.1 million, RMB873.3 million and RMB688.6 million, respectively, representing 23.8%, 26.8% and 22.0% of our total revenue for the same years. For the years ended 31 December 2019, 2020 and 2021, our purchase of products and services from Shaanxi Automobile Holding and/or its associates amounted to RMB583.5 million, RMB580.1 million and RMB479.2 million, respectively, representing 24.8%, 22.2% and 20.4% of our total purchase for the same years. For further details, please refer to the sections headed "Business — Customers and Sales" and "Business — Suppliers and Purchases" of this prospectus. In addition, for the years ended 31 December 2019, 2020 and 2021, approximately 83.1%, 86.9% and 77.3% of the total revenue of the Group were contributed by Shaanxi Holding Group and Associated Customers, who are customers or suppliers of, or have business relationships with Shaanxi Holding Group, but independent from our Group. For further details, please refer to the section headed "Relationship with Controlling Shareholder — Independence from Our Controlling Shareholders — Industry norm and muntually beneficial and complementary relationship" in this prospectus.

During the course of our operation, we have been receiving loans and guarantees from Shaanxi Automobile Holding and/or its associates. As at 31 December 2021, we had aggregate outstanding loans from Shaanxi Automobile Holding and/or its associates and certain financial indebtedness guaranteed by Shaanxi Automobile Holding and/or its associates (including (i) bank borrowings, (ii) other borrowings from other financial institutions, (iii) asset-backed notes/securities, and (iv) notes payable) of approximately RMB854.0 million and RMB729.2 million, respectively, representing approximately 13.9% and 11.9% of our aggregate financial indebtedness credit amount (including (i) bank borrowings, (ii) loans from related parties, (iii) other borrowings from other financial institutions, (iv) asset-backed notes/securities, and (v) notes payable) of approximately RMB6,132.4 million. Please also refer to the sections headed "Relationship with the Controlling Shareholder — Independence from our Controlling Shareholders — Financial Independence" "Financial Information — Indebtedness" in this prospectus for the historical amounts of the loans and guarantees from Shaanxi Holding Group. As at the Latest Practicable Date, except for loans with two to three years' fixed terms which amounted to approximately RMB848.5 million (which we will repay when such loans become due), the Group has fully repaid the above-mentioned outstanding loans borrowed from Shaanxi Automobile Holding and/or its associates. Shaanxi Automobile Holding and/or its associates will continue to provide loans to our Group after Listing under the Financial Services Framework Agreement. Please refer to the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions" in this prospectus for further details.

We will continue to be controlled by our Controlling Shareholders after the Global Offering and will continue to cooperate with them and/or their associates. Our Controlling Shareholders will in aggregate beneficially own approximately 69.61% of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). In addition, we expect the aforementioned transactions with our Controlling Shareholders and/or their associates to continue. We have entered into various framework agreements with Shaanxi Automobile Holding, which govern the connected transactions between us and Shaanxi Automobile Holding and/or its associates. For details, please refer to the section headed "Connected Transactions" in this prospectus.

We cannot assure you that our Controlling Shareholders and/or their associates will act in the best interest of the Company or the Shareholders should any conflicts arise. In the event that the interests of our Controlling Shareholders and/or their associates conflict with those of our other Shareholders, or if our Controlling Shareholders and/or their associates decide to make us pursue strategies that would conflict with the interests of public Shareholders, your investment interests may be harmed. If they fail to act in the best interest of us, for example, if they fail to continue their cooperation with us or take actions that are detrimental to our interests, we may have to renegotiate the terms and conditions for our cooperation with them or find other business partners as replacements, which may be expensive, time-consuming and even disruptive to our business operations. In light of such close business relationship with our Controlling Shareholders and/or their associates, if we are unable to resolve any such conflicts, if we suffer significant delays or other obstacles as a result of such conflicts or if there is any deterioration in such relationship in the future, there will be a material adverse effect on our business, financial conditions and operating results.

Our historical financial conditions and operating results are not indicative of future performance and implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate.

Our Group's operations have grown rapidly and our revenue and profit in turn have grown accordingly. For the years ended 31 December 2019, 2020 and 2021, our revenue was approximately RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively, representing a CAGR of 4.0%. In addition, our profit increased from RMB241.1 million for the year ended 31 December 2019 to RMB318.0 million for the year ended 31 December 2020, and further to RMB368.7 million for the year ended 31 December 2021, representing a CAGR of 23.7%. However, we cannot assure you that we will be able to grow at the same rate as we did in the past or avoid any decline in the future. Our historical financial conditions and operating results should not be depended on by investors to determine or indicate our future financial and operating performance.

Our historical financial conditions and operating results may not be indicative of our future performance, primarily due to the following:

- We cannot assure you that the development of our business network, risk management capabilities and technological capabilities will be able to fully support our growth in the future.

- The expansion of our business during the Track Record Period was supported by registered capital injected by our shareholders, borrowings from banks and other financial institutions and cash generated from our business operations. As our business grows, the size of our business will also increase. We may not have adequate funding to support our continued expansion. We also may not be able to determine the magnitude of our expansion, manage the growth of our business against our ongoing liquidity needs and maintain the current profitability due to increased funding costs in a timely manner.

- As the industry develops and competition intensifies, we may not be able to adjust our strategies and plans to maintain the same pace of development during the Track Record Period in a timely or efficient manner. Moreover, since the market and the demand in the PRC are ever-changing, we may make changes to our business model, business focus and allocation of business and financial resources as and when such changes are required to maintain our competitiveness in the market. There can be no assurance that our current success in the market will continue in the future or the PRC's macroeconomic situation will remain the same, if not better, in the future.

- We may alter the focus of the different sectors of our businesses and reallocate our resources from time to time to maintain our competitiveness in the ever-changing PRC market.

- We may not be able to hire, train and maintain sufficient qualified personnel, negotiate the terms of new leases for properties in desired locations, obtain applicable licences, permits and approvals for the purpose of our expansion from the relevant PRC government authorities on a timely basis and enter into business cooperation agreements with our partners on a timely basis.

- Other factors beyond our control, including decreasing consumer spendings, contraction of our industry and changes in rules, regulations and government policies affecting our business operations promulgated by the relevant PRC government authorities or general economic conditions.

- Our Group has been actively expanding its third party logistics service and since July 2020, we have been engaging in the Advance Arrangement as part of our business plan. In addition to the provision of logistics services, we source raw materials, match purchasers with suppliers in respect of raw materials and pay for the purchase price of raw materials in advance for certain customers. Our Group is not exposed to any price risks relating to the raw materials (coal and ore) that it purchases on behalf of its customers in the third party logistics services segment. We have recorded a relatively low gross profit margin at approximately 2.1%, 0.1% and 2.6% in this business segment for the years ended 31 December 2019, 2020 and 2021, respectively. The increasing competition in the logistics industry has resulted in lower bargaining power of logistics service providers in their negotiation with the relevant raw material purchasers and/or suppliers which, together with the rising operating costs (such as wages for drivers and prices of oil and natural gas) in providing logistics services, pose pressure on our gross profit margin, according to the Frost & Sullivan Report. Therefore, an increase in revenue contribution from our third party logistics service may adversely affect our Group's overall profitability going forward. As at the Latest Practicable Date, one of our third party logistics services customers with an Advance Arrangement was unable to pay for the outstanding fees to our Group within the credit period granted to such customer. Such Advance Arrangement may thus expose us to heightened credit and solvency risks. For further details, please refer to "Business — Supply Chain Business — Automobile Logistics Service and Third Party Logistics Service" in this prospectus.

There is no guarantee that we will be able to perform as well as we did during the Track Record Period. Nor is there any assurance that the general market circumstances will remain unchanged in the future, that we will be able to operate our business in the manner as we used to, that our success will be continued or that the general economy and the macroeconomic condition of the PRC will not worsen. If any of the foregoing occurs, our business, financial conditions and operating results may be adversely affected. As such, our historical financial conditions and operating results should not be considered to be indicative of our performance in the future and you should consider our business and prospects in light of these risks.

Our business operation will be materially and adversely affected if any force majeure events takes place, such as natural disasters, public health crisis, including the outbreak of COVID-19, acts of God, acts of war or terrorism and civil or social unrest.

Our daily business, financial conditions and operating results will be materially and adversely affected if any event that is beyond our control and which will negatively affect the economy, infrastructure, business continuity, livelihood of the people of the region takes place. For example, if there is any significant disruption in traffic due to severe congestions, weather conditions, flash floods or breakdown in major road infrastructure in the areas in which we operate, our logistics and supply chain services, which entail the transportation of components, commercial automobiles and other goods, may be disrupted. Such disruption may adversely affect the quality of our business offerings and may lead to a reduction in and/or delay of our business offerings. Examples of other types of natural disasters that the regions that we operate in may be subject to are earthquakes, flooding, typhoon, sandstorm, snowstorm, drought, fire, power suspension, shortage or failure, epidemics, pandemics, other public health crisis, acts of god, acts of war or terrorism and civil or social unrest. If the natural disaster is serious, it may lead to deaths, personal injuries, loss of assets and disruptions to business activities and operation.

In addition, any future outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial conditions and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. In 2020, serious outbreaks of highly transmissible diseases of COVID-19 in the PRC and around the globe led to a regional and international public health crisis and, as a result, the financial markets and the regional and international economy in general were affected in a material and adverse manner. The outbreak of the infectious global COVID-19 pandemic has continued to spread globally. The majority of countries including the PRC have imposed strict travel restrictions and controls such as restrictions over movement of people in and out of the borders, travel bans, mandatory or voluntary quarantine, compulsory containment requirements, lockdown and stay-at-home orders and restrictions on gathering and travels to combat the transmission of COVID-19. These strict regulations led to a significant decrease in localised and nationwide commercial activities and business transactions and in our customers' ability to manage their credit risks and liquidity risks, especially in the industry that we operate in.

Since the COVID-19 outbreak on or around January 2020, our Directors have closely monitored the latest development of the COVID-19 and assessed our exposure to the risks and uncertainties brought about by the pandemic. Based on the current available information, our Directors had carried out holistic reviews of the impacts of the COVID-19 on our business operations. Due to the weaker capital strength and risk resilience, certain participants of the commercial automobile industry chain were generally more vulnerable during the COVID-19 outbreak. As such, our business sectors which mainly provided value-added services to (i) individual commercial automobile end-users, and (ii) micro, small and medium enterprises, were more likely to be subject to material and adverse impacts at the early stage of the COVID-19 outbreak. In particular:

- **Automobile sales business** – there was a material and adverse impact on the financial markets and the overall global economy brought by the COVID-19, which caused a general fall in consumer confidence and adversely impacted consumer consumption. Our automobile sales business was adversely impacted and the actual sales volume experienced a slight decrease in the first quarter of 2020 compared with our projected sales volume for the same period.

- **Automobile logistics service and third party logistics service under supply chain business** – due to the decrease of our automobile sales business, our automobile logistics service also experienced a corresponding decrease during the relevant period. In addition, due to the COVID-19, (i) there was a decline in labour supply resulting from lockdown of cities and quarantine policies that limit the flow of labour force, and (ii) there was a decrease in demand for supply chain services as the manufacturing enterprises had to close down their factories. As a result, our third party logistics service under supply chain business had also decreased in general in the first quarter of 2020.

- **Financial leasing business** – there is high degree of synergy between our automobile sales business and financial leasing business. Please refer to the section headed "Business – Logistics and Supply Chain Service Sector – Automobile Sales Business – Financial Leasing Service and Automobile Sales Business" in this prospectus for details. As substantially all the customers of our financial leasing business are individuals, our financial leasing business was adversely impacted in the first quarter of 2020 due to the weaker spending power and risk resilience of such customers.

We have plans to continuously monitor the development of the pandemic and any measures put in place by the PRC Government and to proactively analyse and react to any unfavourable impact to our business, relationships with our customers, financial situation and condition as well as operation results.

We cannot predict whether or when the outbreak of COVID-19 will be effectively managed and controlled. Also, we cannot foresee the length and severity of the impact of COVID-19. Even though the PRC has controlled the pandemic in a relatively more effective manner than a number of other countries around the globe, there is no assurance that other waves of outbreak will not take place in the future. If the outbreak cannot be effectively managed and controlled in a timely manner, the sentiment and outlook in the market will worsen and the regional and international economy may go into recession.

All of the above events and any other events out of our control will affect the business environment and the market in general, lead to unpredictability and unforeseeable risks in the regions that we operate in and lead to disruptions to our business in an unpredictable manner, As a result, our financial conditions and credit and solvency risk may be affected in a materially adverse manner.

We are subject to regulations applicable to the logistics and supply chain service business.

The logistics and supply chain service industry is a regulated industry and we are required to comply with the applicable laws, rules and regulations governing this industry. At the same time, we also need to obtain various licences, permits and approvals for the operation of our nationwide logistics and supply chain service network, which are subject to renewal. In the event that there are changes to the regulations or we fail to renew or obtain the relevant licences, permits and approvals, we may not be able to subcontract the relevant logistics and supply chain services in a timely manner or on reasonable commercial terms. There is also no assurance that the logistics and supply chain service providers will at all times perform at a satisfactory level. Therefore, our business, financial conditions and operating results may be materially and adversely affected by such events.

The sales levels of the commercial automobiles as reported by our commercial automobile sales dealers may not be indicative of the actual commercial automobile sales situation. We also rely on our commercial automobile sales dealers for our commercial automobile sales business and if their performance is not well, our business, financial conditions and operating results could be materially and adversely affected.

Under the commercial automobile dealership framework agreements that we entered into with our commercial automobile sales dealers to authorise them to sell the relevant commercial automobiles, the commercial automobile sales dealers (i) are subject to an annual target sales volume that they have committed to and we are entitled to cancel the commercial automobile dealership in selling the commercial automobiles and terminate the agreements immediately if they are unable to achieve certain targets at certain time of the year, and (ii) are not subject to terms that restrict the appointment of sub-dealers by the commercial automobile sales dealers. Therefore, the sales levels of the commercial automobiles as reported by the commercial automobile sales dealers may not accurately reflect the actual amount sold to the end-customers or the actual demand of the market because the commercial automobile which was recorded by a commercial automobile sales dealer as sold may be sold to its sub-dealer in order to achieve the annual target sales volume and the relevant commercial automobile continues to remain in the commercial automobile sales dealer's distribution network. For details of the commercial automobile dealership framework agreements, please refer to the section headed "Business — Logistics and Supply Chain Service Sector — Automobile Sales Business" in this prospectus.

Additionally, we rely on our commercial automobile sales dealers and their respective commercial automobile dealership networks to sell the commercial automobile. As a result, our automobile sales performance depends on the quality and stability of the commercial automobile dealership services provided by these dealers. There is no guarantee that the commercial automobile sales dealers and the other parties in their respective commercial automobile dealership networks will be able to act in accordance with our business plan, the annual target sales volume committed by the commercial automobile sales dealers and the obligations that they are contractually required to abide by as set out in the relevant commercial automobile dealership framework agreements. Also, there is no assurance that the dealers and other parties in their respective commercial automobile dealership networks will be able to provide their services in a consistent and efficient manner and maintain their current level of sales performance. Their delivery of service and their sales performance may be affected by factors such as the decrease in market coverage caused by the inability to build and maintain well-developed commercial automobile dealership networks and the failure to manage their current commercial automobile dealership networks effectively. Therefore, the market coverage of the commercial automobile dealership networks that we have access to and our level of sales may decrease. As a result, our business, financial conditions and operating results could be materially and adversely affected.

Commercial automobile recalls and other similar issues could materially and adversely affect our business.

Certain models of commercial automobiles may be recalled due to product defects and other problems from time to time. These events can negatively influence customer demand. For instance, commercial automobile recalls may have a material adverse effect on customers' confidence in the quality and safety of the affected commercial automobile brands and the reputation and image of the relevant commercial automobile manufacturers, which could in turn reduce demand for particular commercial automobile brands or models. This in turn may affect affects the volume of automobile sales business and financial leasing business that we process and may materially and adversely affect our business, financial conditions and operating results.

We engage and/or cooperate with certain third party suppliers to supply relevant products that we provide to our customers. If there is any substandard, delayed or lack of performance by the third parties of their obligations, our business will be materially and adversely affected.

We engage and/or cooperate with certain third party suppliers to supply relevant products that we provide to our customers. For instance, suppliers are involved in our automobile sales business, our aftermarket product business and our IoV and data service business. For the years ended 31 December 2019, 2020 and 2021, purchases from our top five suppliers accounted for approximately 40.7%, 40.7% and 37.1% of our total purchase, respectively.

Even though we have adopted active measures to select and monitor our third party suppliers to ensure the quality of their products, the engagement and/or cooperation of such third party suppliers may still lead to risk exposures in relation to the substandard or delayed or lack of performance of those third parties of their obligations. Therefore, if our relationship with our suppliers are to deteriorate or the products provided by our suppliers cannot meet our expected standard and we are unable to find alternative suppliers on a timely basis, we may be forced to delay the delivery of our product or we will not be able to deliver any of our products at all, experience a deterioration of the quality of the products we provide, bear unnecessary and extra costs, or be subject to claims of losses and damages. As a result, our business, financial conditions and operating results, or even reputation and goodwill will experience materially adverse effects and we may be subject to threatened or actual litigations or other forms of dispute resolutions.

If the commercial automobile sales dealers we rely on to generate financial leasing business fail to perform well, there will be a knock-on impact on our financial leasing service.

We provide financial leasing service for different types of commercial automobiles and the volume of our financial leasing business is impacted by the market coverage of our commercial automobile sales dealers. There is no assurance that the Company will be able to maintain a good business relationship with its commercial automobile sales dealers. If the Company fails to do so, the commercial automobile sales dealers may choose to refer business to the competitors of the Company. Even if the commercial automobile sales dealers choose to refer business to the Company, there is no assurance that the customers will favour the Company over its competitors. Also, we cannot assure you that our commercial automobile sales dealers will continue to perform and maintain their current level of business operations. Any significant decrease in the business performance of these commercial automobile sales dealers could have a material and adverse effect on our business, financial conditions and operating results. The business operations of these commercial automobile sales dealers are generally affected by a variety of factors including, among others,:

- the macroeconomic conditions in China;
- changes in the regulatory environment of the commercial automobile dealership industry in China;
- consumer demands and preferences;
- brand image and reputation;
- product quality, variety and pricing;
- quality of post-sales service; and
- relationship with commercial automobile manufacturers.

The aforementioned factors might be outside our commercial automobile sales dealers' control. If the financial conditions and operating results of commercial automobile sales dealers deteriorate, our business, financial conditions and operating results could be materially and adversely affected.

We may incur potential liabilities from our customers' use of commercial automobiles that are under financial leasing arrangements with us.

As our financial leasing business is conducted in the PRC, the Civil Code of the PRC (Part VII Liability for Tort)* (《中華人民共和國民法典(第七編侵權責任)》) (Zhu Xi Ling No. 45), which came into effect on 1 January 2021, will govern any potential liabilities arising from the customers' use of commercial automobiles that are under financial leasing arrangements with us. The aforementioned Civil Code of the PRC (Part VII Liability for Tort) provides that the liability of any traffic accident will be covered by the compulsory traffic accident liability insurance when a leased commercial automobile is involved in a road accident. Subsequently, any uncovered liability will fall on the person driving the commercial automobile at the time of the accident, unless the legal and registered owner of the commercial automobile has a part to play in the accident and was at fault in his actions. As we enter into financial leasing arrangements in respect of commercial automobiles that we legally own on a regular basis, it is likely that we might be joined as a party in a dispute resolution mechanism if (i) our customer is involved in a road accident when operating our commercial automobiles, (ii) the potential liability cannot be fully covered by the compulsory traffic liability insurance, and (iii) we, as the legal owner of the commercial automobile, are at fault in our actions and have a part to play in the accident. As such, our business, financial conditions and operating results could be materially and adversely affected.

The financial leasing arrangements that we make may potentially have a mismatch in their duration and terms with their underlying funding sources, which may lead to liquidity issues.

The financial leasing arrangements that we make typically have a term of two to three years while our borrowings from banks typically have a maturity period of one year to two years. Although we keep monitoring the duration mismatch in order to match the maturity date of our borrowings from banks and the financial leasing repayment schedule of our customers, we cannot guarantee that we will be able to maintain our liquidity at a sufficient level when our borrowings from banks are due, or at all. Should we become delinquent on any of our borrowings, we may be required to incur additional costs under our financing arrangement, the banks may declare the borrowings from banks to be immediately due and payable if any cross-default provisions are triggered and our relationships with our financing partners may be negatively affected, which will in turn limit our ability to maintain sufficient liquidity or increase our financing costs going forward. In addition, although we have in place liquidity risk management measures to manage any potential liquidity mismatch, we cannot guarantee that such measures will be timely implemented or effective at all. For details, please refer to the section headed "Business — Risk Management — Financial Risk Management — Liquidity Risk Management" in this prospectus. As such, any failure to adequately address the risks associated with such duration mismatch, or any failure of our liquidity risk management measure, could materially and adversely affect our business, financial conditions and operating results.

Our financial leasing business and factoring business may be negatively affected if we are unable to effectively manage and reduce the credit and solvency risks associated with our business and operations and to monitor and maintain the quality of our financial leasing and factoring assets adequately.

Our financial leasing business and factoring business may expose us to credit and solvency risks. For instance, our financial leasing business requires us to operate on the presumption that our customers would repay the net financing amount as well as the interest due in full by the end of the financing period. However, some customers may default in their payment obligations, thus exposing us to higher credit and solvency risks. In addition, the value of collaterals and guarantees provided by or for our customers under our financial leasing and factoring businesses may not be sufficient or fully realisable. During the Track Record Period, some of our financial leases were not backed by any security collateral or guarantee because, whilst we have executed agreements with our customers in respect of the transfer of ownership of all the leased commercial automobiles, such rights on the leased commercial automobiles were not all registered because of the differentiated registration standards implemented by certain local authorities in various cities in the PRC (including those in Xinjiang and Tibet) that do not practically allow registration of relevant rights by financial leasing companies. For further details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Financial Leasing Business — Lease Portfolio" in this Prospectus. Whether or not our business remain sustainable are mainly reliant on the management and reduction of the credit and solvency risks in a sufficient and effective manner as well as monitoring and maintaining the quality of our portfolio of assets and the collectability of our accounts receivable adequately.

Our customers' ability to make full and timely payment is influenced by a wide array of factors, such as the time required for them to go through their internal authorisation and approval processes, their ability to operate their businesses according to their respective business plans and the economic conditions of their respective industries, which in turn is also affected by a broad range of factors, such as inflation, prices of commodities (such as oil and natural gas), economic recession, alteration in governmental policies, shift in the structure and organisation of their respective industry. Such factors cannot be controlled by us and in the event that our customers cannot make repayment when due, we will be exposed to higher credit and solvency risks. We would have to implement several measures in response to the customers' payment defaults, such as (i) making specific provisions for impairment, treating certain receivables as bad debt and writing them off and/or (ii) incurring extra legal costs to recover the outstanding amounts due by way of enforcement of securities and collaterals available to us. Such measures may adversely affect our financial performance and operation as a whole.

We may not provide adequate impairment under our financial leasing business and factoring business. Our net impairment losses on financial assets amounted to RMB24.6 million, RMB101.9 million and RMB146.2 million, respectively, in 2019, 2020 and 2021. The amount of provisioning is based on our management's assessment of, and expectations concerning various factors affecting the quality of our financial asset portfolio, such as the customers' financial condition and repayment ability, the anticipated realisable value of any collateral, government policies, interest rates and other factors, and the applicable PRC rules and regulations. If our assessment and expectations differ from actual events, or if the quality of our financial asset portfolios deteriorates, our provisions or allowance may not be adequate to cover our actual losses and we may need to set aside additional impairment provisions, which could materially and adversely affect our business, financial conditions and operating results.

In addition, the advances we make to our clients of our financial leasing service and factoring service are required to be backed by sufficient collaterals and guarantees. While we have internal policies and procedures designed to minimise the risk associated with insufficient collaterals and guarantees, as the scale of our business continues to grow, we may take higher credit risk and hence suffer larger potential loss should we fail to identify and manage the risks effectively. In particular, in the event that we enforce our rights to liquidate the collateral, the market price of collaterals held by us might have decreased so significantly that the amount of money we can recover from liquidating the relevant collaterals is less than the amount of advancement we made to the relevant client, or such collaterals may become illiquid. Also, our ability to sell assets to minimise our loss may be further impaired if other market participants are seeking to sell similar assets at the same time, which is likely to occur in a liquidity stress or other market crisis. As such, we will be exposed to significant loss if we fail to liquidate the collaterals provided by our customers in a timely manner.

Further, if we are not able to maintain the quality of the asset portfolio of our financial leasing business and factoring business at an ideal level, our business, financial conditions and operating results may be negatively affected. No assurances can be given (i) that we can effectively maintain and control the levels of non-performing assets in our two sectors of business, which may fluctuate depending on our performance and strategy in those two sectors, (ii) that we can evaluate and monitor our credit and solvency risks properly and accurately at all times, (iii) that managing and reducing credit and solvency risks through the credit analysis procedures and risk management system employed by us are sufficient and effective to manage our portfolio of assets, in particular the financial leasing receivables and the impaired factoring account receivables, at all times, and (iv) that the quality of the asset portfolio will not be affected by a recession in the economy regionally or globally, an impending global financial crisis or an unfavourable shift in the macroeconomic policies in the PRC or internationally. If the risk management systems of our financial leasing business and factoring business are insufficient or there is a considerable increase in our credit and solvency risk as caused by our inability to maintain the level of quality of our asset portfolio, our business, financial conditions and operating results may be negatively affected.

Our financial leasing business and factoring business are subject to the rules, regulations and laws that are specific to the financial leasing and factoring industries in the PRC, which may be altered, changed or amended from time to time.

Our financial leasing business and factoring business are subject to the rules, regulations and laws that are specific to the financial leasing and factoring industries in the PRC. For details of the relevant rules, regulations and laws, please refer to the section headed "Regulatory Overview — Regulations Regarding the Supply Chain Financial Service" in this prospectus. The rules, regulations and laws that are specific to the financial leasing and factoring industry in the PRC are continuously being developed and the PRC Government may enact new rules, regulations and laws in the future, resulting in uncertainties and unpredictability. There is no assurance that our financial leasing service and factoring service will not be regarded as in contravention of any of the future rules, regulations and laws that may be enacted by the PRC Government. If any rules, regulations and laws specific to the PRC financial leasing and factoring industry are altered, changed or amended or if more stringent rules, regulations and laws are enacted, we may not be able to respond to and adapt to such changes in a timely manner or at all.

Moreover, the PRC Government may alter, change or amend the prevailing rules, regulations and laws that are specific to the financial leasing and factoring industries in the PRC to require extra licences, permits or approvals in order to operate financial leasing business and factoring business in the PRC or to attach stricter conditions for the grant, maintenance and renewal of the licences, permits or approvals required to provide financial leasing service and factoring service. We cannot foresee if the application or renewal process of the necessary licences, permits or approvals will be affected or prolonged by legal issues, oppositions, appeals or any other complications. Additionally, in the case that we are unable to fulfil the requirements or observe the restrictions set out in the licences, permits or approvals or the restrictions imposed by any authority with competent jurisdiction, we may face penalties, fines, sanctions, restrictions, additional costs, the revocation or refusal to renew such permissions, permits, approvals, certificates or licences or other punitive actions. If (i) penalties, fines and additional costs beyond our financial abilities are imposed, (ii) a licence, permit or approval vital to the operation of our financial leasing business and factoring business is revoked, (iii) unrealistic or unworkable conditions are imposed on the renewal of such licences, permits or approvals, (iv) we are no longer able to maintain such licences, permits or approvals, or (v) our application to renew such licences, permits or approvals are refused, our business, financial conditions and operating results will be impacted in a materially adverse manner.

Changes in the benchmark interest rates set by the PBOC and the interest rates in the market may materially and adversely affect on our financial leasing business and the factoring business.

Our financial leasing business and factoring business are influenced by the adjustments of the benchmark interest rates set by the PBOC and the fluctuations of the interest rates in the market.

In recent years, the PBOC has adjusted the benchmark interest rates several times, including a series of increases in 2006 and 2011 to curb inflation and cool down the PRC economy and a series of reductions from 2015 to 2016 in response to the global economic downturn and from 2020 to 2021 in response to COVID-19. Adjustments by the PBOC to the benchmark interest rates on deposits may negatively affect our business, financial conditions and operating results. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets and the average cost on our interest-bearing liabilities differently, and may narrow our net interest spread, leading to a reduction in our net interest income.

Additionally, if the interest rates in the market, for example the interest rates that we are subject to when we borrow and/or the interest rates that our customers are subject to, surge or if there is a general sentiment in the market that the interest rates in the market may surge, we may not be able to secure financings at a favourable interest rate, utilise the full potential of our interest-bearing assets, increase our interest income and continue to develop our business, particularly if we fail to shift the increased cost to our customers in a timely manner. Increases in interest rates in the market could result in increased financing costs, decrease in the overall demand for our services and increased risks of default. As the PRC derivatives market has yet to be fully developed, we have limited risk management tools available for us to hedge such risks. Failure to frequently review and make appropriate adjustments to those interest rates will result in a decrease of our net interest spread and net interest margin, which may have a materially negative impact on our business, financial conditions and operating results.

Moreover, upon Listing, subject to compliance with applicable rules and regulations, we may not rely on financing from our Controlling Shareholders. Therefore, we will have to depend on funding from third party banks and other financial institutions. Our costs to obtain adequate financing to fund our daily operations or expansion of business will increase, which will in turn affect our business, financial conditions and operating results in a materially adverse manner.

There is no assurance that our products, software systems and information technology infrastructure in our IoV and data service business will be able to be conducted without any technological difficulties or disruptions.

The success and continuous operation of our IoV and data service business is heavily reliant on the precision and reliability of our products and software systems that we provide to our customers and the stability of our information technology infrastructure to store, manage, process and analyse a large amount of incoming data. For details of our research and development, please refer to the section headed "Business — IoV and Data Service Sector — Research and Development Capabilities" in this prospectus. At the same time, our own financial leasing business also relies on our IoV technologies to monitor the usage and performance of the commercial automobiles that are subject to financial leasing arrangements. The effective functioning and stable performance of our underlying products, software systems and information technology infrastructure are vital to our operations, business image, reputation and competitiveness. Nevertheless, there is no assurance that our operations will not be disrupted by any technological errors or be affected by factors beyond our control such as natural disasters, fire, power shortage or suspension, defective software, computer viruses and malware, security breaches or unauthorised access. If there is any material disruption to our products, software systems and information technology infrastructure, our business, financial conditions and operating results will be significantly undermined.

We may not be able to safeguard our intellectual property rights, in particular the IoV and data service business.

The success of our business, in particular our IoV and data service business, heavily depend on our ability to safeguard our intellectual property rights such as copyrights and patents as the operation of such business relies on a series of technologies, systems, software and hardware that are protected by those intellectual property rights. Such intellectual property rights are also vital to maintaining our competitive edge in the market and maintaining our goodwill, reputation and brand image.

However, other market players or third parties may own conflicting intellectual property rights and interests and may challenge the validity of our intellectual property rights. As the majority of our intellectual property rights are obtained in the PRC, we will likely have to defend our rights under PRC law if any challenge or conflict arises. Under PRC intellectual property law, defending the validity of rights is often a costly, complex and prolonged practice. Additionally, if any party initiated a claim of infringement or invalidation against any of our intellectual property rights which may render our rights non-utilisable, we will have to allocate and spend a substantial amount of resources to rebuild and redevelop new business offerings that do not infringe on any intellectual property rights of third parties or to secure licence arrangement with the holders of the relevant intellectual property rights to continue to fulfil our existing obligations under our agreements with our customers.

Moreover, enforcing our rights against unlicensed and unauthorised exploitation of intellectual property rights involves a significant amount of financial resources and may prove to be an onerous and complicated process. We may have to commence legal proceedings as a last resort in order to defend our rights or to obtain a judgement on the validity, enforceability and scope of our rights. If we commence legal proceedings or if such proceedings yield unfavourable results, a significant amount of financial and other resources would have to be dedicated to such proceedings, potentially causing fewer resources to be allocated to implementing our business plans and harming our competitive edge in the market and business prospects. Any dispute resolution procedure in relation to intellectual property rights may affect our normal course of business, take up a significant portion of our management team's time and attention as well as deplete our financial resources. As a result, our business, financial conditions and operating results will experience materially adverse effects.

We may not be able to keep abreast with the latest development and advancement of technology, which may materially and adversely impact the IoV and data service business.

Our IoV and data service business is affected by technological advancement which is evolving rapidly. We may not be able to keep abreast to such changes and update our technology on a timely basis. Examples of such factors include customer needs and demands, technology and software, benchmarks that we are constantly being measured against, and novel business offerings being developed and entering the market. If innovative and imaginative novel technology is introduced to the market and if the market benchmark is redefined and established, our existing business offerings may become outdated and fall into disuse, which will reduce our competitiveness. Therefore, whether or not we will be able to maintain our success is reliant on our research and development efforts and obtaining sufficient capital to fund such efforts. If we cannot keep up with and adapt to the changes in the market and support the growth of our business, in particular the IoV and data service business, by developing and improving our technology, designing and developing new intellectual property rights and building on our expertise, our business as a whole will suffer and maybe materially and adversely affected.

There is no guarantee that we will be able to adapt to the technological advancement in a timely, cost-conscious and appropriate manner. Failure to do so will have a negative effect on our business, financial conditions and operating results.

We may be subject to liquidity risk associated with our failure to perform and honour our contractual obligations in respect of our contract liabilities or the unpredictable changes in the legal and regulatory framework.

We enter into various contracts with our customers and suppliers as part of our business. In the event that we fail to fulfill our contractual obligations under the agreements, such as failure to provide the business offerings to our customers or make timely payment to our suppliers pursuant to the terms set out in the relevant agreements, the working capital required to maintain our business operations will be affected. As at 31 December 2019, 2020 and 2021, the contract liabilities amounted to RMB97.4 million, RMB141.3 million and RMB156.3 million, respectively, which represented advance payments from customers for goods or services that we have not yet delivered to such customers. If we fail to perform in relation to the aforementioned contract liabilities, we will be required to refund the deposits and/or service fees prepaid by our customers without incurring further obligations. In addition, we may face liquidity risk caused by the unpredictable changes in the legal and regulatory framework. For example, due to the promulgation of new PRC rules and regulations, we may be required to maintain additional liquidity ratios. We cannot assure you that we will always be able to maintain such additional liquidity ratios in a timely manner or at all. The occurrence of any non-compliance in relation to these new liquidity ratios may materially and adversely affect our business, financial conditions and operating results.

Our business, financial conditions and operating results depend on our ability to manage our inventories effectively.

Our business and financial performance depend on our ability to maintain a reasonable level of inventories, which include (i) commercial automobiles, (ii) intelligent IoV terminal products, and (iii) components, including tyres and lubricant, in order to respond to customer demands in a timely manner and maintain a diverse range of products. We aim to manage our inventories efficiently, as slow-moving inventories would result in capital constraint and reduce our liquidity, increase our overall operating costs and reduce our profit margins. However, we may not be able to maintain an adequate level of inventories to satisfy our customers' needs from time to time as our business is subject to certain factors which are out of our control. In particular, as at the Latest Practicable Date, RMB46.3 million or 25.2% of our inventories as at 31 December 2021 had been subsequently utilised. For further details, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Inventories" of this prospectus. In future, if we overstock inventory, we may be required to increase our working capital and incur additional financing and labour costs. If we understock inventory, we may not be able to satisfy the demands of our customers in a timely matter, which may in turn cause us to lose the opportunity to capture more revenue or market share and adversely affect our business, financial conditions and operating results.

Certain of our business sectors are subject to seasonal fluctuations and unexpected interruptions.

Certain of our business sectors are subject to seasonal fluctuations. For instance, the number and amount of financial leasing business tend to decline during the third quarter of the year, which is in line with the pattern of commercial automobile sales, in particular the heavy commercial automobile sales, in China. However, changes in some of our expenses do not necessarily correspond with such fluctuations. For example, we spend on marketing activities, staff recruitment and training and product development throughout the year, and we pay rent for our facilities based on the terms of the lease agreements. We expect to continue to experience seasonal fluctuations in our operating results. These fluctuations could result in trading volatility and affect the share price. Therefore, our interim financial reports may not be indicative of our performance in any given financial year. For details of the seasonal fluctuations that we are subject to, please refer to the section headed "Business — Supply Chain Financial Service Sector — Financial Leasing Business — Pricing Policy" in this prospectus.

Our net cash outflow from operating activities may affect our liquidity.

For the years ended 31 December 2020 and 2021, our Group recorded net cash outflow from operating activities in the sum of RMB705.9 million and RMB470.8 million, respectively. For details, please refer to "Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Net Cash Used In/Generated From Operating Activities" in this prospectus. We cannot assure you that we will not experience any period of net cash outflow from operating activities in the future. Our liquidity in the future will to an extent depend on our ability to maintain adequate cash inflows from operating activities and our ability to monitor and control the liquidity mismatch. For details, please refer to the paragraph headed "— The financial leasing arrangements that we make may potentially have a mismatch in their duration and terms with their underlying funding sources, which may lead to liquidity issues" in this section. Should there be any significant deterioration in the cash inflows from operating activities or if we are not able to timely control the liquidity mismatch, our liquidity and cash flows from operating activities could be materially and adversely affected.

We may face cash flow mismatch and/or default which could affect our business, financial conditions and operating results.

Due to the rapid development of the Group's third party logistic services, we experienced a significant increase in advances from 2020 to 2021, which primarily resulted from, among others, the requirement to pay for raw materials, including coal and ore, in advance to the relevant suppliers of our customers on behalf of our customers. As advised by Frost & Sullivan, our industry consultant, the aforementioned arrangement is in line with industry practice. For further details of our advances for raw material purchase price on behalf of customers during the Track Record Period, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Other Receivables" of this prospectus. If our third party logistics services continue to grow and we are obliged to pay for a large number of raw materials in advance to the relevant suppliers of our customers on behalf of our customers at a particular period of time, we cannot assure you that we can maintain sufficient cash flows and we may not have sufficient and timely cash inflow to cover. If there is a material mismatch in time between our payment for raw materials and our receipt of payment from our customers and we fail to manage the fluctuations of our cash flows, or if there is a material payment default by our customers in relation to the raw materials that we have paid for, our business, financial conditions and operating results could be materially and adversely affected.

There is no guarantee that we will receive any government subsidies in the future and certain of our preferential tax treatments are non-recurring in nature.

During the Track Record Period, we received government subsidies for our general operation and research and development activities, which amounted to approximately RMB21.3 million, RMB26.2 million and RMB45.0 million, respectively. The amount of government subsidies we recognise in future may be less than what we had received during the Track Record Period, which may affect our profitability. In addition, government policies are subject to change from time to time. There is no guarantee that we will recognise any government subsidies at all in future and the decrease in government subsidies that we recognise may materially and adversely affect our business, financial conditions and operating results.

In addition, during the Track Record Period, we benefited from a series of preferential tax treatments, which contributed to our results of operations. For details, please refer to the section headed "Financial Information — Significant Factors Affecting Our Results of Operations — Preferential Tax Treatment and Government Subsidy" in this prospectus. However, as certain of our preferential tax treatments are non-recurring in nature, we cannot assure you that we will continue to receive similar preferential tax treatments in the future, in particular that the relevant government policies may change over time. Any loss or reduction in preferential tax treatments could have an adverse effect on our business, financial conditions and operating results.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial conditions in the future.

As at 31 December 2019, 2020 and 2021, our deferred income tax assets amounted to approximately RMB63.0 million, RMB86.9 million and RMB135.7 million, respectively. For details of the movements of our deferred income tax assets during the Track Record Period, please refer to "Appendix I — Accountant's Report — II Notes to the Financial Information — 16. Deferred Income Tax Assets" in this prospectus. Deferred tax assets are recognised where (i) it is probable that future taxable profit will be available; and (ii) the deductible temporary differences can be utilised. This requires significant judgements on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be received. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial conditions in the future.

We might be exposed to fair value changes for financial assets at fair value through other comprehensive income, in particular arising from the use of unobservable inputs, which can impact our business, financial conditions and operating results.

As at 31 December 2019, 2020 and 2021, our financial assets at fair value through other comprehensive income amounted to approximately RMB274.3 million, RMB520.3 million and RMB367.0 million, respectively, which mainly included notes receivables. For further details of our financial assets at fair value through other comprehensive income, please refer to "Appendix I — Accountant's Report — II Notes to the Financial Information — 22. Financial Assets at Fair Value through Other Comprehensive Income" in this prospectus. As at 31 December 2019 and 2020 and 2021, the impact of expected loss of fair value through other comprehensive income was assessed to be insignificant. However, we cannot assure you that we will not incur any substantive fair value losses in the future. In particular, we may face the valuation uncertainty of financial assets at fair value through other comprehensive income arising from the use of unobservable inputs. If we encounter such valuation uncertainty and/or incur such substantive fair value losses, our business, financial conditions and operating results could be adversely affected.

There is no guarantee that our asset-backed notes/securities will not experience significant changes.

The amount of our asset-backed notes/securities changed during the Track Record Period. For further details, please refer to the section headed "Financial Information — Indebtedness — Borrowings, Asset-Backed Notes/Securities and Notes Payable" in this prospectus. There is no assurance that our asset-backed notes/securities will not experience further significant changes or fluctuations which might cause net current liabilities or net liabilities in the future. If so, we may not have sufficient working capital to meet our current liabilities or expand our business operations as anticipated. In such circumstances, our liquidity, business, financial conditions and operating results may be materially and adversely affected.

If we are unable to effectively mitigate the credit risks and maintain our asset quality, our business, financial conditions and operating results may be materially and adversely affected.

The sustainability of our business development depends largely on our ability to effectively manage our credit risk and maintain the quality of our portfolio of trade receivables and loan receivables. As at 31 December 2019, 2020 and 2021, our trade receivables were RMB476.5 million, RMB494.2 million and RMB467.5 million, respectively, and our loan receivables were RMB6,573.3 million, RMB9,229.3 million and RMB8,184.8 million, respectively. Any deterioration in our asset quality could have a material adverse effect on our business, financial conditions and operating results. The quality of our accounts receivable portfolio may deteriorate for a variety of reasons, including factors beyond our control, such as a slowdown of PRC or global economy, a recurrence of a global financial crisis or other adverse macroeconomic trends that may cause operational, financial and liquidity difficulties for our customers. If the level of our impaired accounts receivables increases in the future, our business growth prospects may be materially and adversely affected.

No assurances can be given that we will be able to maintain the maturity profile of our financial assets and liabilities when the size and scope of such assets and liabilities continue to increase.

As a general practice, we aim to structure our financial assets and financial liabilities so that their maturity profiles correspond and match up with one another in the long run. As at 31 December 2019, 2020 and 2021, our loan receivables were RMB6,573.3 million, RMB9,229.3 million and RMB8,184.8 million, respectively, and our trade receivables were RMB476.5 million, RMB494.2 million and RMB467.5 million, respectively. As at 31 December 2019, 2020 and 2021, our total financial indebtedness, mainly including (i) bank borrowings, (ii) loans from related parties, (iii) asset-backed notes/securities, (iv) other borrowings obtained from other financing institutions, and (v) notes payable, was RMB5,724.4 million, RMB7,338.5 million and RMB6,132.4 million, respectively.

Even if we have no net liquidity shortfall during the Track Record Period, no assurances can be given that there will not be any net liquidity shortfall in the future or that our creditor banks will not accelerate our indebtedness owed to them and require instantaneous payment of the outstanding amounts. In particular, we cannot assure you that the Company will continue to secure loans from related parties at the interest rate lower than the market average. If that is the case, our capability to pay our liabilities and borrowings as and when they fall due will be affected, so will the likelihood of securing extra financing. As a result, our business, financial conditions and operating results may be materially and negatively affected.

We may need to secure additional loans from our related parties at lower interest rate to fund our business operations, and if we are unable to obtain such financing, our business, financial conditions and operating results may be materially and negatively affected.

During the Track Record Period, we funded our business operations partly using loans from our related parties. In particular, the operation of our supply chain finance sector is capital intensive and we depend heavily on external financing, including loans from our related parties, for a significant portion of our capital needs. As at 31 December 2019, 2020 and 2021, our loans from related parties were approximately RMB1,130.0 million, RMB3,925.0 million and RMB854.0 million, respectively. In addition, the loan from related parties was provided under the "unified borrowing and repaying" model where the interest rate of our loan from related parties was the same as that of the loan the related parties obtained from external financing parties. As at 31 December 2019, 2020 and 2021, the weighted average effective interest rate of our loan from related parties were 4.78%, 3.78% and 3.40%, respectively, which was generally lower than those for the bank borrowings as at the same time. For further details, please refer to the section headed "Financial Information — Indebtedness" in this prospectus.

We cannot assure you that we can continue to secure loans from our related parties, and there is no assurance that the interest rates for such loans will be lower than those of the bank borrowings at the same time. Adequate additional financing may not be available to us on acceptable terms and our inability to obtain such financing could seriously harm our business operations. If we are unable to raise capital or on attractive terms to us, or at interest rate acceptable, or at all, our business, financial conditions and operating results may be materially and negatively affected.

We may not be able to obtain adequate financing on acceptable terms.

Our liquidity depends on many factors, including the sufficiency of our working capital, our results of operations and our ability to raise capital cost-efficiently. During the Track Record Period, we relied on registered capital injected by our shareholders, borrowings from banks and other financial institutions and cash generated from our business operations for our capital requirements. In addition, we incur significant capital expenditures to operate our business. Our capital expenditures, mainly including (i) property, plant and equipment, (ii) intangible assets, and (iii) right-of-use assets, were approximately RMB37.5 million, RMB44.0 million and RMB82.4 million for the years ended on 31 December 2019, 2020 and 2021, respectively. We expect our demand for financing to increase due to the continuing expansion of our businesses.

There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. In addition, our ability to obtain adequate external financing will depend on a number of factors, such as our financial performance and our operating results, as well as other factors beyond our control, such as the global and PRC economic conditions, the prevailing interest rates, the applicable PRC laws and regulations, the adoption of tighter monetary and credit policies by government entities. As a result, we cannot assure you that we will be able to support our business expansion by maintaining adequate credit facilities at commercially reasonable rates or at all, or to successfully raise capital from alternative sources. Moreover, any increase in the costs and interests will drive up our financial costs and reduce our interest spread. If we are unable to obtain financing when required, at a reasonable cost or on reasonable terms, or at all, our business, financial conditions and operating results may be adversely affected.

In addition, we may issue additional equity or debt securities in the future to meet our capital requirements. Any sale of additional equity securities or securities convertible into our equity securities will dilute our Shareholders' interests. Any additional debt will also result in increased debt servicing obligations and may also result in covenants limiting our shareholding structure, business or operations. If we are unable to access such alternative funding resources in a timely manner for any reasons, we may not be able to maintain a sufficient working capital and liquidity level.

Restrictions imposed by the terms of our financing covenants may adversely affect our financial conditions and there is no assurance that we can fulfil our obligations incurred under our financing arrangements.

We have various financing agreements with banks, financial institutions or other lenders which impose certain restrictive conditions on us, including both operational and financial covenants. Such covenants primarily include, among others, requirements for us to provide the lending institutions with prior written notice for certain transactions such as merger and acquisition and demerger, inform them upon the occurrence of certain issues such as liquidation and winding up. Breach of any of such covenants may result in an event of default and trigger the financing party's exercise of their rights on an accelerated basis, or could result in cross-defaults on the terms of our other existing and outstanding indebtedness, which could increase our financing costs and affect our ability to refinance our indebtedness.

Default has not been claimed by any of our banks, financial institutions or other lenders pursuant to any of the clauses in any of the financing agreements that we have entered into during the Track Record Period and up to the Latest Practicable Date. However, such banks, financial institutions or other lenders may claim default against us if we (i) cannot fulfil our obligations incurred under such agreements, (ii) repay the outstanding amounts as and when they fall due by obtaining sufficient cash flow from our business operations or by disposing our assets, or (iii) manage to secure further financing or financing on better terms from third parties, such banks, financial institutions or other lenders may have the right to accelerate the maturity of the financings or enforce the securities or collateral of such financings. If acceleration or enforcement takes place, our liquidity, chances of securing financing in the future, financial conditions, operating results and our business as a whole will be impacted in a materially adverse manner. We cannot assure you that we will be able to continue to fully comply with the relevant restrictive conditions, or refinance any of our indebtedness on commercially acceptable terms or at all. The occurrence of any of the foregoing may materially and adversely affect our business, financial conditions and operating results.

We may not be able to adapt our business offerings to respond to changing consumer preferences and market demands, which could have a material adverse effect on our business, financial conditions and operating results.

Our business prospects and continuing revenue growth depend largely on our ability to retain and expand our customer base. We offer services and products meeting our customers' needs. However, these business offerings that we introduce may not be sufficiently attractive to certain customers. In addition, market practice may shift and drive consumer demands for products that are different from what we are able to offer. Our ability to deliver satisfactory customer experience is subject to a number of factors, including our ability to provide efficient business offerings and our ability to continue to improve our business offerings to meet changing customer needs. We cannot assure you that our new business offerings will be well-received. If not, we may incur financial losses and reputational damage and our operating results could be materially and adversely affected. If we are unable to continue to introduce new services and products, improve our existing business offerings, or adjust our business offerings to satisfy the change in consumer preferences and market demands, we may not be able to continue to attract new customers or maintain our current customer base, and our business, financial conditions and operating results may be materially and adversely affected.

Our risk management systems may not effectively protect us against or reduce our exposure to various risks inherent in our business.

We have established risk management systems with various policies and procedures in place to manage our risk exposures with respect to financial and corporate governance. In addition, we have set up risk management systems for provision of our financial leasing business and factoring business. For details please refer to the sections headed "Business – Risk Management" and "Business — Supply Chain Financial Service Sector – Risk Management for Financial Leasing and Factoring Businesses" in this prospectus.

Our risk management policies and procedures are based upon regulations and policies of various government authorities, industry practice, our financial conditions and our operational experience. However, our policies may not be adequate or effective in managing all future risk exposures or protecting us against unidentified or unanticipated risks, which could be significantly greater than those indicated by our internal assessments and operational experience. Although we are continuously monitoring and reviewing the operation and performance of our risk management systems as well as improving the systems from time to time to adapt to changes in market conditions and regulatory environment, it may fail to predict future risks due to rapid changes in the market and regulatory conditions.

Moreover, the risk management systems as well as our protocols in relation to our internal approval, checks, authorisation and controls employed by us may not be sufficient and effective to reduce our exposure to the wide variety of inherent risks that we are exposed to in our business, such as those that are unforeseeable and unknown. We base our design of the risk management systems as well as our protocols on the characteristics and stages of our business operations, the previous trends and records of the behaviour of the market and situations that happened in the past. Therefore, there is no assurance that we can properly pinpoint, single out or predict the kinds of risk we may be exposed to in the future and the magnitude of such risk exposure, which can differ greatly from the type and magnitude of risks we were exposed to as evidenced by the historical figures and records. Besides, there is no guarantee that the abovementioned risk management systems will be able to detect and prevent fraud, non-compliance, suspicious transactions or other misconduct by employees, customers, commercial automobile sales dealers we work with and other third parties or business partners effectively or at all. If our risk management systems as well as our protocols in relation to our internal approval, checks, authorisation and controls fail to recognise and identify the relevant risks, our business, financial conditions and operating results may experience materially adverse effects.

Our business is dependent on the proper functioning and improvement of our information technology systems. Any significant disruption in our information technology systems may materially and adversely affect our business and results of operations.

Our business is highly dependent on the ability of our information technology systems to process a large number of transactions across different sectors securely and in a timely manner. In particular, our IoV and data service is heavily dependent on our information technology systems. In addition, our logistics and supply chain services and the timely delivery of the goods we are transporting are highly dependent on our ability to communicate and manage information on various aspects of the logistics processes and the supply chains effectively. Any failure in our information technology systems due to faulty interaction with systems of other logistics and supply chain service industry players, viruses, unauthorised access, wear and tear, failures on the part of internet service providers or other factors could have a material adverse impact on our results of operations.

The proper functioning of our standardised accounting system, office automation system and other data processing systems are important to our business, financial conditions and operating results. Our ability to operate and remain competitive depends largely on our ability to maintain the stability of our information technology systems and to continue upgrading such systems. However, our series of data processing systems may fail to operate adequately and may become disabled as a result of events that are beyond our control. Such systems, including software licensed from suppliers, may be vulnerable to unauthorised access, computer viruses, other malicious code or hacker attacks, which may result in significant business delays or interruptions, compromise our data integrity and result in identity theft, for which we could potentially be liable.

In addition, although we upgrade our information technology systems from time to time to meet the changing requirements of our business, there can be no assurance that any upgrades or adaptations can be implemented without disruption to our business, or that our information technology systems will continue to meet the changing requirements of our business. As such, our current information technology systems may not be able to continue to satisfy our management's needs and respond to changes in the market efficiently and in a timely manner. Moreover, while we have established backup systems and procedures and have not experienced any failure that has materially affected our business, any failure of the hardware or software that supports our information technology systems may materially disrupt our business or adversely damage our reputation. We may also experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base and business offerings.

We may be subject to complex and evolving laws and regulations regarding confidentiality, privacy and data protection. Actual or alleged failure to ensure and protect the confidentiality of the data and information of our customers and to comply with privacy and data protection laws and regulations could subject us to penalties, negatively impact our reputation and deter customers from engaging us, and hence significant legal, financial and operational consequences.

During the normal course of our business, we may regularly collect, store, process, and transfer data and information of our customers which enables us to provide the business offerings that we are obliged by contract to provide. In particular, the success of our IoV and data service business hinges on our technology of collecting, storing, processing and transferring data recorded by the commercial automobiles that use our products and services. In providing our business offerings, a challenge we face is the secured collection, storage, processing and transmission of confidential data and information. We hold certain confidential data and information about customers, such as their names, addresses and contact information as well as financial information. We also need to collect confidential data and information from our business partners, third party suppliers and other parties. We are required to collect and use the confidential data and information in accordance with PRC laws and not to disclose or use such data and information without the consent from our customers. For details of the relevant PRC Laws, please refer to the section headed "Regulatory Overview — Regulations regarding Information Security and Personal Information Protection" in this prospectus.

We rely on numerous measures to protect the confidentiality of data and information provided to us or stored on our systems. All the data and information we collected is stored internally and protected from unauthorised intrusion. Only authorised employees may access the data and information and such authorisation is granted based on the employees' work requirements. We also monitor the log-in activities of our employees and alert relevant departments to any abnormal situation. We also rely on contracts with our business partners and third party suppliers to ensure that they would duly protect the confidentiality of the data and information we provide to them and that they have obtained the consent from their customers over the confidential data and information they provide to us. However, confidential data and information in our systems may be compromised as a result of intentional or unintentional security breach or inadvertent errors. While we strive to protect the confidentiality of the data and information, if we, our business partners or third party suppliers inappropriately disclose any data or information, we could be subject to claims by our customers, government entities or other third parties for identity theft, similar fraud claims or claims for other misuses of data and information. Such events could subject us to fines and damages, damage our reputation and cause customers to lose their trust and confidence in us, thereby materially and adversely affect our business, financial conditions and operating results.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Particularly in China, where we operate our businesses, the PRC government has enacted a series of laws and regulations on the protection of personal data in the past few years. When conducting our business, we may have access to certain data of our customers and therefore are subject to the privacy and data protection laws and regulations.

On 28 December 2021, the CAC published the Measures for Cybersecurity Review, which further restates and expands the applicable scope of the cybersecurity review. Pursuant to the Measures for Cybersecurity Review, if an Internet platform operator possesses personal information of over one million users and intends for going public abroad (國外上市), it must be subject to the cybersecurity review. On 14 November 2021, the CAC published the Draft Regulation, which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for going public abroad (國外上市); and (ii) the data processors' listing in Hong Kong will or may impact national security.

We have adopted various measures to ensure legal compliance. Please refer to the section headed "Business — Information Technology — Data Privacy and Protection" in this prospectus for details of our measures to ensure data privacy and protection. As confirmed by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we are in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects, and the existing laws and regulations in cybersecurity, data security and personal data protection will not have a material adverse impact on our business operations and the Listing on the Stock Exchange. However, the laws and regulations regarding privacy and data protection in China, as well as other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

Our goodwill and reputation among our customers are important to the success of our business. Any adverse impact to our brand or any inability to protect our reputation may cause material adverse effects on our business, financial conditions and operating results outcome and result and business in general.

Our goodwill and reputation and our customer's awareness of our brand are one of the reasons of our success in the market. Protecting and building up such goodwill, reputation and awareness as well as our brand recognition requires us to maintain our high calibre of business offerings and continuously put in effort to market, promote and campaign. Our brand is our identity and we are of the belief that maintaining and improving our brand image is conducive to growing our base of customers and furthering our business scope. There is no guarantee that our efforts in marketing our brand and enhancing our goodwill and reputation will be productive or yield favourable results. Also, our brand, goodwill and reputation may be affected by negative publicity or unwanted public and media attention, regardless of the veracity of such publicity or attention. They may appear in the form of comments on internet postings and other media sources, and we cannot assure you that other types of negative publicity will not arise in the future. For example, in the event that we fail to meet our customers' expectations as to the quality of our business offerings, our customers may disseminate negative comments on social media platforms such as WeChat and Weibo. In addition, if our business offerings are no longer seen to command a premium over the offerings of our competitors, the market perception and customer acceptance of our brand may erode. As a result, our business potential and prospects may be negatively influenced if we cannot further our goodwill and reputation and promote our brand for expansion of our customer base.

In addition, any unauthorised use of our brand, trademarks and other related intellectual property rights by third parties in their corporate names or product brands could harm our brand image as well as competitive advantages and businesses. The measures we take to identify potential infringement of our intellectual property rights and to protect our brand and trademarks may not be adequate. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may have a material adverse effect on our business, financial conditions and operating results.

We may not be able to use certain properties leased by us because of defects affecting our leasehold interests.

We operate our businesses on properties that we lease from third parties and there are defects with certain portions of these properties. For details of the title defects of such properties, please refer to the section headed "Business — Properties" in this prospectus.

Any dispute or claim in relation to the properties that we occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation might disrupt our operations and cause certain adverse effects on our business, financial conditions and operating results. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licences or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, we are subject to a number of statutory and regulatory requirements in order to validly continue and maintain our daily operations. For example, employers in the PRC are required to make social insurance fund contributions and housing provident fund contributions for their employees, and entities failing to do so may be ordered to correct the non-compliance incidents within a prescribed time limit and subject to penalties or fines. During the Track Record period, we were not in strict compliance with the requisite contribution requirements in relation to some of our PRC employees. For details of the non-compliance incidents and the remedial measures taken, please refer to the section headed "Business — Regulatory Compliance" in this prospectus.

There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC government authorities as a result of such non-compliance incidents or be ordered to rectify such non-compliance incidents. In particular, there is also no assurance that there will not be any employee complaint against us regarding our non-compliance in relation to social insurance fund contributions and housing provident fund contributions. Any such penalties, orders or complaints may harm our corporate image and may have an adverse effect on our business, financial conditions and operating results.

Even though we have taken out insurance policy, our insurance coverage may be inadequate to protect us from all potential losses.

We carry insurance covering loss and damage to our properties, including our fixed assets and inventories at our warehouses and sales halls. We also carry insurance for (i) our transportation fleet and the goods we deliver during the provision of logistics and supply chain services, and (ii) commercial automobiles under our supply chain financial services. For details of the insurance policy that we have taken out, please refer to the section headed "Business — Insurance" in this prospectus. However, significant uninsured damage to any of our properties, inventories, goods we deliver, commercial automobiles or other assets, or occurrence of liabilities claims against us, could materially and adversely affect our business, financial conditions and operating results.

In addition, we are also subject to potential product liability and service liability claims if any party incurs damages and/or suffers from personal injuries caused by its usage of our services and/or products. Because of the inherent nature of our services and products, we have been experiencing difficulty in locating a suitable insurance policy or an insurer that is willing to provide adequate coverage for our services and products. If the damages incurred and/or personal injuries suffered by the third parties are caused by the substandard or defective service or product provided by our suppliers or manufacturers as third parties, we will concurrently initiate claims against those parties to recover damages that the end-user is claiming from us. Therefore, liability can, in effect, be assumed by the party ultimately responsible for the damages and/or personal injuries. However, the deemed transferral of liability may not be able to take place effectively in every instance. If we cannot do so, our business, financial conditions and operating results will experience materially adverse effects. If the blame of the damages and/or personal injuries falls on us, we will be liable for service liability and product liability claims initiated by end-users, leading to unfavourable press coverage and other claims for indemnity or compensation. If a claim of service liability and/or product liability against us is successful, we may have to terminate our service and/or recall our products to rectify the issues that caused the damages and/or personal injuries. In that case, we will incur legal and other operational costs to deal with the claim and other unfavourable allegations as well as to rectify the underlying problematic issues. In that case, our brand image and reputation will be damaged and our business, financial conditions and operating results will experience materially adverse effects.

If we are unable to realise our future business plans, our business potential and prospects will be limited.

The prevalent circumstances in the market and our business in general, the presumption that certain future circumstances will or will not take place and the intrinsic risk exposure and unpredictability of the different phases of our business development form the basis of the way we formulate our future business plans. For details of our business plans, please refer to the section headed "Business — Business Strategies" in this prospectus. We devise our business plans and predict our future growth by making the following categories of assumptions: (i) our capability to obtain extra capital and sources of financing and our ability to do so while reducing the costs to obtain such capital, (ii) the efficacy of our sales, publicity and marketing plans in the ever-evolving market, and (iii) the increase in the demand for all of the different sectors of our business in the future. Our business potential and prospects have to be assessed against the background of all the uncertainties, risk exposure and hurdles that we may face in the phases of execution of our business plans. In the situation that any of the assumptions we base our formulation of our business plans in the future on are imprecise or wrong, such plans will not have the same degree of effectiveness in promoting and stimulating our business development. Consequently, our business, financial conditions and operating results will be affected in a materially adverse manner.

There is no assurance that we can retain the key members of our management team and other key personnel and that we can engage and retain talents and professionals as needed.

Our management team and other key personnel contribute significantly to our success. For more details of our management team and other key personnel, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. However, there is no assurance that the members of our management team and other key personnel who are pivotal to our success will choose to continue their career with us or stay in the same position as there may be situations outside of our control. The termination of employment may affect our operations and our capability to carry out our business plans to further our development. We may not be able to find viable replacements with comparable experience and of similar calibre in a reasonably practicable period, thus causing delays and disruptions to our daily operations.

In addition, we attribute our commercial success to our ability to engage and retain talented individuals and professionals to join our competent and experienced team, which is responsible for managing and overseeing the daily operations and developing upcoming business plans. Such individuals and professionals are also targeted by other businesses in the market and there is no assurance that we can be successful in recruiting those with the required experience and expertise and securing their services. We may have to provide them with incentives such as more competitive remuneration and benefits to engage and retain them. Therefore, there is no assurance that our expenses on employees' remuneration package will not be subject to unforeseeable growth. Our competitiveness in the market and the development of our business may suffer if we cannot recruit and retain such individuals and professionals and if the expenses on employees' remuneration package increases exponentially. As such, our business, financial conditions and operating results may experience material adverse effects.

We may not be successful in identifying or acquiring suitable acquisition targets or integrating newly acquired businesses into our business.

We intend to expand our operations and markets through both organic growth and strategic acquisitions. We compete with other enterprises, some of which may have greater financial and other resources, and we may not be able to compete successfully with such enterprises in acquiring suitable targets. If we do not succeed in identifying and acquiring suitable acquisition targets, our business, financial conditions and operating results may be materially and adversely affected.

Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses and difficulties in retaining the key employees of the acquired businesses. Any delays or difficulties encountered in connection with the integration of management or operations could result in the diversion of management's attention from existing operations and the delay or deferral of important strategic decisions by our management, negatively affecting our business, financial conditions and operating results. In addition, we cannot assure you that we will realise any of the anticipated benefits from our strategic acquisitions.

RISKS RELATING TO OUR INDUSTRY

The major focus of our businesses is on the commercial automobile-related industry. Our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC.

Our business sectors place significant emphasis on the commercial automobile-related industry, including our logistics and supply chain service sector, our supply chain financial service sector and our IoV and data service sector.

As at the Latest Practicable Date, we generated almost all of our revenue from our business sectors, the subject matter of which is related to the commercial automobile and its relevant industry. If there is a reduction in the general usage of commercial automobiles in the PRC due to any decrease in demand in commercial automobile, any alteration of the governmental policies in the PRC in relation to the usage of commercial automobiles, any decrease in popularity in using commercial automobiles, any recession of the economy in the PRC or any downturn of the downstream industries, our business, financial conditions and operating results will be affected in a materially adverse manner. For example, the revenue generated from our logistics and supply chain service sector decreased for the year ended 31 December 2021 compared with the year ended 31 December 2020 primarily due to the gradual decline in the market demand for heavy duty commercial automobiles in 2021 after experiencing high growth in the prior year as a result of the phase out of China III vehicles, the phased implementation of the China VI vehicle emission standards, and the construction of new infrastructure. In addition, the expected high sales of our increased inventory of commercial automobiles adopting China's Phase 5 Emission Standards in 2021 did not materialise because of a broad range of factors, including the increasing prices of oil and natural gas and decline in the market demand for heavy duty commercial automobiles, which cannot be controlled by us. Please also refer to the sections headed "Financial Information — Liquidity and Capital Resources — Net Current Assets" and "Financial Information — Liquidity and Capital Resources — Inventories" in this prospectus for further details. There is no guarantee that such decline in market demand will not continue in the future.

Changes in industry standards imposed by the PRC government could restrict the supply of and reduce the demand for commercial automobiles in China, which in return would impact the market for other commercial automobile-related services and products.

Changes in industry standards, in particular emission standards and regulations related to fuel prices, would impact the market for commercial automobile-related services and products. For instance, if the PRC Government implements and enforces strict fuel economy and emission standards for commercial automobiles sold in the PRC, manufacturing and distribution costs may be raised, which may lead to higher suggested prices of commercial automobiles and a decrease in customer demand for commercial automobiles. Another example is that the PRC Government currently subsidises the retail price of petrol and diesel and may adjust the domestic fuel price as a result of, among other factors, changes in global crude oil prices and a desire to limit traffic and pollution problems. Fluctuations in fuel prices have led to changes in the level of fuel demand in China. Disparities in the cost and availability of fuel among different regions in China have made fuel cost in China increasingly less predictable. If the demand for fuel increases in China, fuel shortage or price increases may occur. Customers may choose to use more fuel-efficient commercial automobiles.

There can be no assurance that the PRC Government will not introduce or promulgate more stringent industry standards to enhance environmental protection and implement stricter fuel economy and emission standards, or impose additional restrictions. Any such measures may cause our various business sectors to decline and adversely affect our business, financial conditions and operating results.

We operate in regulated industries, and any failure by us to comply with applicable laws and regulations, or obtain or maintain necessary approvals, licences and permits in a timely manner may adversely affect our business.

We operate in regulated industries and we are required to comply with the applicable laws, rules and regulations governing the business services which we operate in. At the same time, we are also required to maintain various licences, permits and approvals for our operations, including without limitation to road transport licence for our logistics and supply chain service sector and value-added telecommunications business licence for our IoV and data service sector. For details, please refer to the section headed "Business — Licences, Permits and Approvals" in this prospectus. Any failure to comply with any applicable laws, rules or regulations, and/or obtain or renew our licences, permits and approvals could disrupt our operations and any fines or other penalties imposed by the PRC Government could materially and adversely affect our business, financial conditions and operating results.

Our business, financial conditions and operating results may be affected by the unpredictable changes in the legal and regulatory framework in a materially adverse manner.

The PRC legal and regulatory framework is subject to the changes initiated by the PRC Government from time to time. Our business activities may come under the supervision, discretion and jurisdiction of a number of authorities in relation to the construction, explanation, application, execution, enforcement, implementation and administration of a number of rules, orders, guidelines, directives, administrative decisions, regulations, laws and any other normative documents. In particular, our financial leasing business and factory business are subject to the rules, regulations at laws that are specific to such businesses in the PRC. If any such rules, regulations at laws are altered, changed, amended or if more stringent rules, regulations and laws are enacted, we may not be able to respond to and adapt to such changes in a timely manner. In addition, we may be subject to penalties, fines, sanctions, restrictions and other punitive actions such as the suspension and revocation of our business licence and other permits and approvals to operate if we fail to comply with any of the above legal or regulatory requirements. If the validity of our business activities and transactions during the Track Record Period is disputed by any of our customers and/or debtors, or if changes to the legal and regulatory framework, for example more stringent rules and regulations that we are subject to are promulgated and effectuated, we may have to put in place certain adjustments to our business operations to ensure compliance. As a result, our business, financial conditions and operating results will experience materially adverse effects.

The business environment in which we carry out our business activities is becoming increasingly competitive.

The business environment in which we carry out our various business activities is becoming increasingly competitive. We cannot assure that our competitive edge over other market players can be maintained or that our business plans, strategies and potential can be realised and implemented fully and completely. Due to the wide variety of sectors in our business, we face competition from a broad spectrum of market players, for example logistics and supply chain service providers, sales outlets, commercial banks, financial institutions and information technology solution providers. The keen competition from those market players may lead to changes in the industries that we conduct our business in, including pressure to provide the same level of service at a lower price, growth of our competitors through merger and acquisitions, innovative and novel business offerings being marketed and provided, and increasingly aggressive marketing and publicity strategies. Consequently, our business, financial conditions and operating results may experience a materially adverse impact.

Our existing and potential competitors may have a wider variety and more available financial, technological, staff and marketing resources at their disposal so that they can develop their businesses and further their business and profit-making goals more successfully. Therefore, they can provide new business offerings more frequently and be more responsive and proactive to the trends and changes in the market and customer demands, which will increase their ability to attract new customers and strengthen their existing customer ties. As such, we will be at a disadvantage and our business, financial conditions and operating results will be materially adverse impacted.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC economic, political and social conditions and government policies could have a material adverse effect on our business, financial conditions and operating results operations and prospects.

We conduct substantially all our businesses and operations in the PRC, and all of our major assets are located in the PRC. Accordingly, our business, financial conditions and operating results are subject to economic, political and social conditions in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including without limitation to, economic structure, level of governmental involvement, level of economic development, growth rate, foreign exchange controls and allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy was similar to those of developed countries. Although the PRC economy has transferred from a planned economy into a more market-oriented economy, the PRC Government continues to exercise control over economic growth through imposing governmental regulations and industry policies. Furthermore, despite the implementation of such reforms, changes in the PRC's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries could have an adverse effect on our business, financial conditions or operating results.

The PRC Government has the power to implement macroeconomic measures affecting the PRC economy and has continuously exerted control over the growth and development of the PRC economy by the allocation of resources, the control of foreign currency exchange and payment in foreign currency, the introduction of monetary policies and the provision of favourable treatments to certain industries and entities, example of which includes decreasing the statutory deposit reserve ratio of the PBOC and reducing the benchmark interest rates. Various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be as effective as expected in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measure reduces the disposable income of the overall population, such measures may have a material adverse effect on our business, financial conditions and operating results.

Additionally, a number of economic policies and market-oriented reforms adopted by the PRC Government are novel and unconventional, which may be improved or adjusted in the future. Such improvement or adjustment may not be in line with our business interest and may have a negative impact on our business development and operation. Those economic policies and other policies adopted by the PRC Government may lead to a general reduction of economic activity and business transaction in the PRC, causing a negative impact on our business, financial conditions and operating results.

Though the PRC has been one of the world's fastest growing economies as measured by GDP growth in recent years, the PRC may not be able to sustain historical growth rates. Moreover, there are a number of factors that may affect the prospects of the PRC economy, including (i) the uneven economic growth across different regions in the PRC and across different industries or business sectors in the PRC, (ii) general adverse economic environment such as the tension and threat of trade war between the PRC and the United States, (iii) the volatility of the PRC capital market, (iv) the availability and cost of credit and financing, and (v) other liquidity, inflation, geopolitical and unemployment issues. We may no longer be able to solicit customers, maintain the same level of costs of interest or have access to the same degree of availability to credit and financing if the macroeconomy of the PRC suffers from a decreased growth rate. An economic slowdown in the PRC could substantially and adversely affect the commercial automobile market in the PRC, which in turn could affect our business, financial conditions and operating results.

There is a risk that a global economic downturn could adversely affect the PRC economy and our business, financial conditions and operating results.

Substantially all of our revenue during the Track Record Period was derived from our operations in the PRC. In turn, any significant economic downturn in the PRC could have a material adverse effect on us. The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit and continuing concerns among investors regarding the sovereign debt of various countries have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible global recession. These events may lead to a slowdown in the PRC economy which may adversely affect demand for our business offerings and could result in:

- difficulty in accurately forecasting the demand for our business offerings;
- increased price competition for provision of business offerings similar to ours;
- a significant reduction in consumer demand for our business offerings, which would reduce our revenues and profit margins;
- risk of excess and obsolete inventories;
- insolvency or credit difficulties of our customers, which could limit their ability to pay for our business offerings; and
- insolvency or credit difficulties of our business partners, which could disrupt the supply of goods or increase our inventory costs.

Uncertainties with respect to the PRC legal system could materially and adversely affect us. Holders of H Shares may not be able to enforce their rights successfully as Shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

We are established under the laws of the PRC. Substantially all our business is conducted in China and is governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has promulgated laws, rules and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws, rules and regulations may not be definitive. As a result, the legal protections available to you under the PRC legal system, including those in relation to the resolution of disputes arising from the Company's Articles of Association and the transfer of the Company's Shares, may be limited.

Our Articles of Association set out provisions in relation settlement of disputes. For details, please refer to the section headed "Appendix V – Summary of the Articles of Association" in this prospectus". Normally, a claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with their respective applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Award between the Mainland and the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), awards that are made by the PRC arbitral authorities under the Arbitration Law of the PRC* (《中華人民共和國仲裁法》) (Zhu Xi Ling No. 76) can be recognised and enforced by the Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final and conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong (《香港仲裁條例》) may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favour of holders of H Shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H Shares of their rights under the articles of association of any PRC issuer or the PRC Company Law. In addition, the PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority Shareholders may not have the same protections afforded to them by companies incorporated under the laws of certain jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgements against us or the Directors, Supervisors or senior management residing in the PRC.

We are established under the laws of the PRC and our assets are located in the PRC. In addition, substantially all of our Directors, Supervisors and senior management reside within the PRC, and substantially all of the assets of our Directors, Supervisors and senior management may be located within the PRC. As a result, service of legal process outside the PRC upon most of our Directors, Supervisors and senior management may not be able to be effected. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in the PRC. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, a judgement rendered by a Hong Kong court in the PRC may not be able to be enforced if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement shall supersede the 2006 Arrangement after it comes into effect and is aimed to bring a higher degree of certainty and clarity on the reciprocal recognition and enforcement of judgements in a wider range of civil and commercial matters by the courts of Hong Kong and the PRC. Parties concerned will be able to apply to the High Court of Hong Kong or the relevant court in the PRC to request recognition and enforcement of legally effective civil and commercial judgements under the 2019 Arrangement if the parties have not entered into a choice of court agreement before the commencement date of the 2019 Arrangement. The 2006 Arrangement will continue to apply to choice of court agreements in writing that are entered into by the parties before the commencement date of the 2019 Arrangement. However, even though the 2019 Arrangement has been entered into, the date on which it will come into effect shall be announced after (i) the completion of relevant procedures in Hong Kong since the 2019 Arrangement will be implemented by local legislation in Hong Kong, and (ii) the promulgation of judicial interpretations by the Supreme People's Court of the PRC. As such, the exact commencement date of the 2019 Arrangement as well as the application, outcome and effectiveness of an application under the 2019 Arrangement for the recognition and enforcement of judgements still remain uncertain.

In addition, we will be subject to the regulations under the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange. The holders of H Shares will not be able to act in violations of the Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. However, the Listing Rules and the Takeovers Code do not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Foreign individual holders of our H Shares will be subject to PRC taxation, such as the dividend paid by us and the profits gained by selling our H Shares.

Under current PRC tax laws, regulations, rules and statutory documents, non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("**non-PRC resident individual holders**") are subject to PRC individual income tax on the profits gained by selling our H Shares and dividends received from us. Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the SAT on 28 June 2011, the tax rate applicable to dividends received by non-PRC resident individual holders of H Shares of non-foreign invested enterprise issuers incorporated in the PRC is 5.0% to 20.0% (typically 10.0%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Dividend income of individual shareholders who are residents of countries that have not entered into taxation treaties with the PRC is generally subject to income tax at the rate of 20.0%. If we pay a dividend, we will be required to withhold tax at the applicable rate (which can be higher than 10.0% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the Company). In addition, according to the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) (Zhu Xi Ling No. 9) and the Regulation on Implementation of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》) (Guo Wu Yuan Ling No. 707), the income from the transfer of properties is subject to tax under to the Individual Income Tax Law of the PRC at a rate of 20.0%, unless such amount is specifically exempted by the finance authority of the State Council or reduced or waived by an applicable income tax treaty or arrangement. We are obligated to withhold the relevant amount and pay such applicable amount that forms the tax payable on the dividend payments on behalf of a non-resident individuals. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on 30 March 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As far as we understand, for profit gained from trading H shares in the exchange house set out in the Fourth Protocol of the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion* (《《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第四議定書》) signed on 1 April 2015 and effective on 29 December 2015, Hong Kong investors are not obligated to pay individual income tax in the PRC. Nevertheless, as at the Latest Practicable Date, we understand that there is no clarity as to the construction, interpretation and application of the relevant tax rules, regulations and laws in the PRC to the issue of whether profit gained from trading of H shares by non-resident individuals in other jurisdictions are subject to individual income tax in the PRC if that individual is not exempted by any tax treaty or arrangement. Based on our knowledge, as at the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (Zhu Xi Ling No. 23) and its implementation regulations, a non-PRC resident enterprise (i.e. it does not have an establishment in the PRC, or, if they do, their income is not effectively related to such establishments) is generally subject to enterprise income tax at a rate of 20.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions and exemptions under any special arrangement or applicable treaty between the

PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares of the Enterprises* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) promulgated by the SAT on 6 November 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. To the best of our knowledge, as at the Latest Practicable Date, we are not aware of any specific rules as to how tax are levied on profit gains realised by non-resident enterprises as H Share Holders through their dealing of H shares.

There is no absolute clarity as to the construction, interpretation and application of the PRC tax laws by the relevant PRC authorities. There is also no guarantee that the relevant PRC tax rules, regulations, laws and statutory documents will not be altered or changed in the future. If such alteration and change is unfavourable to your interests, your investment in our H Shares may be affected in a materially adverse manner.

Government control of currency conversion may materially and adversely affect the value of your investments. For example, the PRC rules, regulations and law on the conversion of currency and the rise and fall of the Renminbi exchange rate may affect our capability to pay dividends to H Shareholders in a materially adverse manner.

Our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not freely convertible into foreign currencies. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs and to fulfil our payment and cash flow obligations under various arrangements, contract and agreements, including cash payments on dividends declared on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies through current account transactions without prior approval from the SAFE by complying with specific procedural requirements.

According to the PRC's prevailing rules, regulations and laws on currency conversion and control, after the Global Offering is completed, we will be allowed to declare and pay dividend in a non-Renminbi currency if compliance of certain procedure is ensured without SAFE's prior approval. However, if the PRC Government is to impose restrictions on access to foreign currencies for current account transactions at its discretion or to control and restrict conversion to foreign currency or foreign exchange in relation to capital accounts account transactions in certain scenarios at its absolute and sole discretion from time to time in the future, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. Foreign exchange transactions under a capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or other capital activities. Furthermore, the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC government authorities to convert these net proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, financial conditions and operating results.

The value of Renminbi and other currencies rises and falls from time to time. Such fluctuation is affected by several factors such as alteration to the socio-political and economic conditions and monetary and fiscal policies in relation to foreign exchange of the PRC and other countries. The PRC Government may initiate reforms to the current foreign exchange and currency control legal and regulatory framework as the foreign exchange markets continue to develop and the Renminbi continues to be liberalised and internationalised. Due to the fact that all of our revenue is denominated in Renminbi and that the capital yielded in the Global Offering will be denominated in Hong Kong dollars, and fluctuation in the value of the Renminbi, the Hong Kong dollar and any other currencies may lead to the increase and decrease of value of our assets and capital yielded in the Global Offering and a positive or negative effect on the value of our H Shares and the dividend payable on our H Shares. Additionally, there is a limited set of measures and devices that we can employ to hedge, mitigate or manage our exposure to the risks in relation to foreign currency exchange at reasonable costs. There is no assurance that we can hedge, mitigate or manage our currency risks in relation to our assets denominated in any foreign currency. Moreover, under the prevailing law in the PRC, we are obligated to obtain SAFE approval before we can convert a substantial amount of foreign currency into Renminbi. Any and all of the above factors may affect our financial performance and operation results in a materially adverse manner.

Future fluctuations in the value of the Renminbi could have a material adverse effect on our business, financial conditions and operating results.

All of our revenue and expenses are denominated in Renminbi, a currency that is not freely convertible into other currencies. The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC Government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to US dollars was generally stable. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. In April 2012, the PBOC enlarged the floating band for the trading price of RMB against the US dollar on the inter-bank spot exchange market to 1.0% around the central parity rate. In March 2014, the PBOC further enlarged the floating band for the trading price of RMB against the US dollar on the inter-bank spot exchange market to 2.0% around the central parity rate. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against other currencies. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against other currencies.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against Hong Kong dollars or any other foreign currencies may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency-denominated revenue and assets.

Payment of dividends is subject to restrictions under PRC law.

Under the laws in the PRC, we may only pay dividends out of our distributable profits. Distributable profits refer to our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory reserves, discretionary reserves and general risk reserves that we are required to make according to relevant rules. As a result, we may not have any or sufficient distributable profits to enable us to make distributions to our Shareholders, even if our financial statements may indicate that we are profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

During Track Record Period, the differences mainly arise from the difference of accounting treatment on appropriation and utilisation of safety fund between PRC GAAP and IFRS which is insignificant, please refer to note 30 (c) to "Appendix I — Accountant's report" to this prospectus.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Sole Representative (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. If there is no active market for our H Shares after the Global Offering, the value, market price and liquidity of our H Shares will be affected in a materially adverse manner. Additionally, the initial Offer Price of the H Shares will be fixed by the Sole Representative (for itself and on behalf of the Underwriters) and us. Therefore, the initial Offer Price may not be indicative of the market price or value of our H Shares after the completion of the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- a number of research reports on us to be released by industry and security analysts and a potential reduction of rating of our H Shares by such analysts;
- changes in earnings estimates or recommendations by financial analysts;

- news regarding recruitment or departure of key personnel by us or our competitors;
- significant information on competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and trading volume fluctuations that might be unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Our Controlling Shareholders can exert significant influence on us and could cause us to act in a way that may not be in the best interests of our minority Shareholders.

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.96 per Share, being the mid-point of the indicative Offer Price range from HK$1.78 to HK$2.13 per Share), the Controlling Shareholders will in the aggregate beneficially own approximately 69.61% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. We cannot assure that the interests of our Controlling Shareholders may necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our Company, which could materially and adversely affect our business and growth prospect.

There will be a time gap of several business days between pricing and trading of our H Shares offered under the Global Offering. The market price of our H Shares when trading begins could be lower than the Offer Price.

The Offer Price of our H Shares will be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered and it is expected that there will be a considerable gap of time between the pricing of our H Shares/closing of the application lists and the commencement of trading. Further, the application for the Hong Kong Offer Shares will commence from Thursday, 30 June 2022 to Friday, 8 July 2022, which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in our H Shares until the commencement of trading and accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of our H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, anticipated sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time, at a price and on terms that is favourable to us. In addition, our Shareholders would experience dilution in their shareholdings upon the offer or sale of additional share capital or share capital-linked securities by the Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Subject to the approval by the CSRC or the authorised securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Domestic Shares may convert their Domestic Shares into our H Shares and such Shares could be listed on the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may materially and adversely affect the trading price of our H Shares.

After completion of the Global Offering, all Shares held by our Controlling Shareholders will be subject to legal restrictions on sale for a period of time. For details, please refer to the sections headed "Share Capital — Transfer of Shares Issued Prior to the Global Offering" in this prospectus. After the lapse of the above-mentioned restrictions or if they are waived or breached, future sales, or perceived sales, of substantial number of those Shares could materially and adversely impact the market price of our H Shares and our ability to raise capital in the future.

Subject to the approval by the relevant government authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the lock-up period of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of our H Shares in the market and could materially and adversely impact the market price of our H Shares.

The Hong Kong Stock Exchange may revoke the waivers it granted from compliance with certain requirements of the Listing Rules or impose certain conditions on such waivers, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted us, a number of waivers from strict compliance with the Listing Rules. For details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus. There is no assurance that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Dividends declared and distributed in the past may not be indicative of our dividend payments in the future and there can be no assurance if and when we will pay dividends in the future.

For the years ended 31 December 2019, 2020 and 2021, we paid dividends in an aggregate amount of approximately RMB63.0 million, RMB336.4 million and RMB68.0 million to our then Shareholders, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will be proposed by our Board of Directors and depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy levels, operating and capital expenditure requirements, distributable profits as determined under the PRC GAAP, the IFRSs, our Articles of Association, the PRC Company Law, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Our ability to declare and distribute dividend historically is not indicative of our ability to do so in the future, nor is it indicative of our financial performance in the future or the amount of dividends that will be declared or distributed in the future. Subject to any of the above constraints, we may not be able to pay dividends in the future. For details, please refer to the section headed "Financial Information — Dividend Policy" in this prospectus.

We have significant discretion as to the use of net proceeds from the Global Offering, and you not necessarily agree with our use of such proceeds.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We intend to use the net proceeds from the Global Offering to support the expansion of our business. For details of our use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. You are entrusting your funds to our management, upon whose judgement you shall depend, for the specific use of the net proceeds from the Global Offering.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained and may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and statistics derived from various official or independent third party sources with respect to the PRC, Hong Kong and their economies and financial industries contained in this prospectus.

We have derived certain facts, forecasts and other statistics in this prospectus, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, industry associations, independent research institutes or other third party sources, which are generally believed to be trustworthy and reliable. Nevertheless, there is no assurance as to the reliability, accuracy, precision, completeness, validity or comparability of such sources and resources. While we have taken reasonable care in the reproduction of the information, such statements of facts, predictions, forecasts, statistics and financial information have not been independently vetted, verified or confirmed by us or any party related to the Global Offering and may not match the information obtained from other sources, or be complete, precise or updated. Reasonable care has been taken to report, reproduce and extracting information from those sources. However, our processes or methods in doing so may be erroneous or imperfect and our practices of doing so may vary from the standard market practice. Due to the above reasons and a range of unidentifiable reasons, such statements of facts, predictions, forecasts, statistics and financial information may be unreliable, inaccurate, imprecise, incomplete or invalid, or may be incomparable from period to period or to the facts, predictions, forecasts, statistics and financial information of other economies. As a result, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. As a result, you should not overly rely on such facts, forecasts or statistics in an undue manner and shall seek professional advice in construing such information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered, and expect to continue to enter, into certain transactions which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. In respect of such non-exempt continuing connected transactions, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with certain requirements under Chapter 14A of the Listing Rules. Please refer to the section headed "Connected Transactions" in this prospectus for further details.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, all applicants applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

Our business operations are primarily located in the PRC and the vast majority of our assets are located in the PRC. Our executive Director is based in the PRC as the Board believes it is more effective and efficient for our executive Director to be based in a location where our substantial operations are located. We therefore do not, and in the foreseeable future will not, maintain management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that we implement the following arrangements:

(i). We have appointed Mr. Wang Runliang and Ms. Mak Po Man Cherie ("**Ms. Mak**") as the authorised representatives for the purpose of Rule 3.05 of the Listing Rules. They will serve as the principal channel of communication with the Hong Kong Stock Exchange and make themselves readily available to communicate with the Hong Kong Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. The contact details of our authorised representatives have been provided to the Hong Kong Stock Exchange.

(ii). All the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including mobile phone numbers, office phone numbers, email addresses and fax numbers, to our authorised representatives and to the Hong Kong Stock Exchange. In the event that a Director expects to be travelling or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation or other contact information to our authorised representatives, to ensure that each of our authorised representatives will be able to contact all the Directors promptly at all times if and when the Hong Kong Stock Exchange wishes to contact the Directors.

(iii). We have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor in accordance with Rule 3A.19 of the Listing Rules, which will serve as an additional and alternative channel of communication with the Hong Kong Stock Exchange in addition to our authorised representatives. The compliance advisor will have reasonable access, at all times during the term of its appointment, to our authorised representatives, Directors and other officers, participate in the communication between the Hong Kong Stock Exchange and us and answer inquiries from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is therefore capable to discharge the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i). a member of The Hong Kong Chartered Governance Institute;

(ii). a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii). a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Hong Kong Stock Exchange will consider in assessing an individual's "relevant experience":

(i). length of employment with the issuer and other issuers and the roles he/she has undertaken;

(ii). familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii). relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv). professional qualifications in other jurisdictions.

We have appointed Mr. Liu Lulu ("**Mr. Liu**") as one of the joint company secretaries of the Company. See the section headed "Directors, Supervisors and Senior Management" in this prospectus for further biographical details of Mr. Liu.

Mr. Liu has substantial experience in handling corporate, finance and administrative matters relating to our Company but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. Mak as the other joint company secretary of the Company with effect from the Listing Date to assist Mr. Liu in discharging the duties of a company secretary of the Company. Ms. Mak is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. For further biographical details of Ms. Mak, see "Directors, Supervisors and Senior Management — Joint Company Secretaries".

The following arrangements have been, or will be, put in place to assist Mr. Liu in acquiring the qualifications and experience required under Rule 3.28 of the Listing Rules:

(i). In preparation of the application of the Listing, Mr. Liu has attended training on the respective obligations of the Directors, supervisors, senior managements and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisors to the Company.

(ii). Ms. Mak will work closely with Mr. Liu to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Mr. Liu to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the Listing Date, a period which should be sufficient for Mr. Liu to acquire the relevant experience as required under the Listing Rules.

(iii). The Company will ensure that Mr. Liu continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Hong Kong Stock Exchange. Furthermore, both Mr. Liu and Ms. Mak will seek advice from the Company's Hong Kong legal and other professional advisers as and when required. Mr. Liu also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.

(iv). At the end of the three-year period, the qualifications and experience of Mr. Liu and the need for on-going assistance of Ms. Mak will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Liu, having had the benefit of the assistance of Ms. Mak for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Hong Kong Stock Exchange may revoke the waiver if Ms. Mak ceases to provide assistance to Mr. Liu during the three-year period or if there are material breaches of the Listing Rules by the Company.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Liu will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

APPROVALS

We have obtained an approval letter from the CSRC for the Global Offering and the application to list the H Shares on the Stock Exchange dated 29 July 2021. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the **GREEN** Application Form.

As advised by our PRC Legal Advisors, our Company has obtained all necessary approvals and authorisations in the PRC in relation to the Global Offering and the Listing.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, agents, employees, representatives or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option, are set out in the section headed "Structure of the Global Offering" in this prospectus.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Forms contain all the terms and conditions of the Hong Kong Public Offering. Neither the delivery of this prospectus nor any offering, subscription, acquisition, sale or delivery made in connection with the H Shares made under it shall, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in our Group's affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the **GREEN** Application Form.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Sole Representative (for itself and on behalf of the Underwriters) and us on or around the Price Determination Date, which is expected to be on 8 July 2022, and in any event no later than 9 July 2022. If the Sole Representative (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 9 July 2022 or such later date or time as may be agreed between the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 15 July 2022. The Offer Shares will be traded in board lots of 1,500 Offer Shares each. The stock code of the Offer Shares is 2418.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 54,300,000 Hong Kong Offer Shares and the International Offering of initially 488,700,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" and, in case of the International Offering, additionally to any exercise of the Over-allotment Option.

The Listing of the H Shares is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Representative. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on or around the Price Determination Date. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date and the International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. Further details on the Underwriters and the underwriting arrangements are set forth in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers for and sales of the Offer Shares described in this prospectus and on the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our H Shares or Domestic Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive. For further details, please refer to the sections headed "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this prospectus;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof according to our Articles of Association; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Listing Rules) of any of the Directors or Supervisors of the Company or an existing Shareholder of the Company or a nominee of any of the foregoing.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

COMPLIANCE WITH THE LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favour of the Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by our Group of the Listing Rules or such other undertakings which may have given in favour of the Stock Exchange form time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, and dealing in our H Shares (or exercising rights attached to them). None of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates or any of their respective directors, officers, employees, agents, representatives or advisers, or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

EXCHANGE RATES

Unless otherwise specified and for illustrative purpose only, amounts denominated in HK$ have been translated, into RMB in this prospectus at the following exchange rates set by the PBOC as at the Latest Practicable Date:

HK$1.0000 : RMB0.85162

No representation is made and no representation should be construed as being made, that any amounts in HK$ or RMB can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation and for reference only.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Runliang (王潤梁)	No. 73, Unit 5, Building 29 66 Wanshou North Road Xincheng District Xi'an City, Shaanxi The PRC	Chinese
Mr. Wang Wenqi (王文岐)	No. 63, Building 5 369 Jinhua North Road Xincheng District Xi'an City, Shaanxi The PRC	Chinese
Non-executive Directors		
Mr. Guo Wancai (郭萬才)	No. 1, 6th Floor, Unit 2 Building 31, Xiying Road Yanta District Xi'an City, Shaanxi The PRC	Chinese
Mr. Wang Jianbin (王建斌)	No. 32, Unit 1, Building 2 369 Jinhua North Road Xincheng District Xi'an City, Shaanxi The PRC	Chinese
Mr. Zhou Qi (周琪)	No. 17, Unit 2, Building 7 66 Wanshou North Road Xincheng District Xi'an City, Shaanxi The PRC	Chinese
Ms. Feng Min (馮敏)	Nanxiang No. 33, Xingandong Road Hanbin District Ankang City, Shaanxi The PRC	Chinese

Name	**Address**	**Nationality**
Independent non-executive Directors		
Mr. Li Gang (李剛)	Room 301 Staff Dormitory Building Xi'an Jiaotong University 28 Xianning West Road Xi'an City, Shaanxi The PRC	Chinese
Mr. Ip Wing Wai (葉永威)	Room 33G, Block 5 Metro City Phase 2 Tseung Kwan O Hong Kong	Chinese
Mr. Yu Qiang (余強)	No. 4, 6th Floor, Unit 2 Building 5, District 1 33 Chang'an Middle Road Yanta District Xi'an City, Shaanxi The PRC	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Mr. Zhang Yu'an (張育安)	No. 2, Unit 2 Building 43, Xifu Village Yanta District Xi'an City, Shaanxi The PRC	Chinese
Mr. Wang Jing'an (王敬安)	Building 27, Unit 50 66 Wanshou North Road Xincheng District Xi'an City, Shaanxi The PRC	Chinese
Mr. Qin Xiaohui (秦曉輝)	Room 302, Unit 3 Building 33 Majiawan Checheng Wenquan Garden Gaoling District Xi'an City, Shaanxi The PRC	Chinese

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Representative	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Bookrunners	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
	CEB International Capital Corporation Limited 22/F, AIA Central 1 Connaught Road Central Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong

Zhongtai International Securities Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No.95 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
Whole of 18th Floor, Central 88
88 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Eddid Securities and Futures Limited
21/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Joint Lead Managers

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

CEB International Capital Corporation Limited
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Zhongtai International Securities Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
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Admiralty
Hong Kong

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Whole of 18th Floor, Central 88
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Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Eddid Securities and Futures Limited
21/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers to our Company	*As to Hong Kong Law and US Law* **DLA Piper Hong Kong** 25/F, Three Exchange Square 8 Connaught Place, Central Hong Kong *As to PRC Law* **Dentons Law Office** 16-21F, Tower B ZT International Center No. 10, Chaoyangmen Nandajie Chaoyang District, Beijing The PRC
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Law and US Law* **Linklaters** 11/F, Alexandra House 18 Chater Road Central Hong Kong *As to PRC Law* **JiaYuan Law Office** F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District, Beijing The PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountant* Registered Public Interest Entity Auditor 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Block B, 500 Yunjin Road Shanghai The PRC
Compliance Adviser	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Headquarter and Principal Place of Business in the PRC	16th Floor, Unit 1 Building 1, Jingwei Centre 29 West Section of Xijin Road Jingwei New City Economic and Technological Development Zone Xi'an City, Shaanxi The PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company Website	**www.deewintx.com** *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	**Mr. Liu Lulu (劉錄錄)** 16th Floor, Unit 1 Building 1, Jingwei Centre 29 West Section of Xijin Road Jingwei New City Economic and Technological Development Zone Xi'an City, Shaanxi The PRC **Ms. Mak Po Man Cherie (麥寶文)** *(ACG, ACS, ACCA, CPA)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorised Representatives	**Mr. Wang Runliang (王潤梁)** No. 73, Unit 5, Building 29 66 Wanshou North Road Xincheng District Xi'an City, Shaanxi The PRC **Ms. Mak Po Man Cherie (麥寶文)** 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Audit Committee	Mr. Ip Wing Wai (葉永威) *(Chairperson)* Mr. Yu Qiang (余強) Mr. Li Gang (李剛)
Remuneration Committee	Mr. Li Gang (李剛) *(Chairperson)* Mr. Yu Qiang (余強) Mr. Wang Wenqi (王文岐)
Nomination Committee	Mr. Yu Qiang (余強) *(Chairperson)* Mr. Li Gang (李剛) Mr. Wang Runliang (王潤梁)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Banks	**China Merchants Bank Co., Ltd. (Xi'an Branch)** China Merchants Bank Building No. 1 Gaoxin Er Road Xi'an City, Shaanxi Province The PRC **China Minsheng Banking Corporation Limited (Xi'an Branch)** Huatai Jinmao International No. 5 Building No. 16 Fenghui South Road Gaoxin District Xi'an City, Shaanxi Province The PRC

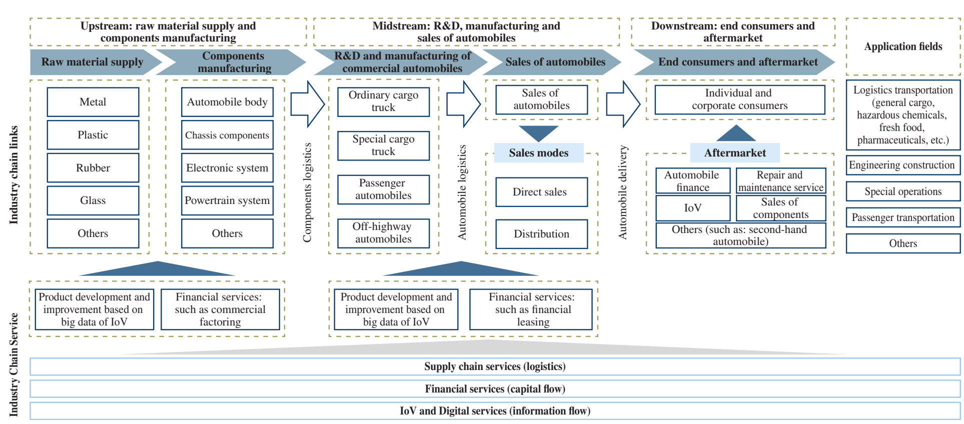
The information presented in this section is derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. See "— Source of Information." We, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering have not independently verified, and no representation is given as to the accuracy of the information and statistics from official government.

THE COMMERCIAL AUTOMOBILE INDUSTRY CHAIN SERVICE IN CHINA

Definition and Classification

The commercial automobile industry chain service refers to a series of services along the commercial automobile industry chain, including the procurement and production of raw materials/components, automobile manufacturing, automobile sales, and downstream market of commercial automobiles. It is a comprehensive concept, covering supply chain management, financial services, components sales in commercial automobile industry chain service market and emerging digital services in recent years. The commercial automobile industry chain is relatively long, with many intermediate links and players in each link, which create considerable demands for various kinds of services. In addition, the downstream application scenarios of the commercial automobile industry are very extensive, involving application scenarios such as logistics transportation, engineering construction, special operations, and passenger transportation.

The Commercial Automobile Industry Chain and Corresponding Industry Chain Services in China



Source: Frost & Sullivan

Overview of Commercial Automobile Industry Chain Service Market in China

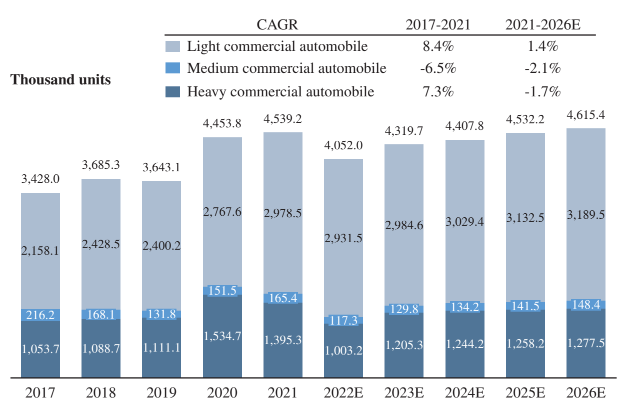
Trucks are the major categories of commercial automobiles, which can be called cargo carrying commercial automobiles. They are referred to as "commercial automobiles" in this prospectus. In addition, the data in the prospectus is based on trucks. The sales volume of commercial automobiles and penetration have a significant impact on the business development of service providers in the industry chain, so this indicator will be analysed in this section.

Sales Volume of Commercial Automobiles in China

Driven by national infrastructure construction projects and the development of the trunk logistics transportation industry, the heavy commercial automobile market has witnessed a rapid development in recent years. In 2021, the phase out of China III vehicles, the phased implementation of the China VI vehicle emission standards, and the construction of new infrastructure, the sales volume of heavy commercial automobiles in China reached 1,395.3 thousand units, maintaining a CAGR of 7.3% from 2017 to 2021. In the future, it is predicted that the sales volume of heavy commercial automobiles will return to a normal level in the next few years but still remain at a relatively high level, and will amount to 1,277.5 thousand units in 2026, representing a CAGR of -1.7% compared with 2021.

Sales volume of heavy and medium commercial automobiles in China reached to a historical high point due to multiple short-term positive factors. First is the Automobile Classification of Toll for Highway promulgated by the Ministry of Transport on 1 January 2020 (the "**New Toll Classification**"), which resulted in significant market demand for heavy and medium commercial automobile models with fewer axles for the same level of transportation capacity or truckload, leading to a wave of new market demand for trucks with fewer axles. Secondly, starting from 1 July 2020, the PRC gradually forbade the operation of Phase 3 Automobile Emission Standards vehicles, and require newly registered commercial automobile vehicles to meet Phase 6 Automobile Emission Standards, and such Government regulations have stimulated the growth of demand for environmentally friendly vehicles. Driven by above two factors, market demand for medium and heavy-duty commercial automobiles was driven to a historical high point in 2020 due to the policy window phase, after which the market demand for heavy and medium commercial automobiles are expected to gradually decrease to a normal level in the coming years from 2022-2026.

Sales Volume of China's Commercial Automobiles, by Light, Medium and Heavy Commercial Automobiles (2017-2026E)

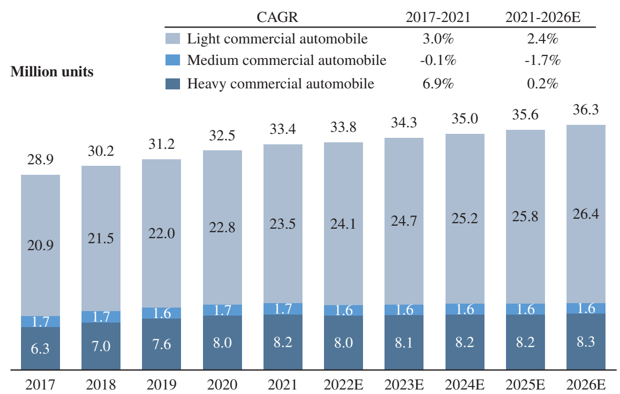


Source: China Association of Automobile Manufacturers, Frost & Sullivan

Existing Reserve Market of China's Commercial Automobiles

The continuous increase in the sales volume of heavy and light commercial automobiles has promoted the expansion of the corresponding existing reserve market. In 2021, the existing reserve market of China's heavy commercial automobiles reached 8.2 million units, representing a CAGR of 6.9% compared with 6.3 million units in 2017; regarding the light commercial automobile market, the existing reserve market reached 23.5 million units in 2021, representing a CAGR of 3.0% compared with 20.9 million units in 2017. In the future, as the sales volume of heavy and light commercial automobiles stays at a relatively high level, the existing reserve market will continue to rise. By 2026, the existing reserve market of heavy and light commercial automobiles in China is expected to reach 8.3 million and 26.4 million, respectively, representing a CAGR of 0.2% and 2.4%, respectively compared with 2021.

Existing Reserve Market of China's Commercial Automobiles, by Light, Medium and Heavy Commercial Automobiles (2017-2026E)

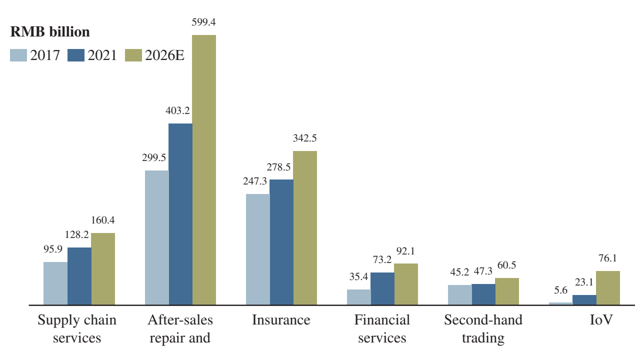


Source: China Association of Automobile Manufacturers, Frost & Sullivan

China's Commercial Automobile Industry Chain Service

The market for China's commercial automobile industry chain service mainly covers several categories: supply chain services, after-sales repair and maintenance, insurance, financial services, second-hand trading, and IoV. The market size of China's commercial automobile industry chain service reached RMB953.5 billion in 2021 and is expected to reach RMB1,331.0 billion by 2026, with a CAGR of 6.9% from 2021 to 2026. The main driving force is the steady growth of sales volume and existing reserve market of commercial automobiles.

Market Size of Main Segments of Commercial Automobile Industry Chain Service Market, by 2017, 2021 and 2026E



Source: Frost & Sullivan

OVERVIEW OF CHINA'S COMMERCIAL AUTOMOBILE LOGISTICS AND SUPPLY CHAIN SERVICE INDUSTRY

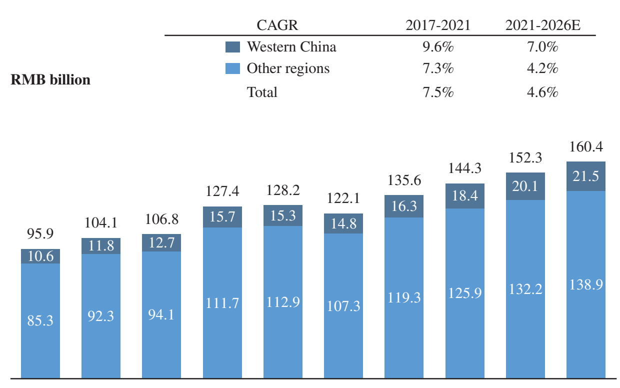
Definition and Classification of Commercial Automobile Logistics and Supply Chain Service

Commercial automobile logistics and supply chain service is the control of information flow, logistics and capital flow involved in the manufacturing, sales, and after-sales of commercial automobiles. It involves the procurement of raw materials, manufacture of intermediate products and final products, and the delivery of products to users through the sales network. The network connects suppliers, manufacturers, distributors, retailers, and end users through centralised management. In a narrow sense, the commercial automobile logistics and supply chain service refers to the provision of products to end users in the process of production and circulation, including logistics and warehousing services that enable the transportation of raw materials or commercial automobile components to factories (namely manufacturing-based logistics) or the delivery of automobiles or after-sales components to the downstream consumer market. The Company's logistics and supply chain service business mainly falls within the scope of this definition. Accordingly, this section shall focus on the same.

Market Size of Commercial Automobile Logistics and Supply Chain Service

China's commercial automobile logistics and supply chain service industry involves logistics-related services such as the transportation and warehousing of commercial automobiles and components thereof. As at 2021, the market size of China's commercial automobile logistics and supply chain service industry amounted to RMB128.2 billion, with a CAGR of 7.5% from 2017 to 2021, which was mainly due to the vigorous development of China's commercial automobile market. In the future, the commercial automobile logistics and supply chain service industry will grow alongside the commercial automobile industry. It is estimated that the market size of the commercial automobile logistics and supply chain service will amount to RMB160.4 billion by 2026, with a CAGR of 4.6%.

Market Size of China's Commercial Automobile Logistics and Supply Chain Service Industry (2017-2026E)



Source: Frost & Sullivan

Competitive Landscape in Commercial Automobile Logistics and Supply Chain Service Industry

The competition in the commercial automobile logistics and supply chain service industry in Western China is relatively fragmented, of which Tonghui ranked first among similar enterprises in Western China in terms of revenue of RMB1,459.9 million in 2021, followed by the revenue of RMB419.8 million from the second enterprise. Other market participants are small in scale, showing a highly fragmented industry competition.

The overall commercial automobile logistics and supply chain service industry in China is highly fragmented. Total number of players is approximately 1,000 in 2021, while most of which are small to medium enterprises. In 2021, we accounted for 1.1% market share in China by revenue, according to the Frost & Sullivan Report.

Ranking for enterprises in commercial automobile logistics and supply chain service industry in Western China, in terms of revenue in 2021

Company Name	Company profile	Revenue (in RMB million)	Market Share (%)
The Group	As a service provider of "Lean Integrated Logistics", the Group is engaged in logistics transportation and warehousing services.	**1,459.9**	**9.5%**
Chongqing Anji Hongyan Logistics Co., Ltd.	The company was incorporated in December 2005, with three bases of Huangmaoping, Yubei, Longxing, Yubei and Shuangqiao, Dazu. Its principal businesses include automobile logistics, inbound logistics of parts and components, network-based transportation value-added services and after-sales services.	**419.8**	**2.7%**

Source: Frost & Sullivan

Entry Barriers of Commercial Automobile Logistics and Supply Chain Service Industry

Heavy Investment

Commercial automobile logistics and supply chain service industry belongs to bulk cargo transportation, so the investment in transportation automobiles fleet, warehouse storage, information system and human resource systems will be very heavy. Plus the increasingly land cost and human labour cost, the industry is expected to become more capital intensive and will be the biggest challenge for market new entrants.

Clients Resources

This industry is highly time sensitive due to its direct correlation with client's namely the automobile manufacturer's production schedule, so only the players with strong service capability could get the opportunity to cooperate with large customers. Furthermore, most commercial automobile manufacturers in China have their affiliated commercial automobile logistics and supply chain service providers, making it more difficult for new market players.

Complex Technology Applications

Commercial automobile logistics and supply chain service are highly time-sensitive and has a strict requirement for efficiency, which requires large scale application of information technologies to conduct monitoring and management throughout the whole logistics process in real-time. These applications include transportation management system, Global Positioning System ("**GPS**") system, Personal Digital Assistant ("**PDA**") and wireless mobile telecommunications video visual system, etc. To take good advantages of these technologies requires long-term operation test and experience accumulation, which forms high entry barrier to new entrants.

Driving Forces and Future Trends of Commercial Automobile Logistics and Supply Chain Service Industry

Technology, operational and policy factors drive the development of the commercial automobile logistics and supply chain service industry. Driven by new technologies such as autonomous driving, new energy, and IoT for Industry, the commercial automobile supply chain will continue to improve in areas of intelligence and informatisation. Operational factors such as manufacturing costs, logistics costs, and truck life cycle costs will drive the commercial automobile supply chain to further develop in a highly efficient and energy-saving manner. To protect the safety of commercial automobile drivers and the environment, the government has issued a series of regulations, mandating addition of functions to commercial automobiles, and further increasing the type and number of commercial automobile components. These policy initiatives will drive the optimisation and change of the commercial automobile components logistics and inventory system.

In the manufacturing process, the addition of the IoT for Industry will help optimise the production process and technology and improve production efficiency. At the logistics level, the IoT for Industry can help optimise logistics solutions and reduce energy consumption. The dispatching system of automated guided vehicles and other informatization products will greatly improve the efficiency of logistics operation, hence achieving cost optimisation. In the field of after-sales service, the IoT for Industry can trace the source of components and provide remote diagnosis. Automated equipment such as intelligent warehousing can greatly improve the efficiency of warehousing and components transportation. In the field of supply chain management, big data systems and visualisation tools can optimise supply chain processes and improve efficiency. In 2020, the National Fourteenth Five-Year Plan has started smoothly in a special historical period. Supply chain innovation has become the core idea in the field of commercial circulation. Warehouse logistics will gradually change its model into precise matching of delivery, and its importance in commercial automobile supply chain management will become more prominent.

OVERVIEW OF CHINA'S COMMERCIAL AUTOMOBILE FINANCIAL LEASING MARKET

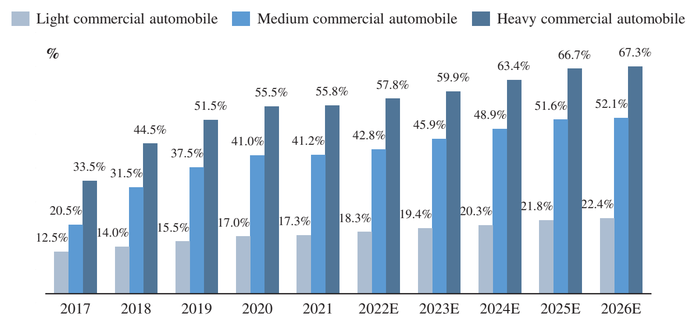
Definition and Classification of Commercial Automobile Financial Leasing

Financial leasing can be carried out in two models, direct leasing and leaseback: (i) Under the direct leasing model, a truck financial leasing company purchases corresponding automobiles from dealers according to customer requirements and leases them to users for their daily use. During the lease period, the financial leasing company owns the automobiles and customers have to make periodic payments to the company. After the lease contracts expire and all agreed rents have been settled, the automobiles are transferred to customers, and (ii) Under the leaseback model, a combination of purchase and lease, a user sells the automobile it owns to a financial leasing company, and then leases it back by paying rent. For users, the main purpose of adopting this model is to retain the right to use the automobile while obtaining capital inflows. Therefore, the leaseback model not only allows the existing assets of a user to be put into use, but also improves the user's financial situation, and the user can re-obtain the ownership of that automobile when the lease contract expires, which is the main model in financing leasing market. In the field of commercial automobile financial leasing, the main types of participants include the commercial automobile manufacturer-connected financial leasing companies, the financial institution-connected financial leasing companies and the third-party financial leasing companies.

Penetration rate of Commercial Automobile Financial Leasing Market

The penetration rate of commercial automobile financial leasing (The proportion of commercial automobiles sold under the financial leasing model to the total number of commercial automobiles sold) for different types of commercial automobiles, in China is quite different. The financial leasing penetration rate of heavy duty commercial automobiles with higher prices is significantly higher than that of light duty commercial automobiles and medium duty commercial automobiles. The financial leasing penetration rate of heavy duty commercial automobiles with higher prices amounted to approximately 55.8% in 2021 and is expected to reach 67.3% in 2026.

Penetration Rate of China's Commercial Automobile Financial Leasing, by Model (2017-2026E)

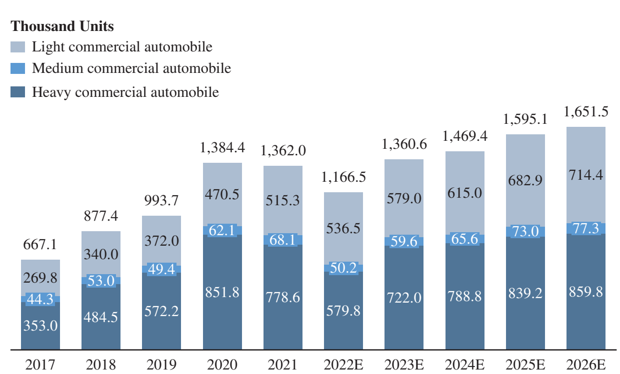


Source: Frost & Sullivan

The Number of Newly Leased Automobile for Commercial Automobile Financial Leasing

In the past five years, due to the rapid increase in the penetration rate of commercial automobile financial leasing, the number of newly leased commercial automobiles has also increased. In 2021, due to the decrease in the sales volume of heavy duty commercial automobiles, the newly leased heavy duty commercial automobiles also decreased to 778.6 thousand. Looking ahead, impacted by the COVID-19 pandemic across China in 2022 and expected quarantine measures to be taken in the coming years, it is expected that the number of newly leased commercial automobiles will see a slow growth and reach to 1,651.5 thousand units in 2026, representing a CAGR of 3.9% from 2021.

The Number of Newly Leased Automobiles for China's Commercial Automobile Financial Leasing (2017-2026E)



Source: Frost & Sullivan

Driving Force of the Commercial Automobile Financial Leasing Industry

The driving force of the commercial automobile financial leasing industry mainly involves growing demand for financial leasing by individuals and small and medium-sized enterprises, favourable policies and the improvement of financial technology: (i) With respect to the demand, the credit records of individuals and small and medium enterprise consumers are relatively incomplete, so most of China's banking and financial institutions have stricter requirements and procedures for the credit approval of individuals and SMEs. Therefore, a large number of individuals and small and medium-sized enterprise consumers needing to purchase commercial automobiles turn to financial leasing methods with low down payment, moderate interest rates and flexible instalment plans, (ii) With respect to the policies, the PRC government attaches great importance to the healthy development of the commercial automobile industry and the financial industry, and has promulgated a number of policies to promote the standardised and orderly development of the industry, and (iii) With respect to technologies, in recent years, financial technology has developed rapidly. More and more companies have deeply integrated artificial intelligence, big data, and other information technologies with financial services, to promote the efficient operation of the financial leasing business.

Development Trends of Commercial Automobile Financial Leasing Industry

The main development trends of the commercial automobile financial leasing industry include: (i) Gradual popularisation of LPR pricing mechanism. In the long run, the LPR pricing mechanism will be conducive to the standardised development of the industry, the avoidance of market risks, and the improvement of risk management capabilities. Customers will be the ultimate beneficiaries of the financial leasing business, and (ii) Greater focus on services. To stand out from the competition, some financial leasing companies have begun to shift their focus from a "financing-oriented" business model to a "service-oriented" business model, and have provided more value-added services such as insurance and second-hand automobile trading to customers such as individuals and logistics companies.

Competitive Landscape of the Commercial Automobile Financial Leasing Industry

Overall Competitive landscape of market

With the steady development of the commercial automobile financial leasing market, more and more financial leasing companies have ventured into the commercial automobile sector, which has driven the increasingly fierce competition in this market segment. Based on the number of newly leased commercial automobiles in 2021, the market share of China's top five commercial automobile financial leasing companies was 26.8%, denoting relatively low market concentration. At present, the leading companies in the competitive landscape are dominated by manufacturer-backed companies and financial institution-backed companies. Commercial automobile manufacturer-connected financing companies effectively expand their customer groups relying on dealer networks and interest subsidies, while financial institution-backed financing companies expand their business using their capital scale advantages. Most of the third-party financial leasing companies are regional and SMEs, but there are also some companies with leading business scales. These leading companies compete in market leveraging flexible leasing schemes, incentive mechanisms, and service levels.

In the commercial automobile financial leasing market, the Group had a market share of 1.5% in 2021 with 20.3 thousand newly leased commercial automobiles; the Group ranked fourth among the commercial automobile manufacturer-connected financial leasing enterprises.

Ranking of China's Financial Leasing Companies, based on the Newly Leased Commercial Automobiles (2021)

Ranking	Company name	Company Background	Number of newly leased commercial automobiles (thousand units)	Market share (%)
1	First Automobile Finance Co., Ltd.	Commercial automobile manufacturer-connected financial leasing companies, a subsidiary of FAW Group, who is the largest heavy duty commercial automobile manufacturer in China in terms of sales volume in 2021.	93.4	6.9%
2	Lionbridge Financing Leasing (China) Co., Ltd.	Headquartered in Beijing, Lionbridge is on of the largest independent third-party commercial automobile financial leasing service providers in China.	75.4	5.5%
3	Dongfeng Finance Co., Ltd.	Commercial automobile manufacturer-connected financial leasing companies, a subsidiary of Dongfeng Motor Corp., who is the largest commercial automobile manufacturer in China in terms of sales volume in 2021.	74.2	5.4%
4	Ping An International Financial Leasing Co., Ltd.	Financial institution-backed financial leasing companies, the company conducts direct leasing, leaseback, entrust leasing, leveraged leasing, joint leasing, and other businesses. The company is the subsidiary of Ping An Insurance Group, which is one of the largest insurers in China.	67.9	5.0%
5	Haitong Unitrust	Financial institution-backed financial leasing companies, their business mainly includes the provision of direct equipment leasing, sales and leaseback service businesses.	54.2	4.0%
		Other companies	997.0	73.2%
	The Group	Commercial automobile manufacturer-connected finance leasing companies	20.3	1.5%

Source: Frost & Sullivan

Ranking of China's Commercial Automobile Manufacturer-connected Financial Leasing Companies, based on the Newly Leased Commercial Automobiles (2021)

Ranking	Company name	Commercial Automobile Manufacture Background	Number of newly leased commercial automobiles (thousand units)	Market share (%)
1	First Automobile Finance Co., Ltd.	FAW Group	93.4	6.9%
2	Dongfeng Finance Co., Ltd.	Dongfeng Motor Corp.	74.2	5.4%
3	CA Sinfusi Financial Leasing Co., Ltd.	Beqi Foton Motor Co.	41.5	3.0%
4	The Group	Shaanxi Automobile Holding Group Co., Ltd.	20.3	1.5%
5	Strong Leasing Co., Ltd.	Shandong Heavy Industry Group	19.8	1.5%

Source: Frost & Sullivan

OVERVIEW OF MARKET OF COMMERCIAL FACTORING FOR COMMERCIAL AUTOMOBILES IN CHINA

Definition of Commercial Factoring

Factoring business operated by non-bank institutions is called commercial factoring. Commercial factoring is a set of financial solutions based on the factoring contract signed between factoring providers and suppliers, which integrates working capital financing, credit risk protection, accounts receivable management and collection services. Under the financing factoring contract, the factor provides financing services to the seller through the receivables from the seller at the beginning of the term. Upon maturity, the source of repayment will be determined according to the type of factoring, and the object of recourse for overdue payment will be determined according to the type of recourse.

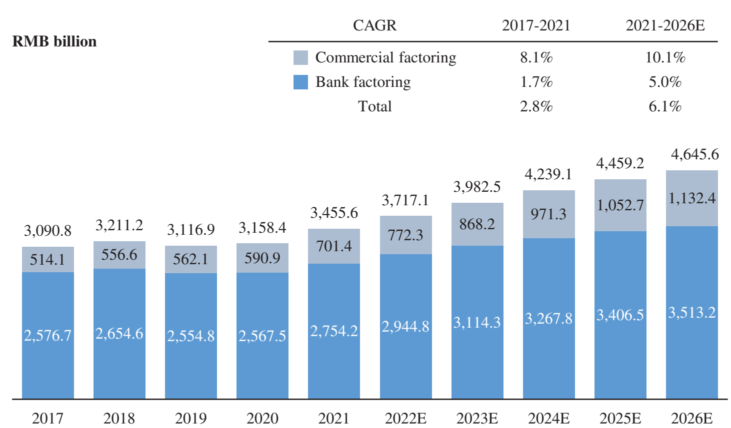
For SMEs, compared with bank loans, commercial factoring has obvious advantages in terms of qualification requirements and approval cycles. Commercial factoring is more flexible. It can professionally evaluate the buyer company, and then determines whether to provide funds to the seller company, which will ensure robust risk control, while shortening the approval cycle and quickly solving funding problems for SMEs, as well as bolstering the real economy.

Commercial Factoring Market Size

The market size of China's commercial factoring increased from RMB514.1 billion in 2017 to RMB701.4 billion in 2021 at a CAGR of 8.1%. One of the reasons for the great increase is that the Ministry of Commerce of the PRC has promoted pilot projects in some regions since 2013 and has gradually introduced supporting policies. In addition, from 2015 to 2017, the PBOC had gradually adopted a significant reduction and expansion of the balance sheet due to monetary policy and other factors, which greatly affected the business volume of bank factoring, and the growth rate of commercial factoring in 2017 was as high as 45.7%. China's economy was not as good as expected due to the impact of the epidemic in the first quarter of 2020. However, with a series of targeted stimulus policies such as the decline in loan interest rates of the PBOC and investment in infrastructure projects, China's economy and commercial factoring industry remain promising.

The commercial factoring market in China is highly competitive and fragmented with a large number of participants and no prominent leading company. As compared with other third-party commercial factoring companies, the Group is able to acquire stable customers and business resources in the commercial automobile factoring market, with its strong connection with the commercial automobile manufacturers, to maintain strong competitiveness in the market.

China's Factoring Business Volume, by Business Type (2017-2026E)



Sources: Factors Chain International (FCI), Frost & Sullivan

Driving Forces and Future Trends of Commercial Factoring Market

The driving forces and future trends of the commercial factoring market mainly include: (i) the large scale of receivables in the commercial automobile industry. Due to the relatively high prices of products of upstream, midstream, and downstream companies in the commercial automobile industry, and the large number of orders from major customers, these companies may undertake a large amount of accounts receivable. These accounts receivable not only occupy a large amount of capital resources and bring pressure on cash flow turnover, but also increase companies' business operation risks. The large amount of accounts receivable, coupled with the tightening of bank credit from time to time, have made more urgent demand for commercial factoring of enterprises in China's commercial automobile industry, and (ii) Policy encouragement and a constantly improved financing environment. As the central government vigorously promotes supply-side reforms, the government encourages the development of commercial factoring businesses so as to provide enterprises with a better financing environment.

OVERVIEW OF CHINA'S COMMERCIAL AUTOMOBILE INSURANCE BROKERAGE MARKET

Definition of Commercial Automobile Insurance Brokerage

Insurance brokerage institutions are one of the important participants in the commercial automobile insurance industry. They provide intermediary services for insurance applicants (the insured) and help them sign contracts with insurance companies. These insurance brokerage companies collect commissions from the insured and represent the interests of the insured rather than the interests of the insurance companies.

Premium Income Scale of China's Commercial Automobile Insurance Brokerage

The insurance premium income scale of China's commercial automobile insurance brokerage increased from RMB15.2 billion in 2017 to RMB23.4 billion in 2021, with a CAGR of 11.3%, mainly due to the large scale of commercial automobile existing reserve market, enhanced insurance awareness of China's consumers, more diversified automobile insurance products and an increase in the number of insurance brokerage institutions. In the future, the premium income scale of China's commercial automobile insurance brokerage is expected to increase from RMB23.4 billion in 2021 to RMB32.1 billion in 2026, with a CAGR of 6.5%. For the commercial automobile sector, insurance brokerage institutions will continue to expand market demand making use of their strong service capabilities and customised product portfolio, and their market share is expected to rise from 7.9% in 2020 to 10.7% in 2026.

Entry Barriers of Commercial Automobile Financial Leasing, Commercial Factoring and Insurance Brokerage Industry

Capital Barrier

As a capital-intensive industry, financial leasing, commercial factoring and insurance brokerage companies are required to have strong financing ability, diversified financing channels and competitive financing cost. Financial leasing and commercial factoring companies with financial licences generally have broader access to financing at a relatively lower financing cost.

Human Resource Barrier

These industries are also knowledge-intensive and require a comprehensive talents base covering investing & financing, marketing, management, tax, accounting and deep understanding of vertical industries such as commercial automobile industry. The establishment of the professional team is a significant challenge for both current players and new entrants.

Risk Management Capabilities

The mature risk management system is one of the key determinants for the sustainable development of financial leasing, commercial factoring and insurance brokerage companies. The risk control should be implemented in every step throughout the whole financial leasing, commercial factoring or insurance brokerage project, from business development, customer information management, due diligence work, project approval process.

Client Resource Barrier

The financial leasing business has the characteristics of long leasing cycle and services throughout the entire leasing cycle, so customers have very high stickiness. Compared with re-contacting a new financial leasing company, customers generally choose to continue to cooperate with the original company that has established a mutual trust relationship. It is difficult for new industry entrants to seize existing customer resources.

OVERVIEW OF CHINA'S COMMERCIAL AUTOMOBILE IOV MARKET

Definition and Classification of Commercial Automobile IoV

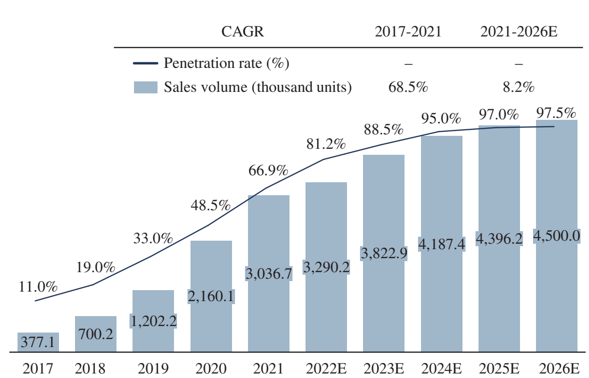
In the field of commercial automobiles, IoV is a business that collects automobile operation data, driver operating data, location data, and other data so as to ensure the compliance of automobiles sales with the applicable laws and regulations for dynamic supervision of the state and provide data information services for various market participants in the automobile ecosystem. In China, the early commercial automobile IoV was created and developed to meet the government's legal and regulatory requirements for automobile dynamic supervision. For example, the mandatory installation of the satellite positioning device (including the Beidou System) promoted its rapid increase in penetration and facilitated a large user base.

Market Size of Commercial Automobile IoV

Pre-installation penetration rate of commercial automobile IoV equipment and corresponding sales volume of new automobiles

The driving force for the development of commercial automobile IoV mainly comes from the government's regulatory requirements for transportation management. For example, since 2011, the Ministry of Transport and the Ministry of Industry and Information Technology have required the installation of a satellite positioning device with driving record functions on "chartered buses engaged in tourism, regular passenger buses of Class III or higher, and special road automobiles for transporting hazardous chemicals, fireworks, and civil explosives". In 2014, the Ministry of Transport and other ministries promulgated the Road Transportation Automobile Dynamic Supervision Management Measure* (《道路運輸車輛動態監督管理辦法》), pursuant to which from 1 July of that year, the newly sold heavy-loaded cargo-carriage automobiles or semi-trailer towing automobiles shall be connected to the public platform of road transportation automobiles and pre-installed with a satellite positioning device that meets the standard, such as Beidou System supervision terminals. Staring from 1 January 2015, if the satellite positioning device is not pre-installed, the road transport authority will not issue the Road Transport Licence* (道路運輸證). The demand for policy supervision and the technological progress have jointly promoted the rapid increase in the penetration rate of China's commercial automobile IoV.

China's Commercial Automobile IoV Pre-installation Penetration Rate and Corresponding Sales Volume of New Connected Automobiles (2017-2026E)



Source: Frost & Sullivan

Driving Factors of Commercial Automobile IoV Industry

Rapid popularisation and application of the IoV due to technological progress

With the rapid progress and commercial application of technologies such as 5G, big data, cloud services, algorithms, and image recognition, the technology foundation of IoV has become more solid, and the deployment cost and technology difficulty have been reduced. At the same time, the rapid development of new energy and other technologies has improved the electrification of commercial automobiles and provided a good carrier for the deployment of IoV.

Policy encouragement

Since 2010, the Chinese government has continuously issued a series of policies to encourage the development of the IoV industry and the application of the IoV in the commercial automobile industry. For example, since 2011, the Ministry of Transport and the Ministry of Industry and Information Technology have required the installation of a satellite positioning device with driving record functions on "chartered buses engaged in tourism, regular passenger buses of Class III or higher, and special road automobiles for transporting hazardous chemicals, fireworks, and civil explosives". In 2014, the Ministry of Transport and other ministries promulgated the Road Transportation Automobile Dynamic Supervision Management Measures (《道路運輸車輛動態監督管理辦法》), further strengthening this provision and expanding the scope of application on automobiles. In December 2018, the Ministry of Industry and Information Technology issued the "Internet of Vehicles (Intelligent Connected Vehicle) Industry Development Action Plan (《車聯網(智能網聯汽車)產業發展行動計畫》)", and in 2020, National Development and Reform Commission issued the "Intelligent Vehicle Innovation and Development Strategy (《智能汽車創新發展戰略》)", making top-level design and development planning for the future development of the IoV.

The demand of the participants in the industry chain for the IoV

The development of commercial automobile IoV is mainly driven by the needs of the government, upstream components suppliers, automobile companies, drivers, fleet managers, and downstream customers in various fields of the logistics industry. From the government's perspective, it is committed to promoting the standardised development of the transportation industry, so there is an urgent need for transportation management based on the IoV technology; from the perspective of component suppliers and automobile companies, big data of automobile driving such as parameters for engines, gearboxes, axles and other key components are valuable to automobile companies and upstream components suppliers. The big data analysis technology plays a very important role for product development and improvement; from the perspective of drivers and logistics fleet managers, the IoV can help them realise intelligent, visualised and refined automobile management or fleet management, such as intelligent automobile scheduling, automobile condition monitoring and fault diagnosis, driver behaviour monitoring, driving safety management, etc., which can greatly reduce the operating costs of the logistics industry or significant property damage caused by accidents; in terms of downstream industries, taking customers in the fresh food industry as an example, they need to rely on the IoV technology to realise the traceability of the transportation process of fresh products so as to ensure that there are no product quality problems caused by improper transportation operations.

Development Trends of Commercial Automobile IoV Industry

Downstream customers changed from self-employed businesses and small fleets to large fleets

With the transformation and integration of the logistics industry, self-employed business is becoming rare or has been integrated into the fleet due to weak market competitiveness, and the downstream customer structure will gradually be dominated by the fleet. The fleet has a strong demand for refined operation management and transportation safety, and it will become the core customer of commercial automobile IoV.

Products gradually evolving into industry-oriented integrated solutions

In terms of product form, commercial automobile IoV will gradually develop into an industry-oriented comprehensive solution. At present, the commercial automobile IoV is still in the exploration and initial stage, especially the IoV enterprises with the background of commercial automobile enterprises. Thanks to their deep understanding of automobiles, there is room for further improvement in the functional richness and technology maturity of the Internet of Vehicles, presenting broad prospects for commercial realisation. In the future, more advanced functions and clearer application scenarios driven by technological progress will support the commercial automobile IoV to develop into an industry-oriented integrated solution, and to provide customers in various industries with flexible services relying on mature technology and diverse functions.

Competitive Landscape of Commercial Automobile IoV Industry

Major domestic commercial automobile manufacturers have deployed the IoV through independent research and development or cooperative development, covering drivers, fleets, production and sales, and service stations, and providing multiple functions including location information, navigation, and itinerary analysis. Compared with third-party IoV companies focusing on aftermarket, commercial automobile manufacturer-connected IoV companies can achieve deep integration with corresponding brand models and obtain more big data of privatised automobiles. High-quality big data is of great value for the development, upgrade, and improvement of automobile models of manufacturers and the development of other financial and after-sales service products. At present, the commercial automobile manufacturer-connected IoV service industry in China is highly concentrated with the top five service providers accounting for 92.3% of the market share in 2021. Among them, the Group is the first commercial automobile manufacturer-connected IoV service provider who realised pre-installation for all commercial automobile series of a specific manufacturer. In 2021, the Group accounted for 23.3% of the market size with 944.2 thousand heavy commercial automobiles accessing IoV platform, ranking first in the industry. In addition, the Group ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021.

Ranking of China's Commercial Automobile Manufacturer-Connected IoV enterprises, based on the Number of Heavy Commercial Automobiles Accessing IoV Platform (2021)

Ranking	Company name	Connections (thousand units)	Market share (%)	Introduction
1	The Group	944.2	23.3%	The layout began in 2011, system was launched in 2011, and pre-installation for all series began in 2015.
2	FAW Jiefang	815.1	20.1%	The platform was launched in 2014, large-scale pre-installation began in 2017, and pre-installation for all series began in March 2019. The platform was launched and operated by FAW Group, who is the largest heavy duty commercial automobile manufacturer in China in terms of sales volume in 2021.
3	Foton Connectivity	809.8	20.0%	The platform was launched in December 2017, and pre-installation for all series began in the second half of 2018. Foton Connectivity was launched by Beiqi Foton Motor, who is the 2nd largest commercial automobile manufacturer in China in terms of sales volume in 2021.
4	Sinotruck Smart Connectivity	591.0	14.6%	The system was launched in 2014, focusing on the commercial automobile aftermarket service ecosystem. The platform was launched and operated by Sinotruck, one of the leading heavy duty commercial automobile manufacturers in China.
5	Dongfeng Truck Management	582.0	14.3%	The project was officially implemented in April 2018, and pre-installation for all series began in March 2019. The platform was launched and operated by Dongfeng Motor Corp., who is the largest commercial automobile manufacturer in China in terms of sales volume in 2021.
	Others	314.1	7.7%	
	Total	4056.2	100.0%	

Source: Frost & Sullivan

Ranking of China's IoV enterprises, based on the Number of Commercial Automobiles Accessing IoV Platform (2021)

Company/Platform	Type	Connections (thousand units)	Market share (%)	Introduction
G7	Third party IOV company	2600.0	32.3%	Established in 2010 in Beijing, engaging in providing IoV hardware and software solutions in aftermarket segment.
FAW Jiefang	Manufacturer-connected	1077.8	13.4%	The platform was launched in 2014, large-scale pre-installation began in 2017, and pre-installation for all series began in March 2019.
The Group	Manufacturer-connected	944.2	11.7%	The layout began in 2011, system was launched in 2011, and pre-installation for all series in 2015.
Foton Connectivity	Manufacturer-connected	887.4	11.0%	The platform was launched in December 2017, and pre-installation for all series began in the second half of 2018.
J-Connect	Manufacturer-connected	883.1	11.0%	The platform was launched in April 2016, large scale pre-installation began in 2017.
Others	–	1649.0	20.5%	–
Total	–	8041.5	100.0%	–

Source: Frost & Sullivan

Entry Barriers of Commercial Automobile IoV Industry

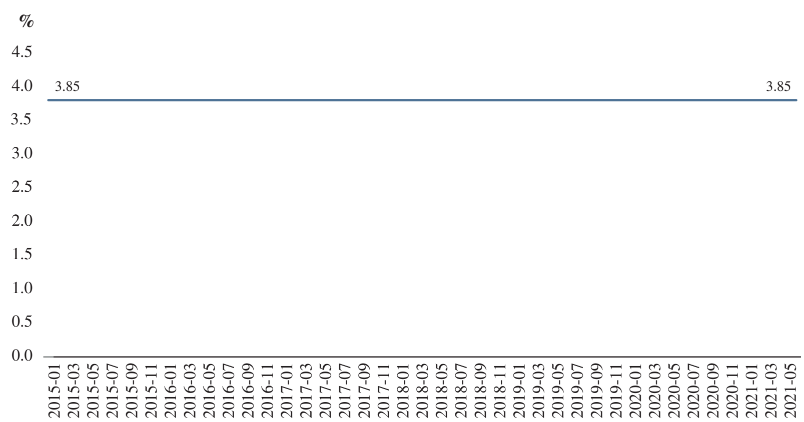
Technology accumulation and stable fleet customer base are the major barriers of commercial automobile IoV industry. IoV is knowledge-intensive industry which requires long-term and continuous investment into R&D, it may cost years for a company to realise substantial technology breakthrough. Hence market players with core technologies are usually well-positioned to further develop downstream customer especially large fleet customers in logistics industry for monetisation and then further strengthen market competitiveness.

Price trend of raw materials

The People's Bank of China's lending rates to financial institutions have maintained a very stable trend in recent years, with the 1-year lending rate at 3.85%. In 2020, China's economy was impacted by COVID-19 and currently the international political and economic environment is also uncertain.

To support the economy recovery and the sustainable development of SMEs, it is expected that the interest rate will remain stable in the coming 1 or 2 years.

One-year Loan Interest Rate of the People's Bank of China to Financial Institutions 2015-2021

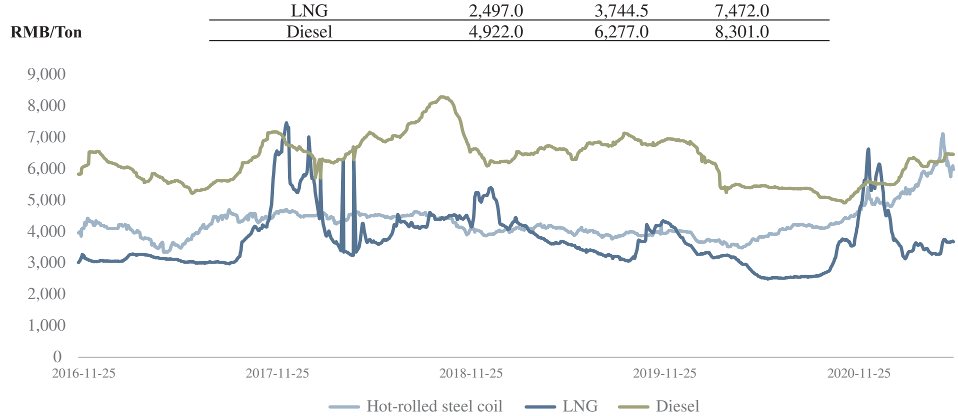


Source: People's Bank of China, Frost & Sullivan

Price of raw materials including Liquefied Natural Gas ("**LNG**") and Diesel fluctuated during the past several years mainly affected by supply and demand relationship. Among which, price of hot-rolled steel coil generally maintained an upward trend since 2016, which was mainly attributable to the reduce of excessive production capacity in steel industry promoted by the PRC government. It is expected that due to the continuous effort in reducing excessive production capacity in steel industry, the price of steel products will maintain a growth trend during the forecast period till 2025.

Price of Hot-rolled Steel Coil, LNG and Diesel in China, 2016-2021

Price	Min.	Average	Max.
Hot-rolled steel coil	3,340.0	4,282.0	7,120.0
LNG	2,497.0	3,744.5	7,472.0
Diesel	4,922.0	6,277.0	8,301.0



Source: Shanghai Futures Exchange, Shanghai Petroleum and Natural Gas Exchange, Frost & Sullivan

SOURCE OF INFORMATION

We had commissioned Frost & Sullivan to provide information on the relevant industry in the PRC. We had agreed to pay a fee of RMB580,000 to the Frost & Sullivan for the report. The Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in the PRC is expected to remain stable.

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the relevant industry in the PRC.

Our business has been and will continue to be governed in accordance with the relevant Chinese laws and regulations, which were promulgated and implemented by Chinese government authorities, including national and local laws and regulations related to logistics and supply chain business, supply chain financial services, IoV and data services. A summary of the regulatory and legal requirements currently related to the Company's business are set out in this section. As laws and regulations may change, it is difficult for us to predict the impact of such changes on our business and the additional compliance costs.

REGULATIONS REGARDING THE LOGISTICS AND SUPPLY CHAIN BUSINESS

Regulations Regarding Road Transport

According to the Law of the PRC on Road Traffic Safety* (《中華人民共和國道路交通安全法》) promulgated on 28 October 2003 and revised and taking effect respectively on 29 December 2007, 22 April 2011 and 29 April 2021 by the Standing Committee of the National People's Congress, the department for public security under the State Council shall be in charge of the administrative work for road traffic safety nationwide. The traffic control department of the public security organs under the local people's governments at or above the county level shall be in charge of the administrative work for road traffic safety within their respective administrative areas. The traffic control departments and the construction administration departments under the people's governments at or above the county level shall be in charge of relevant road traffic work in compliance with their respective duties. The PRC practices a registration system for motor vehicles. A motor vehicle shall be driven on roads only after it is registered with the traffic control department of a public security agency/authority. Where a motor vehicle is not yet registered but needs to be driven on roads temporarily, a temporary pass shall be obtained. Motor vehicles permitted for registration shall conform to the PRC safety and technical standards applicable to them. A motor vehicle shall undergo safety and technical inspection when an application for registration is submitted. However, with respect to those models of motor vehicles which are manufactured by enterprises approved by the government department responsible for motor vehicle products under the PRC safety and technical standards for motor vehicles, if the new vehicles of such models meet the said standards upon inspection conducted before they leave the plant and the quality inspection certificates are granted, they shall be exempted from safety and technical inspection.

According to the Regulation of the PRC on Road Transport* (《中華人民共和國道路運輸條例》) promulgated by the State Council on 30 April 2004 and revised on 9 November 2012, 6 February 2016, and 2 March 2019 respectively, the transport administration department of the State Council is in charge of the road transport administration of the whole country. The administrative department of transport of the people's government at the county level or above is responsible for organising and leading the road transport administration within its own administrative area. The road transport administrative department at or above the county level is responsible for carrying out the specific administration work in relation to road transport. Anyone who wishes to engage in freight transport business shall: (i) have vehicles that can meet the demand of its business operations and that have passed inspection, (ii) have drivers that meet the requirements as described in the present regulation, and (iii) have internal controls regarding safe operations. The road transport administrative department will issue a road transport business operation licence upon receipt of the application and granting permission thereof. Anyone who fails to obtain the road transport business operation licence and engages in road transport operations without authorisation will be in violation of the provisions of the Regulation, and the road transport administrative department at or above the county level shall order the person to cease his operations. If there is illegal income, the road transport administrative department at or above the county level shall confiscate his illegal income and may concurrently impose a fine of not less than two times, but not more than ten times the value of the illegal income. If there is no illegal income or the illegal income is less than RMB20,000, the road transport administrative department at or above the county level shall impose a fine of not less than RMB30,000, but not more than RMB100,000. If the case constitutes a crime, the person shall be investigated for criminal liabilities according to law.

According to the Provisions on the Administration of Road Freight Transport and Stations (Sites)* (《道路貨物運輸及站場管理規定》) (Jiao Tong Yun Shu Bu Ling [2019] No. 17) promulgated by the Ministry of Transport on 16 June 2005 and revised on 23 July 2008, 20 April 2009, 14 March 2012, 11 April 2016 and 20 June 2019 respectively, the Ministry of Transport shall be responsible for the management of road freight transport and road freight transport stations throughout the country. The transport administrative departments of the people's governments at or above the county level shall be responsible for organising and leading the management of road freight transport and road freight transport stations within their respective administrative areas. The road transport administrative departments at or above the county level shall execute the management of road freight transport and road freight transport stations within their respective administrative areas. Anyone applying to engage in the business of road freight transport shall meet the following conditions: (i) having freight vehicles that can meet the demand of business operations and that stand upon testing, (ii) having qualified drivers, and (iii) having sound health and Safety Rules including but not limited to. Anyone applying to engage in the business of road freight transport stations shall meet the following requirements: (i) having road freight transport station, control office, information management centre, warehouse, storage room or booth, road and other facilities that the project completion verification and acceptance approved by the relevant department upon object completion, (ii) Having safety, fire control, loading and unloading, telecommunication and measurement equipment that can meet the demand of its business scale, (iii) Having managerial personnel and professional personnel that can meet the demand of its scale and type of business, and (iv) Having sound business operating procedures and rules and bylaws regarding work safety. The road transport administrative departments shall, in accordance with the Regulation of the PRC on Road Transport, the Provisions on the Procedures for the Implementation of Communications Administrative Licence and the procedures as specified in the Provisions, grant the administrative licence to business operations of road freight transport and road freight transport stations. Anyone who violates the Provisions and commits any of the following acts shall be ordered by the road transport administrative department at or above the county level to cease his operations: (i) failure to obtain the permit for road freight transport business in accordance with the Provisions but engaging in business operations of road freight transport without authorisation, (ii) engaging in business operations of road freight transport with invalid permits for road transport business such as forged, mutilated, or canceled permits, and (iii) engaging in business operations of road freight transport beyond the scope of authorisation. If there is illegal income, the road transport administrative department at or above the county level shall confiscate his illegal income and may concurrently impose a fine of not less than two times, but not more than ten times the value of the illegal income. If there is no illegal income or the illegal income is less than RMB20,000, the road transport administrative department at or above the county level shall impose a fine of not less than RMB30,000, but not more than RMB100,000. If the case constitutes a crime, the person shall be investigated for criminal liabilities according to law.

According to the Notice on the Printing and Distribution of the Work Plan for the Treatment of Vehicle Transporters* (《關於印發<車輛運輸車治理工作方案>的通知》) (Jiao Ban Yun [2016] No. 107) promulgated by the Ministry of Transport, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ) (abolished) and which took effect on 10 August 2016, the transport administrative departments at the provincial level shall, in conjunction with the administrative departments for industry and information technology and the traffic control departments of the public security organs, order passenger car manufacturers and automobile logistics companies to max loading capacity, revise transport plans, negotiate freight rates, and adjust transport contracts according to the max loading capacity requirements of this Notice. Automobile logistics companies shall phase out non-compliant vehicles or convert them into vehicles that meet standards as soon as possible, scientifically formulate vehicle renewal and purchase plans, strengthen driver education and management, and earnestly assume their principal responsibilities for work safety.

According to the Notice on Bettering the Governance of Vehicle Transportation* (《關於進一步做好車輛運輸車治理工作的通知》) (Jiao Ban Yun Han [2016] No. 1034) promulgated by the Ministry of Transport and taking effect on 13 September 2016, the transport administrative departments at the provincial level shall, in conjunction with the local administrative departments for industry and information technology and the local traffic control departments of the public security organs, carry out on-site supervision and inspection on key passenger car manufacturers and automobile logistics companies within their jurisdictions. They shall urge passenger car manufacturers to adjust transport prices and contracts in a timely manner as required by the notice, optimise the layout of vehicle production and sales networks, and load and transport according to law. They shall urge automobile logistics companies to complete the rectification of "vehicles with double-row benches", optimise the transport organisation model, take advantages of integrated transport, alleviate the impact of reduced transport capacity and increased freight rates in a timely manner, and complete vehicle renewal and replacement as required.

According to the Notice of the General Office of the Ministry of Transport on Further Strengthening the Monitoring of the Informatisation of Road Freight Transport on Network Platforms* (《交通運輸部辦公廳關於進一步做好網絡平台道路貨物運輸信息化監測工作的通知》) (Jiao Ban Yun Han [2020] No. 1520) promulgated by the Ministry of Transport and taking effect on 19 September 2020, the transport administrative departments at the provincial level shall actively take vigorous measures to guide and regulate the development of new forms of road freight transport on network platforms, in accordance with the plan of promoting the development of road freight transport on network platforms. According to the Notice of the Ministry of Transport and the State Taxation Administration on Printing and Distributing the Interim Measures for the Operation and Management of Road Freight Transport on Network Platforms* (《交通運輸部國家稅務總局關於印發<網絡平台道路貨物運輸經營管理暫行辦法>》) (Jiao Yun Gui [2019] No. 12) and the Notice of the General Office of the Ministry of Transport on Printing and Distributing Three Guides including the <Guide for the Operating Service of Road Freight Transport on Network Platforms>* (《交通運輸部辦公廳關於印發<網絡平台道路貨物運輸經營服務指南>等三個指南的通知》) (Jiao Ban Yun Han [2019] No. 1391), the transport administrative departments at the provincial level shall accelerate the construction of a provincial-level network freight monitoring system, further improve the comparison and verification functions of monitoring systems, refine the rules of logical comparison between the data items in the waybill and the detailed transactional records in the bank statements, and see that the logical relationship of the data items is reasonable. The transport administrative departments at the provincial level shall, by analysing and comparing the network freight big data, strengthen multi-dimensional closed-loop monitoring and avoid purposeful or replacement misfiling of information, missing documents, and uploading false documents, to effectively improve the quality of network freight monitoring data. According to the Regulations on Road Freight Transport and Station Management* (《道路貨物運輸及站場管理規定》), Regulations on the Management of Road Transport Practitioners* (《道路運輸從業人員管理規定》), Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》), and other rules and regulations, if an network freight enterprise has abnormal qualification, abnormal network access, abnormal trajectory, abnormal fund payment, out-of-range operation, over-limit and overloaded transport, and other abnormalities, the network freight enterprise will be investigated and prosecuted according to law. Relying on the statistical data of the Ministry's network freight information interaction system, the transport administrative departments at the provincial level shall conduct a comprehensive evaluation of the supervision of network freight in each province on a quarterly basis, and make public the evaluation results in a proper way. The transport administrative departments at the provincial level shall formulate an evaluation index system that adapts to local conditions of each province with reference to the Index System for Monitoring and Evaluating the Informatization of Network Freight* (《網絡貨運信息化監測評估指標體系》). They shall conduct a systematic evaluation of the network freight operation of the each province, perfect the relevant credit evaluation mechanism, and urge the standardisation of operation of network freight enterprises. With respect to transport, network freight operators must conduct an annual review of the qualifications of the actual carriers and drivers involved in freight transport, to see that the actual carrier's qualifications are legal and effective and the transport vehicles and drivers are consistent with online records and offline. With respect to tax planning, the operations of network freight operators shall comply with the requirements of the relevant regulations of the State Administration of Taxation; and network freight operators shall not engage in over-limit and overloaded freight transport, nor fabricate transport transactions or arbitrarily issue invoices to deduct taxes. For instance, network freight operators shall implement real-time monitoring and dynamic management of the trajectory and transaction settlement of actual transport vehicles throughout the whole process of freight transport.

REGULATIONS REGARDING AUTOMOBILE SALES AND AUTOMOBILE AFTERMARKETS

According to the Regulations on the Technical Management of Road Transportation Automobiles* (《道路運輸車輛技術管理規定》) (Jiao Tong Yun Shu Bu Ling [2019] No. 19) issued by the Ministry of Transport on 22 January 2016 and revised and taking effect on 21 June 2019, road transport operators shall establish a vehicle maintenance system. Vehicle maintenance is classified into routine maintenance, primary maintenance, and secondary maintenance. Drivers shall perform routine maintenance, and road transport operators shall organise and perform primary and secondary maintenance and keep record of such maintenance. These regulations make it explicit that road transport operators shall perform secondary maintenance on their own automobiles, to see that the automobiles put into operation meet the technical management requirements, and will not require additional quality inspections. Road transport operators who are not capable of performing secondary maintenance may entrust a motor vehicle maintenance operator of Class II or above to do so. After completing the secondary maintenance, the motor vehicle maintenance operator shall issue the factory certificate of secondary maintenance.

According to the Law of the PRC on Protection of the Rights and Interests of the Consumers* (《中華人民共和國消費者權益保護法》) promulgated by the Standing Committee of the National People's Congress on 31 October 1993, revised on 27 August 2009 and 25 October 2013, and taking effect on 15 March 2014, in purchasing and utilising commodities or accepting services, the consumers enjoy the inviolable right of the personal and property safety. The consumers have the right to demand the commodities or services provided by the operators accord with the requirements of ensuring the personal and property safety. Industrial and commercial administration departments of the people's governments at various levels and other relevant administrative departments shall, in accordance with the provisions of laws and regulations and within their respective scopes of functions and duties, adopt measures to protect the lawful rights and interests of the consumers.

REGULATIONS REGARDING THE SUPPLY CHAIN FINANCIAL SERVICE

Regulations Regarding Financial Leasing

Pursuant to the Notice on Issues Relating to Undertaking Financial Leasing Business*《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》(Shang Jian Fa [2004] No. 560) issued by MOFCOM and SAT on 22 October 2004, the registered capital of domestic leasing enterprise established before (including) 31 August 2001 shall be no less than RMB40.0 million; the registered capital of domestic leasing enterprise established between 1 September 2001 and 31 December 2003 shall be no less than RMB170.0 million.

The Ministry of Commerce promulgated the Administrative Measures on Supervision of Financial Leasing Enterprises* (《融資租賃企業監督管理辦法》) ((Shang Liu Tong Fa [2013] No. 337) "Financial Leasing Enterprise Measures") on 18 September 2013, which took effect on 1 October 2013, to strengthen the supervision of the financial leasing industry, regulate the operation behaviour of finance leasing companies, prevent industry risks, and promote the healthy and orderly development of the financial leasing industry. Pursuant to the Financial Leasing Enterprise Measures, finance leasing companies may, by observing the requirements of relevant laws, rules and regulations, carry out the financial leasing business in the forms of direct leasing, subleasing, leaseback, leveraged leasing, entrusted leasing, and joint leasing. Financial leasing companies shall establish and perfect their financial and internal risk control systems, and the risk assets of financial leasing companies shall not exceed the total sum of net assets by ten-fold. Risk assets usually refer to the total adjusted assets of financial leasing companies excluding cash, bank deposits, sovereign bonds, and entrusted assets. Financial leasing companies shall operate their financial leasing business with the leased property that has clear indication of ownership, genuine existence and capable of generating income. Financial leasing companies are prohibited from engaging in financial businesses such as absorbing deposits and providing loans or entrusted loans, and without the approval of relevant authorities, shall not engage in inter-bank lending and other businesses. In addition, financial leasing companies shall not carry out illegal fundraising activities in the name of financial leasing.

The State Council issued the Guiding Opinions of the General Office of the State Council on Accelerating Development of the Financial Leasing Industry* (《國務院辦公廳關於加快融資租賃業發展的指導意見》) (Guo Ban Fa [2015] No. 68) on 31 August 2015 (taking effect in the same month), to further accelerate development of the financial leasing industry, and to better bring into play the role of financial leasing in serving the development of the real economy and promoting the stable growth, transformation and upgrading of the economy. The Guiding Opinions make it explicit that it is necessary to move forward the streamlining of administration and decentralisation in the financial leasing industry, straighten out the industry management system and improve the management system in related fields, and promote the innovative business model of integrating financial leasing companies and the Internet. It is also necessary to further strengthen the operational and post-operational oversight of financial leasing.

According to the Notice by the General Office of the Ministry of Commerce of Matters concerning the Adjustments to the Duties of Administration of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops* (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》) (Shang Ban Liu Tong Han [2018] No. 165) promulgated by the Ministry of Commerce on 8 May 2018 (taking effect in the same month), the Ministry of Commerce has transferred the duties of developing business operation and supervision rules for financial leasing companies, commercial factoring companies and pawnshops to the China Bank and Insurance Regulatory Commission (hereinafter referred to as "CBIRC"), and, from 20 April 2018, the relevant duties shall be performed by the CBIRC.

The CBIRC promulgated the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (《融資租賃公司監督管理暫行辦法》) ((Yin Bao Jian Fa [2020] No. 22) "Interim Measures for Financial Leasing") on 26 May 2020, for the purposes of directing financial leasing companies' business operation in compliance with laws and regulations and promoting the regulated development of the financial leasing industry. For the purposes of the Interim Measures for Financial Leasing, the financial leasing business means the transaction activity in which a lessor purchases a leased property from a seller and provides it for a lessee who pays rents according to the lessee' selection of seller and leased property. A financial leasing company shall not carry out any of the following business or activities: (i) illegally raising funds, and absorbing deposits directly or in disguised form, (ii) granting loans directly or as entrusted, (iii) lending funds to any other financial leasing company directly or in disguised form, (iv) financing or transferring assets through an online loan information intermediary or a privately offered investment fund, and (v) other business or activities prohibited by laws and regulations, the CBIRC and the local financial regulatory departments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC (hereinafter referred to as the "Provincial Level"). The Interim Measures for Financial Leasing stipulate that the share of financial leasing and other leasing assets of financial leasing companies shall not be less than 60% of total assets; the total sum of risk assets of financial leasing companies shall not exceed net assets by eight times; the fixed income securities investment operations of financial leasing companies shall not exceed 20% of net assets. Financial leasing companies should also strengthen the management of key lessees, control the proportion of businesses with a single lessee and lessees that are related parties to effectively prevent and diversify business risks. The Interim Measures for Financial Leasing also stipulate that the provincial people's government is responsible for formulating policies and measures to boost the development of the financial leasing industry in the region, supervising and managing financial leasing companies, and dealing with the risks faced by financial leasing companies. The local financial regulatory departments at the Provincial Level are specifically responsible for the supervision and management of financial leasing companies in the region.

REGULATIONS ON MORTGAGE REGISTRATION OF MOVABLE PROPERTY IN FINANCIAL LEASING

Pursuant to the Article 394 of the Civil Code of the PRC* (《中華人民共和國民法典》) promulgated by the National People's Congress on 28 May 2020 and taking effect on 1 January 2021, In the event that a debtor or a third party mortgage his property to the creditor without assigning the possession of such property in order to ensure the payment of debts, if the debtor fails to pay due debts or any circumstance as stipulated by the parties for realizing the mortgage occurs, the creditor has the right to seek preferred payments from such property. And the Article 403 stipulates that the mortgage of movable property shall be established from the effective date of the mortgage contract; without registration, the parties shall not challenge any bona fide third party.

Pursuant to the Article 54 of Interpretation of Supreme People's Court on Application of the Security System under the Civil Code of the PRC* (《最高人民法院關於適用<中華人民共和國民法典>有關擔保制度的解釋》) (Fa Shi [2020] No. 28) promulgated by the Supreme People's Court on 31 December 2020 and taking effect on 1 January 2021, where no registration of mortgage is made after a contract for mortgage of movables is concluded, the validity of the right to mortgage the movables shall be respectively determined according to the following circumstances: (1) where the mortgagor has transferred the mortgaged property, and after the transferee has occupied the mortgaged property, the mortgagee requests the transferee to exercise his mortgage right, the people's court shall not support such request, unless the mortgagee can provide evidence to prove that the transferee knows or should have known that the mortgage contract has been concluded; (2) where the mortgagor leases the mortgaged property to another person and transfers the possession of the property, and the mortgagee exercises his mortgage right, the leasehold relation shall not be affected, unless the mortgagee can provide evidence to prove that the lessee knows or ought to know that the mortgage contract has been concluded; (3) where other creditors of the mortgagor apply to the people's court for preservation or enforcement of the mortgaged property, and the people's court has made a ruling on property preservation or taken enforcement measures, if the mortgagee claims that he shall enjoy priority in payment with the mortgaged property, the people's court shall not support such claim; or (4) where the mortgagor goes bankrupt, and the mortgagee claims that he shall enjoy priority in payment with the mortgaged property, the people's court shall not support such claim. And the article 67 stipulates that the scope and effectiveness of a "bona fide third party" in a contract for retention of ownership sale or finance lease, etc., in which the ownership of the seller and the lessor cannot be challenged without registration, shall be determined by reference to the provisions of Article 54 of this Interpretation.

REGULATIONS REGARDING COMMERCIAL FACTORING

According to the Notice of the General Office of the Ministry of Commerce on Bettering the Management of the Commercial Factoring Industry* (《商務部辦公廳關於做好商業保理行業管理工作的通知》) (Shang Ban Zhi Han [2013] No. 718) issued by the Ministry of Commerce and taking effect on 15 August 2013, the competent commercial authorities in pilot areas shall establish a major event reporting system, and require commercial factoring companies in the region to log in to the information system to report the following events within five working days after the occurrence thereof: (i) changes to substantial shareholders with a shareholding in excess of 5%, (ii) significant connected transactions with the single amount exceeding 5% of net assets, (iii) significant debt with the single amount exceeding 10% of net assets, (iv) contingent liabilities with the single amount exceeding 20% of net assets, (v) significant loss or liability for compensation exceeding 10% of net assets, (vi) changes to the chairman of the board, the general manager and other senior management, (vii) capital reduction, merger, division, dissolution, and filing for bankruptcy, and (viii) material pending litigations and arbitration. The notice stipulates that the general managers of commercial factoring companies are the persons primarily responsible for major event reporting, who are also responsible for the authenticity, completeness, accuracy, and timeliness of the major event information. Commercial factoring companies shall also appoint contact persons to be specifically responsible for reporting on major events. The provincial competent commercial authorities in pilot areas shall establish a major event notification system, to facilitate the notification of changes in major events of commercial factoring companies to relevant departments and financial institutions in time.

According to the Notice of the General Office of the CBIRC on Strengthening the Supervision and Management of Commercial Factoring Enterprises* (《中國銀保監會辦公廳關於加強商業保理企業監督管理的通知》) issued by the CBIRC on 18 October 2019 and revised and taking effect on 21 June 2021, commercial factoring enterprises shall comply with the following regulatory requirements: The accounts receivable transferred from the same debtor shall not exceed 50% of the total risk assets; the accounts receivable transferred from the affiliated enterprise as the debtor shall not exceed 40% of the total risk assets; the factoring financing funds that have not been recovered or realised overdue for more than 90 days shall be included in the management of non-performing assets; the accrued risk reserves shall not be less than 1% of the ending balance of the financing factoring business; and the risk assets shall not exceed net assets by ten times. At the same time, commercial factoring enterprises shall not engage in the following behaviours or business operations: (i) absorbing public deposits directly or in disguised form, (ii) financing through online loan information intermediaries, various local trading venues, asset management institutions, privately offered investment funds, and other organisations, (iii) lending funds to any other commercial factoring enterprise directly or in disguised form, (iv) granting loans directly or as entrusted, (v) specialising in or being entrusted to carry out collection business and debt collection business unrelated to commercial factoring, (vi) carrying out the factoring financing business based on illegal business contracts, consignment contracts, accounts receivable with unclear indication of ownership, or right to claim a payment resulting from bills or other marketable securities, and (vii) other activities that shall not be conducted as prescribed by the state.

REGULATIONS REGARDING LOCAL FINANCIAL REGULATION

According to the Regulations of Shanghai Municipality on Local Financial Regulation* (《上海市地方金融監督管理條例》) ("**Shanghai Financial Regulations**") promulgated by the Standing Committee of Shanghai Municipality on 10 April 2020 and taking effect on 1 July 2020, to form a local financial institution in Shanghai, an applicant shall apply for a permit or the qualification for the pilot programme according to the provisions of the state. Local financial organisations includes petty loan companies, financing guarantee companies, regional equity markets, pawnshops, financing lease companies, commercial factoring companies and local asset management companies, as well as other organisations of financial nature under the supervision and administration of local people's governments as prescribed by laws and administrative regulations or authorised by the State Council. The Shanghai Financial Regulations make it explicit that local financial organisations shall regulate operations according to law and strictly prevent risks and are prohibited from conducting the following activities: (i) absorbing deposits directly or in disguised form, (ii) lending or leasing licences or pilot documents, (iii) illegal investment as entrusted, or granting loans directly or as entrusted, and (iv) other activities prohibited by the state and this city. The Shanghai Financial Regulations also make it explicit that local financial organisations shall assume primary responsibilities for risk events in business activities, and shall promptly take measures to deal with risk events at the time of occurrence and report the events to local financial administration authorities. When a company operates businesses related to financial leasing and commercial factoring, it shall observe the Shanghai Financial Regulations and other local regulations.

According to the Notice on Promulgation of the Interim Measures for the Supervision and Administration of Commercial Factoring Companies in Shanghai* (《關於印發<上海商業保理公司監督管理暫行辦法>的通知》) issued by the Shanghai Municipal Financial Regulatory Bureau on 3 November 2020 and taking effect on 1 January 2021, For application for establishment of a commercial factoring company in Shanghai and launch of commercial factoring business on a pilot basis, the registered capital shall not be less than 50 million yuan (or equivalent foreign currency), all capital contributions shall be made in monetary funds, and there is a specific and reasonable paid-up plan. A commercial factoring company shall comply with the following requirements in carrying out business activities prudently and effectively strengthen business risk management: (i) the amount of receivables transferred from the same debtor shall not exceed 50% of the total amount of risky assets; (ii) the amount of receivables transferred from its affiliate as the debtor shall not exceed 40% of the total amount of risky assets; (iii) the factoring financing funds that are overdue for 90 days or have not been recovered or realised shall be included in non-performing assets for management; (iv) it shall follow the principle of prudent operation and establish a system for accrual of risk reserves for asset losses; the accrued risk reserves shall not be less than 1% of the ending balance of the financing factoring business; and (v) the risky assets shall not exceed 10 times of its net assets.

According to the Interim Measures for the Supervision and Management of Financial Leasing Companies in Shanghai (《上海市融資租賃公司監督管理暫行辦法》) ("Shanghai Financial Leasing Measures") issued by the Shanghai Municipal Financial Regulatory Bureau on 26 July 2021 and taking effect on 1 October 2021, the following conditions shall be met for financial leasing companies established in Shanghai: (i) the registered capital shall not be less than RMB170.0 million (or an equivalent amount in foreign currency) and contributed in the form of monetary funds, and there shall be clear and reasonable actual contribution plans. (ii) a sound main internal control systems for the articles of association, financial management, and risk control shall be established, (iii) there shall be a clear development strategy and a clear profit and risk control model, (iv) shareholders shall be enterprise legal persons or other economic organisations (controlling shareholders are generally the legal persons that have been established for one year. Where eligible investors invest and establish financial leasing companies through their wholly-owned subsidiaries, the relevant subsidiaries are not required to exist for one year) with good credit and no major violations of laws and regulations or major bad credit records in the past three years, (v) shareholders' contributed capital shall be their own monetary capital that is obtained from true and legal sources ; and controlling shareholders shall be in good financial condition and possess the capital strength and fund resources required for operating the financial leasing business, (vi) controlling shareholders (or actual controllers) shall undertake not to transfer the equity (shares) held directly or in disguised form within three years (other shareholders undertake within one year), which shall be stated in the articles of association of financial leasing companies, (vii) proposed directors, supervisors and senior management shall have good credit, necessary professional background and related experience and no major violations of laws and regulations or major bad credit records in the past three years, and at least one of the proposed senior management is a professional who is familiar with risk control and compliance management; and (viii) other conditions as stipulated by the national financial regulatory authorities. The Shanghai Financial Leasing Measures also stipulate that a financial leasing company shall not carry out any of the following business or activities: (i) illegally raising funds, and absorbing deposits directly or in disguised form, (ii) granting loans directly or as entrusted, (iii) lending funds to any other financial leasing company directly or in disguised form, (iv) financing or transferring assets through online loan information intermediaries, various local trading venues, unlicensed asset management institutions, and privately offered investment funds (other than equity financing carried out according to law, and unless otherwise specified by the state and this city), (v) lending or leasing qualifications for financial leasing, (vi) collecting debt or disposing of leaseholds using violence or by other illegal means, and (vii) other business activities prohibited by laws and regulations and industry regulations, the CBIRC and the local financial regulatory departments of provinces, autonomous regions and municipalities directly under the Central Government. In addition, the business regulation indicators of financial leasing companies as stipulated in the Shanghai Financial Leasing Measures are the same as those in the Interim Measures for Financial Leasing.

Article 595 of PRC Civil Code states that "A sales contract is a contract whereby the seller transfers the ownership of a subject matter to the purchaser, and the purchaser pays the price for it". Article 1 of Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Hearing of Private Lending Cases (Revised for the Second Time in 2020) ("**Provisions of the Supreme People's Court**") states that "the term 'private lending' refers to the act of financing between natural persons, legal persons and unincorporated associations" and Article 10 states "In the case of a private lending contract concluded between legal persons, between unincorporated associations or between a legal person and an unincorporated association for the purpose of production or business operation, if the party claims the validity of the private lending contract, the People's Court shall uphold such claim unless circumstances provided in Article 146, 153 or 154 of the Civil Code or Article 13 of these Provisions exist."

REGULATIONS REGARDING INSURANCE BROKERAGE

According to the Provisions on the Supervision and Administration of Insurance Brokers* (《保險經紀人監管規定》) (Bao Jian Hui Ling [2018] No. 3) promulgated by the China Insurance Regulatory Commission (abolished) on 1 February 2018 and taking effect on 1 May 2018, to engage in insurance brokerage business within the territory of the PRC, an insurance brokerage company shall satisfy the requirements prescribed by the China Insurance Regulatory Commission and obtain an insurance brokerage business licence (hereafter referred to as "Licence"). To engage in the insurance brokerage business, an insurance brokerage company shall meet the following conditions: (i) Its shareholders satisfy the requirements of the provisions and make contribution with self-owned, true and legal funds, other than bank loans or any other form of non-self-owned capital, (ii) Its registered capital satisfies the requirements of Article 10 of the provisions and is under custody according to the relevant provisions issued by the CIRC, (iii) The business scope recorded in its business licence complies with the relevant provisions issued by the CIRC, (iv) Its articles of association comply with the relevant provisions; (v) Its name satisfies the requirements of the Provisions, (vi) Its senior executives meet the office qualifications as set forth in the provisions, (vii) It has a governance structure and internal control system in compliance with the provisions issued by the CIRC, and a scientific and reasonable business model, (viii) It has a fixed domicile suitable for its scale of business, (ix) It has business and financial information management systems in compliance with the provisions issued by the CIRC, and (x) Other conditions as set forth in laws, administrative regulations, and the provisions issued by the CIRC. The minimum registered capital of an insurance brokerage company that conducts business in regions not limited to the province, autonomous region, municipality directly under the Central Government or city under separate state planning where its industrial and commercial registration formalities are undergone shall be RMB50.0 million. The minimum registered capital of an insurance brokerage company that conducts business in the province, autonomous region, municipality directly under the Central Government or city under separate state planning where its industrial and commercial registration formalities are undergone shall be RMB10.0 million. The registered capital of an insurance brokerage company must be paid-in monetary capital. The validity period of the licence used by an insurance brokerage company to operate the insurance brokerage business is three years. The insurance brokerage company shall apply to the delegated institution of the CSRC for the renewal of the licence 30 days before the expiration of the licence.

REGULATIONS REGARDING IOV AND DATA SERVICE

According to the Notice on Strengthening the Dynamic Supervision of Road Transportation Automobiles* (《關於加強道路運輸車輛動態監管工作的通知》) (Jiao Yun Fa [2011] No. 80) issued by the Ministry of Transport, the Ministry of Public Security, the State Administration of Work Safety (SAWS) (abolished), and the Ministry of Industry and Information Technology and taking effect on 19 March 2011, all "chartered buses engaged in tourism, regular passenger buses of Class III or higher, and special road automobiles for transporting hazardous chemicals, fireworks, and civil explosives" must be equipped with satellite positioning devices with driving record functions before 31 December 2011. The Notice also stipulates that road transport enterprises shall further undertake the primary responsibilities for work safety and effectively strengthen the dynamic monitoring of their vehicles. The major persons-in-charge of the enterprises shall be fully responsible for the dynamic monitoring of the vehicles of the enterprises.

According to the Opinions of the State Council on Strengthening Road Traffic Safety* (《國務院關於加強道路交通安全工作的意見》) (Guo Fa [2012] No. 30) issued by the State Council and taking effect on 22 July 2012, heavy-loaded cargo-carriage automobiles and semi-trailer towing automobiles shall be pre-installed with satellite positioning devices and connected to the public regulation and service platform of road transportation automobiles. Transport enterprises shall implement the primary responsibilities for security monitoring and effectively strengthen the dynamic supervision of their vehicles and drivers, to ensure that the on-board satellite positioning devices operate properly and ensure effective monitoring.

According to the Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》) promulgated by the Ministry of Transport, the Ministry of Public Security, and the State Administration of Work Safety (SAWS) (abolished) in January 2014 and revised on 20 April 2016 and taking effect on 14 February 2022, heavy-loaded cargo-unloading automobiles and semi-trailer towing automobiles shall be pre-installed with satellite positioning devices that meet the relevant standards and connected to the national public regulation and service platform of road transportation automobiles (hereinafter referred to as "Public Platform of Road Transportation Automobiles"). The road transport authority will not issue or grant the Road Transport Licence* (道路運輸證) to automobiles that are not installed with satellite positioning devices as required or those that are installed with satellite positioning devices which cannot be normally displayed in the interconnected and joint control system (namely, heavy-loaded cargo-unloading automobiles and semi-trailer towing automobiles are not connected to Public Platform of Road Transportation Automobiles).

According to the Notice of the Ministry of Industry and Information Technology on Further Strengthening the Safety Supervision of the Promotion and Application of New Energy Vehicles* (《工業和信息化部關於進一步做好新能源汽車推廣應用安全監管工作的通知》) (Gong Xin Bu Zhuang [2016] No. 377) issued by the Ministry of Industry and Information Technology and taking effect on 11 November 2016, Production enterprises shall establish and improve their new energy vehicle enterprise monitoring platform, maintain full communication with users, and sign confidentiality agreements with users according to its provision of establishment sound enterprise monitoring platform. Since 1 January 2017, vehicle terminals shall be installed to all new energy vehicles newly manufactured, and the operational safety status of vehicles and key systems such as power batteries shall be monitored and managed through the enterprise monitoring platform. According to the Technical Specifications of Remote Service and Management System for Electric Vehicles* (《電動汽車遠程服務與管理系統技術規範》) (GB/T 32960), the information about the safety status of vehicles in the public service sector shall be uploaded to the local monitoring platform.

According to the Guideline for Developing National Internet of Vehicles Industry Standard System (Electronic Products and Services)* (《國家車聯網產業標準體系建設指南(電子產品和服務)》) issued by the Ministry of Industry and Information Technology and the Standardisation Administration on 8 June 2018, it mainly aims at the standardisation of automotive electronic products, in-vehicle information systems, and in-vehicle information services and platforms that underpin the IoV industry chain, and clarifies the development direction of standardisation of IoV electronic products and in-vehicle information services. IoV electronic products and services include basic products, terminals, networks, platforms, and services. Basic products and terminals collect and acquire intelligent information of vehicles, and perceive and respond to driving status and environment, enabling the realisation of in-vehicle information services, including traffic information, navigation service, entertainment information, security situation, online business, emission information, remote control, vehicle configuration, inspection and maintenance.

According to Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018)* (《重型柴油車污染物排放限值及測量方法(中國第六階段)》(GB 17691-2018)) jointly issued by the Ministry of Ecology and Environment and the State Administration for Market Regulation on 22 June 2018 and effective on 1 July 2019, from 1 July 2019, all gas – fired automobiles which are manufactured, imported, sold and registered should meet the requirements in the above regulation; From 1 July 2020, all urban automobiles which are manufactured, imported, sold and registered should meet the requirements in the above regulation; From 1 July 2021, all the diesel vehicles which are manufactured, imported, sold and registered should meet the requirements in the above regulation.

OTHER REGULATIONS REGARDING THE DAILY OPERATION OF THE COMPANY

REGULATIONS REGARDING THE VALUE-ADDED TELECOMMUNICATIONS BUSINESS

According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) issued by the State Council on 25 September 2000 and revised and taking effect on 29 July 2014 and 6 February 2016, the State shall implement a licensing system for the operation of telecommunications businesses, pursuant to which telecommunications businesses shall be divided into categories. Operators of telecommunications businesses must obtain operating permits for telecommunications businesses issued by the supervisory department for the information industry under the State Council or the telecommunications administration authorities of provinces, autonomous regions and municipalities under the central government in accordance with the provisions of these regulations. No organisations or individuals may undertake telecommunications business operation activities without an operating permit. An applicant for operating a value-added telecommunications business shall submit its application to the supervisory department for the information industry under the State Council or the telecommunications administration authority of the province, autonomous region or municipality directly under the central government.

According to the Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》) issued by the State Council on 25 September 2000 and revised and taking effect on 8 January 2011, the State implements a permit system in respect of operational Internet information services and a filing system in respect of non-operational Internet information services. Engaging in Internet information services without having obtained a permit or having carried out the filing procedures is prohibited. To engage in operational Internet information services, an application shall be made to the telecommunications administration authority of a province, autonomous region or municipality directly under the central government or the supervisory department for the information industry under the State Council to obtain an operating permit for Internet information services, which is a value-added telecommunications business (hereinafter referred to as the "operating permit"). The telecommunications administration authority of the province, autonomous region or municipality directly under the central government or the supervisory department for the information industry under the State Council shall complete the examination within 60 days from the date of receipt of the application and issue a decision approving or rejecting the application. If approval is granted, an operating permit will be issued. If approval is refused, a written notice with an explanation of the reasons will be issued.

REGULATIONS REGARDING TORT LIABILITY

Pursuant to Chapter V (Liability for Motor Vehicle Accidents) of Part VII of the Civil Code of the PRC* (《中華人民共和國民法典》) promulgated by the National People's Congress on 28 May 2020 and taking effect on 1 January 2021, where the owner, manager, or user of a motor vehicle are not the same person in leasing, borrowing, or the other like situations, and a traffic accident occurs and causes damage to another person, the user of the motor vehicle shall bear the liability for compensation where the liability is attributed to the motor vehicle driver, and the owner or manager of the vehicle who is at fault shall assume the corresponding liability for compensation. Where damage is caused to another person as a result of a traffic accident and the liability is attributed to the motor vehicle driver, the insurer that underwrites the compulsory motor vehicle insurance shall make compensation within the limit of the insured liability. The deficiencies shall be paid by the insurer that underwrites the commercial motor vehicle insurance in accordance with the stipulations of the insurance contract. Any remaining balance or the part not covered by any commercial motor vehicle insurance shall be paid by the tortfeasor.

REGULATIONS REGARDING PRODUCT QUALITY AND WORK SAFETY

According to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and revised and taking effect respectively on 8 July 2000, 27 August 2009, and 29 December 2018, the department for supervision over product quality under the State Council shall be responsible for supervision over product quality throughout the country. Manufacturers and sellers shall establish and improve their internal system for product quality control, and strictly implement the quality control measures in each job responsibility. The relevant departments under the State Council shall be responsible for supervision over product quality within the scope of their respective functions and responsibilities. Local departments for supervision over product quality at or above the county level shall be in charge of supervision over product quality within their respective administrative regions. The relevant departments in the local people's governments at or above the county level shall be responsible for supervision over product quality within the scope of their respective functions and responsibilities.

According to the Law of the PRC on Work Safety* (《中華人民共和國安全生產法》) promulgated by the Standing Committee of the National People's Congress on 29 June 2002, revised respectively on 31 August 2014 and revised on 10 June 2021, and taking effect on 1 September 2021, production and business units shall abide by this law and other laws and regulations concerning work safety, redouble their efforts to ensure work safety by setting up and improving the responsibility system for work safety and improving the conditions for it, and promote the standard construction of work safety for the higher level of work safety to guarantee work safety. The department in charge of supervision and control over work safety under the State Council shall, in accordance with this law, exercise all-round supervision and control over work safety throughout the country. The departments in charge of supervision and control over work safety of local people's governments at or above the county level shall, in accordance with this law, exercise all-round supervision and control over work safety within their own administrative regions.

According to the Notice on Further Strengthening the Work Safety of Enterprises* (《關於進一步加強企業安全生產工作的通知》) (Guo Fa [2010] No. 23) issued by the State Council and taking effect on 19 July 2010, enterprises shall establish and improve the strict rules and regulations concerning work safety while insisting on "no production without safety conditions". Enterprises shall strengthen the supervision and inspection of the production site and strictly investigate and deal with "three violations", namely any command in violation of regulations, operations against rules, and violation of labour discipline. In case enterprises organise production beyond their capacity and in excess of the fixed number of employees, the enterprises may be ordered to stop production and work until the violation is rectified, and an economic penalty of the prescribed upper limit according to law will be imposed on the enterprises and their major persons-in-charge.

REGULATIONS REGARDING ANTI-MONEY LAUNDERING

According to the Anti-Money Laundering Law of the PRC* (《中華人民共和國反洗錢法》) promulgated by the Standing Committee of the National People's Congress on 31 October 2006 and taking effect on 1 January 2007, the administrative department in charge of anti-money laundering under the State Council shall organise and coordinate the efforts of anti-money laundering throughout the country, and it shall be responsible for monitoring the anti-money laundering funds, formulate, by itself or in conjunction with the relevant financial regulatory body under the State Council, anti-money laundering rules for financial institutions, conduct supervision over and inspection of the financial institutions as to how they perform their obligation of anti-money laundering, investigate into dubious transactions within the scope of its duties, and perform other duties for anti-money laundering as prescribed by law and by the State Council. The financial institutions established within the territory of the PRC and the special non-financial institutions that are required by relevant regulations to perform the obligation of anti-money laundering shall, in accordance with law, adopt preventive and monitoring measures by establishing sound systems for distinguishing clients' identities, preserving the data for clients' identities and records of transactions, and a report system for transactions involving large sums of money and for dubious transactions.

REGULATIONS REGARDING INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

Chinese government agencies promulgate laws and regulations regarding Internet use to protect personal information from unauthorised disclosure. The Standing Committee of the National People's Congress issued the Decision on Strengthening the Protection of Network Information* (《關於加強網絡信息保護的決定》) on 28 December 2012 (taking effect in the same day), to strengthen the legal protection of the security and privacy of Internet information. Network service providers and other enterprises and institutions that collect or use citizens' individual electronic information during their business activities, shall abide by the principles of legality, legitimacy and necessity and clearly indicate the objective, methods and scope for collection and use of information, and with consent from the person whose data is collected, they may not violate the provisions of laws and regulations or the agreement between both sides, in collecting or using information. Network service providers and other enterprises and institutions collecting or using citizens' individual electronic information shall make public their collection and use rules.

According to the Provisions on Protection of Personal Information of Telecommunications and Internet Users* (《電信和互聯網用戶個人信息保護規定》) (Gong Ye He Xin Xi Hua Bu Ling No. 24) that was promulgated by the Ministry of Industry and Information Technology on 16 July 2013 and took effect on 1 September 2013, telecommunications business operators and Internet information service providers cannot collect and use users' personal information without the users' consent. Telecommunications business operators and Internet information service providers who collect and use users' personal information should specifically notify users about the purpose, method and scope of the collection and use of the information, how users may enquire about and correct the information and the consequences of refusing to provide information. In addition, telecommunications business operators and Internet information service providers cannot collect users' personal information which are not required for their provision of services or use the information for a purpose other than the provision of services. The telecommunications business operators and Internet information service providers cannot collect and use information through fraudulent, misleading or coercive manner or in violation of laws, administrative regulations and the agreement of the parties.

According to the Cybersecurity Law of the PRC* (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the National People's Congress on 7 November 2016 and taking effect on 1 June 2017, the national cyberspace administration shall be responsible for the overall planning and coordination of cybersecurity work and relevant supervision and administration. The competent telecommunications department of the State Council, public security departments and other relevant authorities shall be responsible for cybersecurity protection, supervision and administration within the scope of their respective functions in accordance with the provisions of this Law and other relevant laws and administrative regulations. Network operators shall strictly preserve the secrecy of user information they collect, and establish user information protection systems. Network operators must not disclose, distort or damage personal information they collect, and without the agreement of the person whose information is collected, may not provide personal information to others, except where personal information has been processed in such a manner that it is impossible to distinguish a particular individual and retraced.

According to the Provisions on the Management of Automobile Data Security (Trial)* (《汽車數據安全管理若干規定(試行)》) issued by the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security and the Ministry of Transport on August 16, 2021 and taking effect on October 1, 2021 (Decree No. 7 of Cyberspace Administration of China), automobile data refers to personal information and other important data involved in automobile design, production, sales, use, operation and maintenance. The decree is designed to regulate automobile data processing activities, protect the legitimate rights and interests of individuals and organizations, safeguard national security and social and public interests, and promote the rational development and utilization of automobile data. In addition, based on the decree, any entity carrying out data processing activities through the Internet and other information networks shall implement the network security protection system, strengthen the protection of automobile data, and fulfill the obligations of data security according to law.

According to the Personal Information Protection Law of the PRC* (《中華人民共和國個人信息保護法》) ("Information Protection Law") issued by the Standing Committee of the National People's Congress (NPC) on 20 August 2021 and taking effect on 1 November 2022, the Information Protection Law stipulates that the Cyberspace Administration of China is responsible for coordinating the protection of personal information and the related supervision and administration. The relevant departments under the State Council shall be responsible for the protection, supervision and administration of personal information within the scope of their respective functions and duties in accordance with the provisions of the Information Protection Law and other relevant laws and administrative regulations, while the duties of the relevant departments of the local people's governments at or above the county level for the protection, supervision and administration of personal information shall be determined in accordance with the relevant provisions of the State. The Information Protection Law also expressly stipulates that those who process personal information in violation of regulations or fail to take necessary security measures when processing personal information will be ordered to make corrections by the authority responsible for personal information protection, and given a warning, with their illegal gains confiscated. If the violator refuses to make corrections, it shall be subject to a fine of not more than RMB1.0 million. The person in charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB10,000 but not more than RMB100,000. In case of any severe illegal acts as stipulated in the Information Protection Law, the violator shall be ordered to make corrections by the authority at or above the provincial level responsible for personal information protection, have its illegal gains confiscated and be subject to a fine of not more than RMB50.0 million or no more than 5% of the turnover in the previous year, as well as a suspension of the relevant business or suspension for rectification, revocation of relevant business permit or business licence by the relevant competent authorities. The person in charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB100.0 thousand but not more than RMB1.0 million. According to the Measures for Cybersecurity Review issued by the Cyberspace Administration of China, the State Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the China Securities Regulatory Commission, the State Administration of State Secrets Protection and the National Cryptography Administration on December 28, 2021 and took effect on February 15, 2022 (Decree No. 8 of the Cyberspace Administration of China), operators of critical information infrastructure that purchase network products and services and operators of network platforms that carry out data processing activities that affect or may affect national security shall be subject to network security review in accordance with these Measures. In addition, if any national secret is involved, the relevant national confidentiality regulations shall apply; if the state has other provisions on data security review and foreign investment security review, such provisions shall also be observed.

According to the Data Security Law of the People's Republic of China* (《中華人民共和國數據安全法》) promulgated by Standing Committee of the National People's Congress on 10 June 2021 and taking effect on 1 September 2021，this Law shall apply to data processing activities and security supervision of such activities within the territory of the People's Republic of China; The State establishes a data classification and hierarchical protection system to protect data by classification and level, depending on the importance of the data in economic and social development, and the damage caused to national security, public interests, or the legitimate rights and interests of individuals and organizations if the data is falsified, damaged, disclosed, illegally obtained or illegally used. The national data security coordination mechanism shall coordinate the relevant departments to formulate catalogs of important data, and strengthen the protection of important data; All regions and departments shall, under the data classification and hierarchical protection system, determine the specific catalogue of important data for their respective regions and departments and for relevant industries and fields, and give priority to the protection of data included in the catalogue; Where the relevant competent authority finds in the performance of its duties of data security regulation that there are relatively serious security risks in data processing activities, it may, in accordance with the prescribed authority and procedures, conduct an interview with the relevant organization or individual and require the relevant organization or individual to take measures to make rectifications and eliminate hidden dangers.

According to the Cybersecurity Review Measures* (《網絡安全審查辦法》) promulgated by Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the China Securities Regulatory Commission, National Administration of State Secrets Protection and the State Cryptography Administration on 28 December 2021 and taking effect on 15 February 2022, the purchase of network products and services by critical information infrastructure operator and the data processing activities carries out online platform operators, which affects or may affect national security, shall be subject to cybersecurity review; To go public abroad, an online platform operator who possesses the personal information of more than 1 million users shall declare to the Office of Cybersecurity Review for cybersecurity review.

According to the Draft Regulation promulgated by Cyberspace Administration of China on 14 November 2021, these Regulations ensure data security, protect the legitimate rights and interests of individuals and organizations in cyberspace, and safeguard national security and the public interest; A data processor shall apply for a cybersecurity review in compliance with relevant national regulations under any of the following circumstances: (i) a merger, reorganization, or division to be conducted by an Internet platform operator who has amassed a large number of data resources that concern national security, economic development or the public interest, which will or may impact national security; (ii) the data processor processing the personal information of more than one million individuals is to go public abroad; (iii) the data processor processing is to go public in Hong Kong, which will or may impact national security; or (iv) other data processing activities that will or may have an impact national security. The establishment of headquarters overseas or an operation center or R&D center overseas by a large Internet platform operator shall be reported to the national cyberspace authority and other competent authorities. These Regulations are not yet in force and the specific timetable or plan for their promulgation and entry into force is uncertain.

SUPPORTS AND PROTECTIONS FOR THE INDUSTRY DURING THE COVID-19 OUTBREAK

According to the Notice on Responding to the Novel Coronavirus-infected Pneumonia and Alleviating the Difficulties of Small and Medium Enterprises to Resume Work and Production Issued by the Ministry of Industry of Information Technology* (《工業和信息化部關於應對新型冠狀病毒肺炎疫情幫助中小企業復工復產共渡難關有關工作的通知》) (Gong Xin Ming Dian [2020] No. 14) issued by the Ministry of Industry and Information Technology and took effective on 9 February 2020, the Ministry of Industry and Information Technology further strengthen financial support for SMEs. In terms of innovative financing products and services, the aforementioned notice clarified that the state will actively promote the expansion of financing supply to SMEs by ways of supply chain financing, commercial factoring, account receivable mortgages, intellectual property pledges and other financing modes. The needs of SMEs shall be met as soon as possible through developing financing products suitable for them during the epidemic by taking full advantages of convenient Internet finance. The online government-bank-enterprise connection shall be carried out actively by giving full support to the role of local SME financing service platforms.

According to the Notice on Further Strengthening Financial Support for the Prevention and Control of the Epidemic Casualty Novel Coronavirus-infected Pneumonia* (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》) (Yin Fa [2020] No. 29) issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange on 31 January 2020, the financial institutions should (i) increase relevant credit support to prevent and control the COVID-19, (ii) increase credit support to manufactures, SMEs, private enterprises and enterprises of other core fields, and (iii) provide different beneficial financial services to regions, industries and enterprises heavily impacted by the COVID-19. In addition, pursuant to the Notice on Responding to the Novel Coronavirus-infected Pneumonia and Alleviating the Difficulties of Small and Medium Enterprises to Resume Work and Production Issued by the Ministry of Industry and Information Technology* (《工業化和信息化部關於應對新型冠狀病毒肺炎幫助中小企業復工復產共渡難關有關工作的通知》) (Gong Xin Ming Dian [2020] No. 14), financing methods such as supply chain finance, commercial factoring, receivables pledging and intellectual property pledging should be actively promoted by the PRC Government to provide financing support to small and medium enterprises. According to the Notice of the Ministry of Transport on the Precise and Orderly Restoration of Transport Services to Promote the Resumption of Work and Production* (《交通運輸部關於精準有序恢復運輸服務紮實推動復工復產的通知》) (Jiao Yun Ming Dian [2020] No. 95) promulgated by the Ministry of Transport and took effect on 13 March 2020, local transport authorities shall guide freight companies and taxi companies to collaborate with financial institutions and financial leasing companies to grant loans in a timely manner to special groups of persons such as truck and taxi drivers for their business operations. The government encourages the monitoring platform providers of social satellite positioning systems to reduce or exempt the operation and maintenance fees of satellite positioning services charged on road transport vehicles. Local transportation authorities should thoroughly understand the difficulties of transportation service companies, and do a good job in helping key groups such as SMEs, truck and taxi drivers. Local transportation authorities should strengthen the monitoring and analysis on the freight and logistics industry, guide logistics companies and truck drivers to resume work and production in an orderly manner, and guide reasonable expectations on transportation prices, so as to promote the healthy and stable development of the industry.

According to the Notice on Supporting Microfinance Companies, Financing Guarantee Companies, Financial Leasing Companies, Commercial Factoring Companies, Pawnshops, Local Asset Management and Other Institutions to Strength Efforts to Serve the Real Economy* (《關於支持本市小額貸款、融資擔保、融資租賃、商業保理、典當、地方資產管理等機構加大力度服務實體經濟的通知》) promulgated by Shanghai Municipal Financial Regulatory Bureau and took effect on 17 March 2020, it would moderately increase the regulatory tolerance for six types of institutions, moderately relax the requirements on assessment indicators such as default ratios, and compensation rates for microfinance companies, financing guarantee companies and pawnshops, as well as assessment indicators such as business concentration, non-performing loan ratios, risk reserve ratios for financial leasing companies and commercial factoring companies, and appropriately extend the time limit for compliance rectification, during on-site inspections, annual reviews, regulatory ratings in 2020. For entities which incurred overdue debt and made compensation due to the epidemic, especially the 6 types mentioned in the Notice that make concessions to reduce the financing burden of enterprises, their regulatory rating shall not be lowered in principle. Those who have made a significant contribution to epidemic prevention, or actively fulfilled their social responsibilities during the epidemic, their regulatory rating may be adjusted upward as appropriate, and relevant support policies issued subsequently may first be provided to those entities. At the same time, the above notice also clarified that the competent authorities in each district of Shanghai should actively help the six types of institutions serve enterprises, strengthen communication and coordination, and continue to create a good environment and support the stable and healthy development of the six types of institutions in their districts during and after the epidemic. Each district is encouraged to introduce support policies or make appropriate adjustments on relevant support policies based on actual conditions, and coordinate with relevant departments and enterprises in it district to provide supports in taxation, rents and other aspects.

REGULATIONS REGARDING INTELLECTUAL PROPERTY

Trademark Law

According to the Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and revised and taking effect respectively on 22 February 1993, 27 October 2001, 30 August 2013, and 23 April 2019, and the Implementing Regulations of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002, revised on 29 April 2014, and taking effect on 1 May 2014, the administrative department for industry and commerce under the State Council has established a Trademark Office to take charge of matters concerning trademark registration and administration throughout the country. The period of validity of a registered trademark shall be ten years, starting from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years. Where an applicant for trademark registration files an application for trademark registration in China within six months of filing the first application for registering the same trademark for the same goods in a foreign country, the applicant may have priority in accordance with any agreement concluded by and between the PRC and the foreign country concerned, or with the international treaty to which both countries are parties, or on the basis of the principle of reciprocity. In the event that an applicant uses a trademark for the first time on goods displayed at an international exhibition organised or recognised by the Chinese Government, the applicant may be entitled to priority provided that it files an application to register the trademark within six months from the date of the exhibition. The trademark registrant may, by concluding a trademark licensing contract, authorise other persons to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. The party authorised to use others' registered trademark shall indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others to use the registered trademarks, the licensor shall file the licence of the trademarks with the Trademark Office for record, which shall announce the same. Without putting the licensing of the trademark on record, the trademark shall not be effective against bona fide third party.

Patent Law

According to the Patent Law of the PRC* (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and revised respectively on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020 and taking effective on 1 June 2021, and the Implementing Regulations of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001, revised respectively on 28 December 2002 and 9 January 2010, and taking effect on 1 February 2010, the patent administration department under the State Council is responsible for the patent work throughout the country. It receives and examines patent applications and grants patent rights for inventions-creations in accordance with law. Any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability. Any design for which patent right may be granted shall not be a prior design, nor has any entity or individual filed before the date of filing with the patent administration department under the State Council an application relating to the identical design disclosed in patent documents announced after the date of filing. The duration of patent right for inventions shall be twenty years, the duration of patent right for utility models shall be ten years, the duration of patent right for design shall be fifteen years, from the date of filing.

Copyright Law

According to the Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated by the Standing Committee of the National People's Congress on 7 September 1990, revised respectively on 27 October 2001, 26 February 2010 and 11 November 2020, and taking effect on 1 June 2021, Chinese citizens, legal entities or other organisations shall, in accordance with this Law, enjoy the copyright in their works, whether published or not. The term "works" includes written works; oral works; musical, dramatic, Chinese folk art, choreographic and acrobatic works; works of fine arts and architecture; photographic works; audio visual works and works created by a process analogous to cinematography; graphic works such as drawings of engineering designs and product designs, maps and sketches, and model works; computer software; and other intellectual achievements that meet the characteristics of the works.

The Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration and taking effect on 20 February 2002, govern the registration of software copyright, and the registration of exclusive licence contracts and transfer contracts of software copyright. The National Copyright Administration shall be in charge of the administration of the registration of software copyright of the whole country. The National Copyright Administration accredits the China Copyright Protection Centre as the body for software registration.

REGULATIONS REGARDING DOMAIN NAMES

According to the Measures for the Administration of Internet Domain Names of the PRC* (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and taking effect on 1 November 2017, the Ministry of Industry and Information Technology is responsible for the administration work of Internet domain names nationwide. To establish domain name root servers and domain name root server operating organisations, domain name registration management organisations and domain registration service organisations within the territory of China, licences from the Ministry of Industry and Information Technology or the telecommunications administration authority of the province, autonomous region or municipality directly under the central government shall be obtained in accordance with these Measures.

REGULATIONS REGARDING LABOUR ASSURANCE

In accordance with the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by Standing Committee of the National People's Congress on 5 July 1994, revised and taking effect respectively on 27 August 2009 and 29 December 2018, and Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), which was promulgated by Standing Committee of the National People's Congress on 29 June 2007, revised on 28 December 2012 and became effective on 1 July 2013, and the Implementation Regulation for the People Labour Contract* (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on 18 September 2008. The employing unit shall sign a labour contract in writing with the workers. The wage paid to a worker by an employer shall not be lower than the local minimum wage standard. The employing unit is required to establish occupational safety and health mechanism, and strictly abide by national standards, and provide employees with relevant education. Employees must work in a safe and sanitary environment.

As required under the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury* (《工傷保險條例》), the Regulations on Unemployment Insurance* (《失業保險條例》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and other laws, regulation and rules, the employing unit must represent workers to pay a number of social security funds (including basic pension insurance, unemployment insurance, basic medical insurance, employment injury insurance, maternity insurance). Relevant expenses shall be paid to local administrative authorities. Failure to pay or pay in full may be subject to administrative measures such as fines and an order to make up the unpaid amount.

According to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and revised respectively on 24 March 2002 and 24 March 2019 (taking effect in the same month), the housing provident fund paid and deposited both by staff and workers themselves and that by the employing units for their staff and workers shall be owned by the staff and workers. A unit shall go to the housing provident fund management centre to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management centre, open housing provident fund accounts on behalf of its staff and workers with a commissioned bank. Where a unit fails to undertake payment and deposit registration of housing provident fund or fails to open housing provident fund accounts for its staff and workers, the housing provident fund management centre shall order it to do so within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 and not more than RMB50,000 shall be imposed. Where a unit is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

HISTORY AND DEVELOPMENT

Overview

In 2011, Deewin Financial Leasing was established by Shaanxi Automobile and after that, the other three of our major subsidiaries, namely Tianxingjian, Fargo and Deewin Factoring, were established by Deewin Financial Leasing during 2012 and 2013. In order to better develop integrated solutions covering the commercial automobile industry chain, in 2014, our Controlling Shareholder, Shaanxi Automobile, established our Company. Shaanxi Automobile is a leading state-owned commercial automobile manufacturing conglomerate in China and its predecessor have been operating such business since 1968. In addition, Tonghui was established in 2005 and we acquired Tonghui in 2020.

Since our establishment, we have dedicated to provide business offerings which integrate multiple sections of the commercial automobile industry chain and cover the commercial automobile product lifecycle. According to the Frost & Sullivan Report, we are a service provider and a key market player in the commercial automobile service industry in China and one of the few value-added service providers in the industry that can provide integrated solutions covering the commercial automobile industry chain.

Key Milestones

We set out below the key milestones in the development of our business:

Year	Event
2005	Tonghui was established in the PRC
2011	Deewin Financial Leasing was established in the PRC
2012	Fargo was established in the PRC
2013	Deewin Factoring was established in the PRC
	Tianxingjian was established in the PRC
2014	Our Company was established under its former name of Deewin Tianxia Investment Holding Company* (德銀天下投資控股有限公司) in the PRC.
2015	As of 31 December 2015, Fargo has established various subsidiaries in Shaanxi, Xinjiang, Inner Mongolia, Shanxi, Henan, Beijing and Shanghai in the PRC, by which the geographic coverage of our business services were expanded
2019	Tianxingjian and the School of Management of Xi’an Jiaotong University jointly established the Shaanxi Commercial Automobile IoV Engineering Technology Research Centre* (陝西商用車車聯網工程技術研究中心)
2020	Our Group’s business sectors were reorganised through the acquisition of 100.00% equity interest in Tonghui

CORPORATE HISTORY AND SHAREHOLDING CHANGES OF OUR COMPANY AND MAJOR SUBSIDIARIES

Our Company

Our Company was established in the PRC on 14 August 2014 with an initial registered capital of RMB1,000.0 million. On the date of our establishment, we were wholly-owned by Shaanxi Automobile. According to the shareholders' resolution on 11 September 2020, the registered capital of our Company was increased to RMB1,500.0 million. Such increase in registered capital was contributed by Shaanxi Automobile in cash. The shareholding of the Company remained unchanged until the Reorganisation. Please refer to the paragraph headed "Reorganisation" in this section for further details.

Immediately upon the completion of the Reorganisation and as at the Latest Practicable Date, the registered capital of our Company was increased from RMB1,500.0 million to RMB1,629.0 million, and Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile each held approximately 92.09%, 7.19% and 0.72%, respectively, of the total issued share capital of our Company. Our Company was converted into a joint stock company with limited liability and was renamed as Deewin Tianxia Co., Ltd (德銀天下股份有限公司) on 25 December 2020.

As at the Latest Practicable Date, the registered capital of the Company was RMB1,629.0 million. The Company and its subsidiaries are principally engaged in the provision of services in the (i) logistics and supply chain service sector, including supply chain business, automobile sales business and aftermarket product business, (ii) supply chain financial service sector, including financial leasing business, factoring business and insurance brokerage business, and (iii) IoV and data service sector.

Our Major Subsidiaries

As at the Latest Practicable Date, we have five direct subsidiaries and nine indirect subsidiaries. For a complete list of the relevant subsidiaries, please refer to Note 1.2 in the Accountant's Report set out in Appendix I to this prospectus. We conduct our business through our major subsidiaries. The corporate history and shareholding changes of our major subsidiaries are set out below:

Deewin Financial Leasing

Deewin Financial Leasing was established under the laws of the PRC with limited liability on 24 November 2011 with an initial registered capital of RMB180.0 million. On the date of its establishment, Deewin Financial Leasing was owned as to 65.00% by Shaanxi Automobile and 35.00% by Xi'an Zhuoer Supply Chain Enterprise Management Consulting Co., Ltd.* (西安卓爾供應鏈企業管理諮詢有限公司) ("**Xi'an Zhuoer**"), which was an independent third party.

After a series of capital injections and equity transfers from 2011 to 2014, as at 11 March 2014, Deewin Financial Leasing was wholly-owned by Shaanxi Automobile.

On 22 October 2014, the Company entered into an equity subscription (transfer) agreement with Shaanxi Automobile, pursuant to which Shaanxi Automobile transferred its 100.00% of equity interest in Deewin Financial Leasing to the Company at a total consideration of approximately RMB559.1 million and the registered capital of Deewin Financial Leasing was further increased to RMB700.0 million. Such increase in registered capital was contributed by the Company in cash. The consideration was determined with reference to the appraised value of Deewin Financial Leasing's net assets as at 30 June 2014. As advised by our PRC Legal Adviser, the abovementioned transfer had been completed in compliance with PRC law and all the applicable regulatory approvals had been obtained. On 21 July 2017, the registered capital of Deewin Financial Leasing was further increased to RMB1,050.0 million. Such increase in registered capital was contributed by the Company in cash. On 23 October 2020, the registered capital of Deewin Financial Leasing was increased to RMB1,550.0 million. Such increase in registered capital was contributed by the Company in cash.

As at the Latest Practicable Date, the registered capital of Deewin Financial Leasing was RMB1,550.0 million. Deewin Financial Leasing is principally engaged in the provision of financial leasing and other related services.

Tianxingjian

Tianxingjian was established under the laws of the PRC with limited liability on 18 June 2013 and with an initial registered capital of RMB10.0 million. On the date of its establishment, Tianxingjian was owned as to 65.00% by Deewin Financial Leasing and 35.00% by Beijing Zhongjiao Xinglu Information Technology Co., Ltd.* (北京中交興路信息科技有限公司) ("**Beijing Zhongjiao Xinglu**"), which was an independent third party.

Pursuant to an equity transfer agreement dated 31 December 2014 entered into between Deewin Financial Leasing and the Company, Deewin Financial Leasing transferred its 65.00% equity interest in Tianxingjian to our Company at a consideration of approximately RMB7.8 million. The consideration was determined with reference to the appraised value of Tianxingjian's net assets as at 30 June 2014. Upon completion of the transfer on 30 January 2015, Tianxingjian was held as to 65.00% by our Company and 35.00% by Beijing Zhongjiao Xinglu. As advised by our PRC Legal Adviser, the abovementioned transfer had been completed in compliance with PRC law and all the applicable regulatory approvals had been obtained.

Pursuant to an equity transfer agreement dated 30 June 2017 entered into between the Company and Beijing Zhongjiao Xinglu, our Company acquired 35.00% equity held by Beijing Zhongjiao Xinglu at a consideration of approximately RMB6.2 million, which was determined with reference to the appraised value of Tianxingjian's net assets as at 31 December 2016. Upon the completion of the transfer on 11 July 2017, Tianxingjian became a wholly-owned subsidiary of the Company. As advised by our PRC Legal Adviser, the above mentioned transfer had been completed in compliance with PRC law and all the applicable regulatory approvals had been obtained.

As at the Latest Practicable Date, the registered capital of Tianxingjian was RMB10.0 million. Tianxingjian is principally engaged in sales of intelligent IoV products and IoV and related technologies application solutions.

Fargo

Fargo was established under the laws of the PRC with limited liability on 13 June 2012 with an initial registered capital of RMB20.0 million. On the date of its establishment, Deewin Financial Leasing was the sole shareholder of Fargo. After a series of capital injections and equity transfers from 2012 to 2013, as at 21 August 2013, Fargo was owned as to 60.00% by Deewin Financial Leasing and 40.00% by Xi'an Zhuoer.

Pursuant to an equity transfer agreement entered into between the Company and Deewin Financial Leasing, Deewin Financial Leasing transferred its 60.00% equity interest in Fargo to the Company at a consideration of approximately RMB 30.8 million on 6 May 2015. The consideration was determined with reference to the appraised value of Fargo's net assets as at 30 June 2014. Pursuant to an equity transfer agreement dated 7 March 2016 entered into between the Company, Xi'an Zhouer and Deewin Financial Leasing, Xi'an Zhuoer also transferred its 40.00% equity interests in Fargo to the Company at a consideration of approximately RMB 46.8 million. The consideration was determined with reference to the appraised value of Fargo's net assets as at 31 December 2015. Immediately upon the completion of the transfer on 11 April 2016, Fargo became a wholly-owned subsidiary of our Company. As advised by our PRC Legal Adviser, the above mentioned transfer had been completed in compliance with PRC law and all the applicable regulatory approvals had been obtained.

As at the Latest Practicable Date, the registered capital of Fargo was RMB50.0 million. Fargo is principally engaged in sales of commercial automobile, logistics and supply chain and commercial automobile aftermarket services.

Deewin Factoring

Deewin Factoring was established under the laws of the PRC with limited liability on 17 September 2013 with an initial registered capital of RMB50.0 million. On the date of its establishment, Deewin Financial Leasing was the sole shareholder of Deewin Factoring.

Pursuant to an equity transfer agreement dated 20 November 2014 entered into between Deewin Financial Leasing and the Company, Deewin Financial Leasing transferred 100.00% of its equity interest in Deewin Factoring to our Company at a consideration of approximately RMB51.0 million. The consideration was determined with reference to the appraised value of Deewin Factoring's net assets as at 30 June 2014. Upon the completion of the transfer on the same day, Deewin Factoring became a wholly-owned subsidiary of our Company. As advised by our PRC Legal Adviser, the equity transfer had been completed in compliance with PRC law and all the applicable regulatory approvals had been obtained.

The registered capital of Deewin Factoring was increased to RMB100.0 million on 7 November 2016 and further increased to RMB200.0 million on 5 July 2019. Such increases in registered capital were contributed by our Company in cash. As at the Latest Practicable Date, the registered capital of Deewin Factoring was RMB200.0 million. Deewin Factoring is principally engaged in the provision of factoring services related to the commercial automobile industry chain.

Tonghui

Tonghui was established under the laws of the PRC with limited liability on 20 October 2005 with an initial registered capital of RMB8.0 million. On the date of its establishment, Tonghui was held as to 40.00%, 25.00% and 35.00% by Shaanxi Heavy Duty Automobile, Shanghai Bashi Tonghui Logistics Ltd.* (上海巴士通匯物流有限公司) and six individuals, who were independent third parties, respectively.

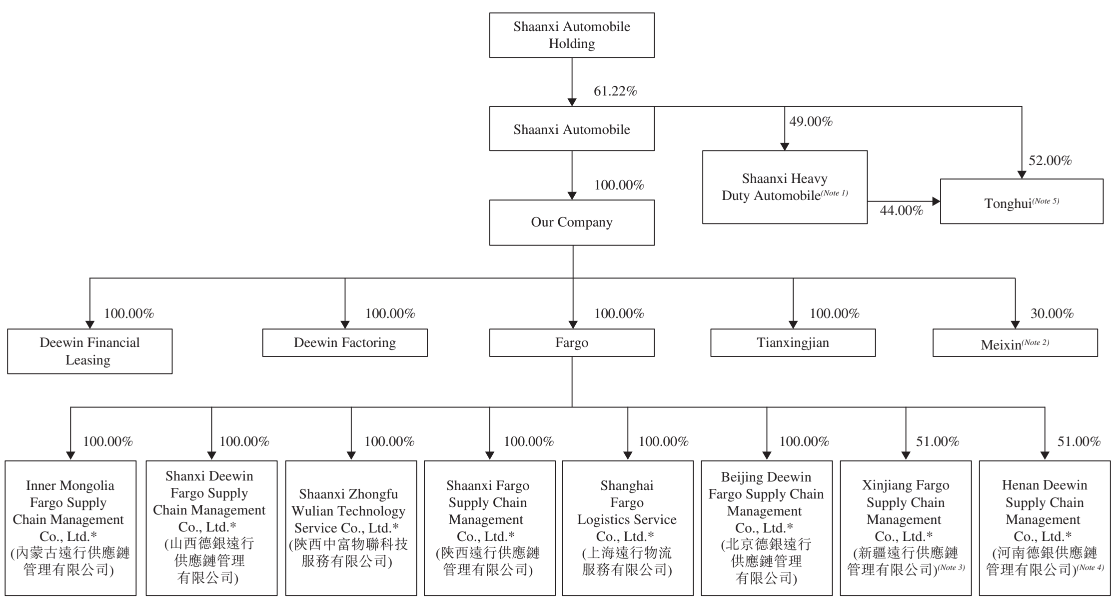
After a series of capital injections and equity transfer from 2005 to 2017, as at 28 May 2017, Tonghui was held as to 52.00%, 44.00% and 4.00% by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Wang Wenqi (王文岐), who was appointed as an executive Director of our Company on 25 December 2020, respectively.

As part of the Reorganisation, pursuant to an equity transfer agreement dated 24 September 2020 entered into between the Company and Shaanxi Automobile and an equity transfer agreement entered into between the Company and Mr. Wang Wenqi (王文岐) on the same day, Shaanxi Automobile and Wang Wenqi (王文岐) transferred all their respective equity interests in Tonghui to our Company on 24 September 2020. Upon the completion of the transfers, our Company held 56.00% equity interest in Tonghui. Pursuant to an equity transfer and capital increase agreement entered into between Shaanxi Heavy Duty Automobile and our Company, Shaanxi Heavy Duty Automobile transferred all its 44.00% equity interest in Tonghui to our Company on 30 November 2020. Upon the completion of the transfer, Tonghui became a wholly-owned subsidiary of our Company. Please refer to the paragraph headed "— Reorganisation" in this section for further details. As advised by our PRC Legal Adviser, the abovementioned transfers had been completed in compliance with PRC law and all the applicable regulatory approvals have been obtained.

As at the Latest Practicable Date, the registered capital of Tonghui was RMB20.0 million. Tonghui is principally engaged in warehousing, logistics, supply chain and commercial automobile aftermarket services.

REORGANISATION

The following chart sets out our corporate structure immediately prior to the Reorganisation:



Notes:

(1) As at the Latest Practicable Date, the remaining 51.00% equity interest in Shaanxi Heavy Duty Automobile was held by Weichai Power Co., Ltd. (濰柴動力股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2338) and the main board of Shenzhen Stock Exchange (stock code: SZ000338), which was an independent third party.

(2) As at the Latest Practicable Date, the remaining 70.00% equity interest in Meixin was held by Shanghai Liandong Investment Management Co., Ltd.* (上海聯動投資管理有限公司), an independent third party. Meixin became an associate of the Group since 1 July 2019. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus.

Upon the confirmation by Meixin and to the best knowledge, information and belief of our Directors, Meixin was not the subject of any material non-compliant incidents, claims, litigations or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

(3) As at the Latest Practicable Date, the remaining 49.00% equity interest in Xinjiang Fargo Supply Chain Management Co., Ltd. was held by Xinjiang Xinyixin Industrial Investment Co., Ltd.* (新疆新伊鑫實業投資有限公司), which was an independent third party.

(4) As at the Latest Practicable Date, the remaining 49.00% equity interest in Henan Deewin Supply Chain Management Co., Ltd. was held by Henan Jinzheng New-Sino Automobile Sales Service Co., Ltd.* (河南金正新華夏汽車銷售服務有限公司), which was an independent third party.

(5) The remaining 4.00% equity interest of Tonghui was held by Mr. Wang Wenqi (王文岐).

In preparation for the Listing, we underwent the Reorganisation. Our Reorganisation involved the following steps:

Step 1: Acquisition of 56.00% equity interests in Tonghui

Immediately prior to the Reorganisation, Tonghui was held as to 52.00%, 44.00% and 4.00% by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Mr. Wang Wenqi (王文岐), respectively. Pursuant to an equity transfer agreement dated 24 September 2020 entered into between the Company and Shaanxi Automobile and an equity transfer agreement entered into between the Company and Mr. Wang Wenqi (王文岐) on the same day, the Company acquired 52.00% and 4.00% equity interests in Tonghui from Shaanxi Automobile and Mr. Wang Wenqi (王文岐), for a consideration of approximately RMB49.6 million and approximately RMB 12.6 million, respectively. The considerations were determined with reference to the net assets of Tonghui as at 31 December 2019 and a valuation report prepared by an independent valuer. Upon the completion of the transfer on 28 September 2020, Tonghui was held as to 56.00% by our Company and 44.00% by Shaanxi Heavy Duty Automobile.

Step 2: Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile became the shareholders of the Company through capital injection

Pursuant to a capital injection agreement dated 30 November 2020 entered into between Shaanxi Automobile, Shaanxi Heavy Duty Automobile, Shaanxi Commercial Automobile and the Company, the Company increased its registered capital to approximately RMB1,628.8 million, of which Shaanxi Heavy Duty Automobile contributed approximately RMB300.8 million by transferring its 44.00% equity interest of Tonghui to the Company in exchange of 7.19% equity interest in the Company, and Shaanxi Commercial Automobile contributed RMB30.0 million in cash in exchange of 0.72% equity interest in the Company. The value of the 44% equity interest of Tonghui and 7.19% equity interest in the Company was determined with reference to (i) the fair value of shareholders' equity of Tonghui, and (ii) the fair value of equity attributable to equity holders of the Company as at 30 September 2020, respectively, as determined in a valuation report prepared by an independent valuer. The value of the 0.72% equity interest in the Company was determined with reference to the fair value of equity attributable to equity holders of the Company as at 30 September 2020 as determined in a valuation report prepared by an independent valuer.

Upon the completion of the transactions contemplated under the capital injection agreement on 30 November 2020, Tonghui became a wholly-owned subsidiary of our Company, whilst Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile owned approximately 92.09%, 7.19% and 0.72%, respectively, of the total issued share capital of our Company.

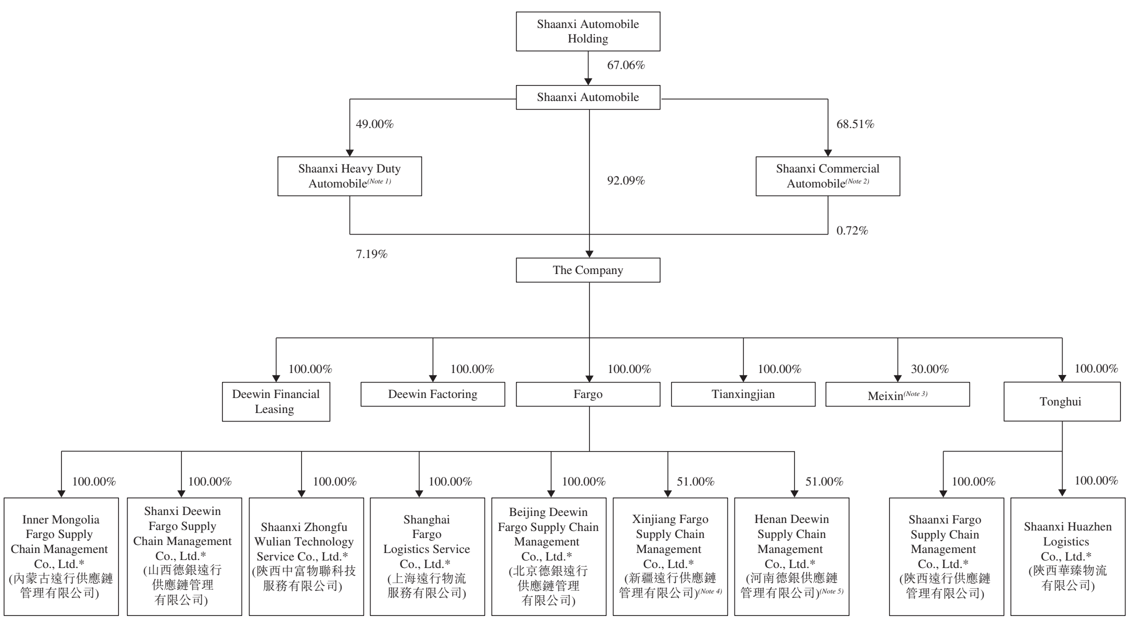
Step 3: Conversion

On 24 December 2020, Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile entered into a promoter agreement, pursuant to which our Company was converted into a joint stock company and our Shareholders and their respective shareholding percentages remained unchanged before and after the conversion and up to the Latest Practicable Date. Our Company was renamed from Deewin Tianxia Investment Holding Co., Ltd* (德銀天下投資控股有限公司) to Deewin Tianxia Co., Ltd (德銀天下股份有限公司).

PRC LEGAL COMPLIANCE

As advised by our PRC Legal Advisers, the establishment and the conversion of our Company into a joint stock company and each change in the shareholding structure of our Company were completed in compliance with PRC law. As at the Latest Practicable Date, we had obtained all necessary approvals, permits, authorisations and consents from the relevant PRC authorities with respect to such changes in all material aspects and the equity interest held by our Company in each of our subsidiaries is valid.

The following chart illustrates our corporate structure after completion of Reorganisation but immediately before the Global Offering:



Notes:

(1) As at the Latest Practicable Date, the remaining 51.00% equity interest in Shaanxi Heavy Duty Automobile was held by Weichai Power Co., Ltd. (濰柴動力股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2338) and the main board of Shenzhen Stock Exchange (stock code: SZ000338), which was an independent third party.

(2) As at the Latest Practicable Date, the remaining approximately 16.23%, 15.13% and 0.14% equity interest in Shaanxi Commercial Automobile was held by Baoji High-tech Investment Holdings Co., Ltd.* (寶雞高新投資控股有限公司), Baoji Financial Holdings Co., Ltd.* (寶雞市金融控股有限公司) and State-owned Assets Supervision and Administration Commission of Baoji Municipal People's Government (寶雞市人民政府國有資產監督管理委員會), respectively, which were independent third parties.

(3) As at the Latest Practicable Date, the remaining 70.00% equity interest in Meixin was held by Shanghai Liandong Investment Management Co., Ltd.* (上海聯動投資管理有限公司), an independent third party. Meixin became an associate of the Group since 1 July 2019. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus.

(4) As at the Latest Practicable Date, the remaining 49.00% equity interest in Xinjiang Fargo Supply Chain Management Co., Ltd. was held by Xinjiang Xinyixin Industrial Investment Co., Ltd. (新疆新伊鑫實業投資有限公司), which was an independent third party.

(5) As at the Latest Practicable Date, the remaining 49.00% equity interest in Henan Deewin Supply Chain Management Co., Ltd. was held by Henan Jinzheng New-Sino Automobile Sales Service Co., Ltd. (河南金正新華夏汽車銷售服務有限公司), which was an independent third party.

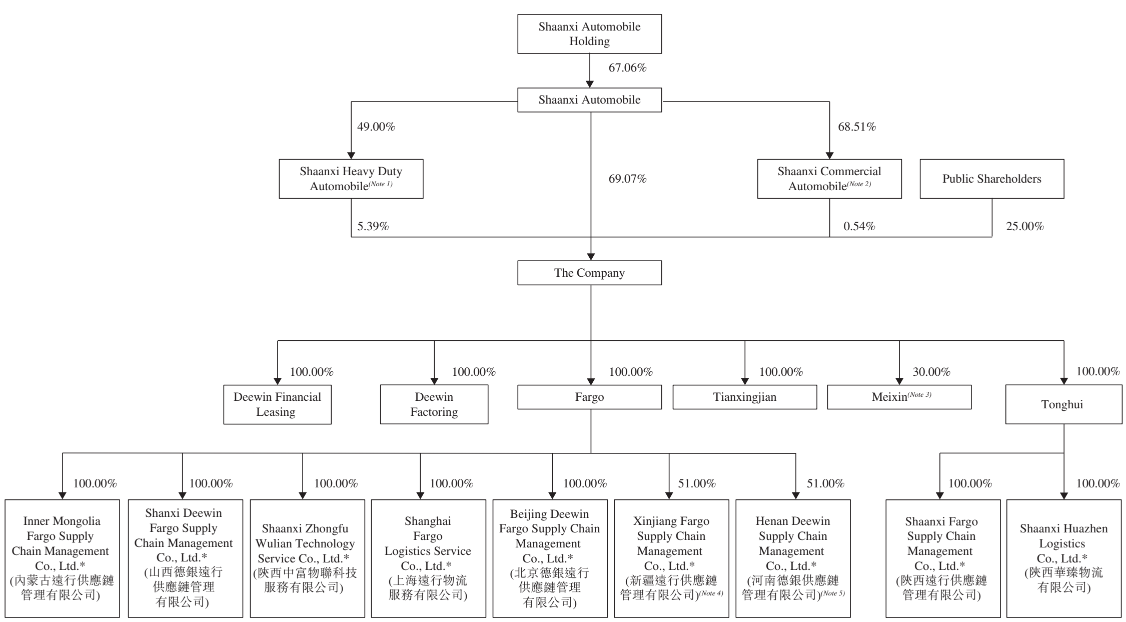
MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

The acquisition of Tonghui was considered as part of the Reorganisation. Please refer to the paragraph headed "— Reorganisation" in this section and Note 1.2 in the Accountant's Report set out in Appendix I to this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any major acquisition, disposal or merger.

CORPORATE STRUCTURE

The following chart sets out our corporate structure immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) As at the Latest Practicable Date, the remaining 51.00% equity interest in Shaanxi Heavy Duty Automobile was held by Weichai Power Co., Ltd. (濰柴動力股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2338) and the main board of Shenzhen Stock Exchange (stock code: SZ000338), which was an independent third party.

(2) As at the Latest Practicable Date, the remaining approximately 16.23%, 15.13% and 0.14% equity interest in Shaanxi Commercial Automobile was held by Baoji High-tech Investment Holdings Co., Ltd.* (寶雞高新投資控股有限公司), Baoji Financial Holdings Co., Ltd.* (寶雞市金融控股有限公司) and State-owned Assets Supervision and Administration Commission of Baoji Municipal People's Government (寶雞市人民政府國有資產監督管理委員會), respectively, which were independent third parties.

(3) As at the Latest Practicable Date, the remaining 70.00% equity interest in Meixin was held by Shanghai Liandong Investment Management Co., Ltd.* (上海聯動投資管理有限公司), an independent third party. Meixin became an associate of the Group since 1 July 2019. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus.

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(5) As at the Latest Practicable Date, the remaining 49.00% equity interest in Henan Deewin Supply Chain Management Co., Ltd. was held by Henan Jinzheng New-Sino Automobile Sales Service Co., Ltd.* (河南金正新華夏汽車銷售服務有限公司), which was an independent third party.

OVERVIEW

We provide various value-added services, including logistics and supply chain services, financial services and IoV data services, to players along the commercial automobile industry chain. Commercial automobiles, mainly include trucks, pickups, trailers, buses and lorries.

According to Frost & Sullivan Report, the commercial automobile industry chain can generally be divided into the following sections: (1) the upstream, which includes raw material supply and components manufacturing; (2) the midstream, which includes R&D, manufacturing and sales of automobiles; and (3) the downstream, which includes sales of aftermarket products and provision of automobile financing services.

We provide a variety of services covering the commercial automobile industry chain. Our business operations can be categorised into the following sectors: (i) logistics and supply chain service sector, (ii) supply chain financial service sector, and (iii) IoV and data service sector. There is synergy among our various business segments, which enables us to provide value-added services to a broad customer base. Since our establishment, we had received customer recognition on our products and services. Leveraging advanced technology, we are committed to continue enhancing our service quality and expanding our business in order to satisfy the diversified needs of our customers, so as to achieve long-term sustainable development.

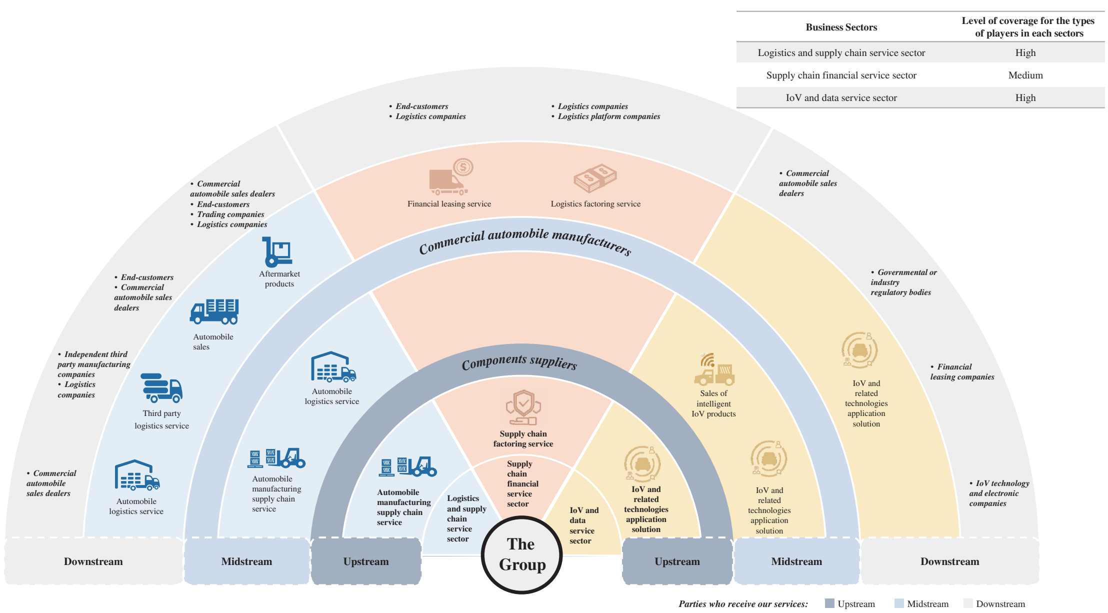
Our value-added services set out below cover the commercial automobile industry chain:

- **Logistics and supply chain service sector —** We engage in (i) supply chain business, (ii) automobile sales business, and (iii) aftermarket product business. We provide logistics services and warehousing services to upstream components suppliers and midstream commercial automobile manufacturers through Tonghui, which ranked first among the commercial automobile logistics and supply chain service enterprises in Western China in terms of revenue in 2021, the total market size of which amounted to approximately RMB15.3 billion, representing approximately 11.9% of the overall commercial automobile logistics and supply chain service industry in China in 2021, according to the Frost & Sullivan Report. We accounted for 1.1% and 9.5% market share of the fragmented commercial automobile logistics and supply chain service market in China and that in Western China by revenue, respectively, according the same source. We also provide nationwide logistics solutions for our commercial automobile customers through our network of approximately 77 downstream carriers and transportation fleets as at 31 December 2021.

- **Supply chain financial service sector —** we provide quality commercial automobile purchase financing solutions to downstream commercial automobile end-users. Deewin Financial Leasing ranked fourth among all the commercial automobile manufacturer-connected financial leasing enterprises in the PRC in terms of the number of newly leased commercial automobiles in 2021, according to the Frost & Sullivan Report. Deewin Financial Leasing was also recognised by Commercial Automobile Professional Committee of China Automobile Dealers Association* (中國汽車流通協會商用車專業委員會) as one of China's Top Eight Commercial Automobile Financing Enterprises* (2019年度中國商用車金融八強企業) in 2019. In addition, we provide trade receivable financing to the upstream components suppliers and mid-downstream logistics companies.

- **IoV and data service sector —** Tianxingjian is an advanced information technology solution service provider covering the commercial automobile industry chain. We operated the largest commercial automobile manufacturer-connected IoV platform for heavy commercial automobiles in China with a market share of 23.3% in 2021, according to the Frost & Sullivan Report. As at the Latest Practicable Date, the number of heavy commercial automobiles accessing our IoV platform was approximately 978.5 thousand. In addition, we ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021, according to the same source. For details, please refer to the section headed "Industry Overview — Overview of China's Commercial Automobile IoV Market" in this prospectus.

The diagram below illustrates how our relevant business lines/business services and major customers under our three business sectors are positioned along the commercial automobile supply chain:



For the years ended 31 December 2019, 2020 and 2021, our revenue was approximately RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively, representing a CAGR of 4.0% between 2019 and 2021. In addition, for the same periods, our profit was approximately RMB241.1 million, RMB318.0 million and RMB368.7 million, respectively, representing a CAGR of 23.7% between 2019 and 2021.

In particular, notwithstanding that the revenue generated from our IoV and data service sector only accounted for 8.4%, 10.3% and 10.8% of our total revenue for the years ended 31 December 2019, 2020 and 2021, respectively, such revenue kept growing at a CAGR of 18.3% between 2019 and 2021. In addition, the relevant gross profit accounted for 18.4%, 19.3% and 19.3% of our total gross profit for the years ended 31 December 2019, 2020 and 2021 respectively. The relevant gross profit margin was maintained at a relatively high level of 36.1%, 37.6% and 41.7% for the same periods. With IoV technology becoming more popular in the commercial automobile industry, we expect that the future expansion of our Group will be driven by the rapid growth of our IoV and data service sector, which will become a more strategically important to our Group. For details, please refer to the section headed "Financial information" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve long-term development:

Leveraging the strength of and strong business relationships with our Controlling Shareholders, we became a key market player providing value-added services to the automobile service industry in China

Our Group was founded by Shaanxi Holding Group in 2005 to provide logistics supply chain services for commercial automobiles manufactured by it. Leveraging the strength of and strong business relationships with our Controlling Shareholders, we further developed our business to become a key market player in China's automobile service industry. Our business consisted of three major business sectors including (i) logistics and supply chain service sector, (ii) supply chain financial service sector, and (iii) IoV and data service sector, and we provide coverage of the commercial automobile industry chain through the flow of goods, capital and information:

- **Flow of goods —** our logistics and supply chain service sector provides convenient and efficient supply chain solutions for customers along the commercial automobile industry chain. We provided quality logistics and supply chain services to more than 3,350 upstream and downstream customers during the Track Record Period. In terms of the upstream industry chain, we are the largest commercial automobile supply chain service provider in Western China, according to the Frost & Sullivan Report. Through our logistics services, we assisted approximately 110 components suppliers to save warehousing area and reduce supply chain inventory. In particular, we assisted two core components suppliers to save more than 50.0% warehousing area and reduce more than 30.0% supply chain inventory. In particular, for the year ended 31 December 2020, we assisted commercial automobile manufacturers to increase their efficiency by 17.0%. In terms of the midstream and downstream industry chain, our logistics capability covers more than 31 provinces, municipalities and autonomous regions across China. In 2021, we provided automobile logistics services to approximately 166.2 thousand automobiles and our third party logistics services completed a total number of approximately 267.9 thousand waybill orders with a total transport mileage of approximately 546.3 million kilometres;

- **Capital flow —** we provide capital support for customers through financial leasing and factoring services. During the Track Record Period, our factoring business and financial leasing business collectively served a total of more than 42,800 customers. We recorded a total amount of newly invested funds of RMB8,830.9 million for the year ended 31 December 2021;

- **Information flow —** our IoV and data service sector operated the largest commercial automobile manufacturer-connected IoV platform for heavy commercial automobiles in China, according to the Frost & Sullivan Report. As at the Latest Practicable Date, our Tianxingjian IoV System has covered approximately 978.5 thousand online automobiles with an average daily new data increase of approximately 1.9 terabytes. For each automobile, we can collect more than 1.4 thousand types of data, covering seven main categories. We have built a wealth of application scenarios for participants of the commercial automobile industry chain. The revenue from our data application and service recorded a CAGR of 35.3% from 2019 to 2021.

With our synergetic advantage, we are well positioned to seize the growing opportunities in the commercial automobile service industry

China's commercial automobile service industry has high development potential which is primarily driven by new infrastructure-related policies, development in logistics and transportation industry and overloading and emission-related policies. Accordingly, the sales volume of new commercial automobile is expected to remain at a high level, amounting to 4,615.4 thousand automobiles in total in 2026, of which the sales volume of new heavy commercial automobiles is expected to amount to 1,277.5 thousand automobiles, according to the Frost & Sullivan Report.

We believe that with our service offerings and the intra-group synergy, we are well positioned to seize growth opportunities and maintain a continuous growth. During the Track Record Period, our three main business sectors covered a total of more than 3,900 enterprises along the commercial automobile industry chain, and more than 42,800 commercial automobile end-users. Such extensive customer coverage has provided a solid foundation for our future business growth. During the Track Record Period, our financial leasing business not only achieved a good risk control through utilising IoV technology but also brought in more than 60.4 thousand new automobiles to our automobile financial leasing IoV service. Through our business relationship with components manufacturers and logistics service providers, our logistics and supply chain service sector created new business opportunities for our financial leasing business and factoring business, resulting in additional newly invested funds of RMB545.7 million and RMB1,097.1 million, respectively, during the Track Record Period.

Our experience in the commercial automobile supply chain sector has enabled us to enhance our logistics and supply chain service capabilities

With extensive experience in the commercial automobile supply chain sector, we have developed a full service capability to meet the different needs of customers along the commercial automobile supply chain.

According to the Frost & Sullivan Report, the Group was the largest provider of commercial automobile logistics and supply chain service in Western China in terms of revenue in 2021. During the Track Record Period, we served more than 1.3 thousand components suppliers and distributed approximately 108.7 thousand types of components, with a total transportation mileage of 122.7 million kilometres.

Through our midstream and downstream supply chain services, our automobile logistics business and third party logistics business have nationwide coverage and we have established business relationship with 77 downstream carriers and transportation fleets as at 31 December 2021. In 2021, we have completed the shipment of 166.2 thousand automobiles which generated revenue amounting to RMB437.2 million, and a total of 267.9 thousand third party logistics waybills which generated revenue amounting to RMB395.1 million in total.

We directly interact with market participants of the commercial automobile industry chain through our supply chain business, which enabled us to understand their needs, and therefore laid a solid foundation for our business expansion. In 2019 to 2021, our logistics and supply chain service sectors achieved a revenue of RMB2,125.2 million, RMB2,252.7 million and RMB2,004.6 million, respectively, with the profit before income tax of RMB71.1 million, RMB110.1 million and RMB134.1 million, respectively.

Our large IoV platform and advanced data technology support the growth of our IoV and data business

Since the launch of our first IoV platform in 2011, our IoV and data service business set a high entry barrier to competitors through the following features:

- **Our large-scale platform.** Our Tianxingjian IoV System is the largest commercial automobile manufacturer-connected IoV platform for heavy commercial automobiles in China with a market share of 23.3% in 2021, according to the Frost & Sullivan Report. In addition, we ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021, according to the same source. As at the Latest Practicable Date, the number of heavy commercial automobiles accessing our IoV platform was approximately 978.5 thousand;

- **Our data collection capabilities.** The type, frequency and accuracy of the data collected by us are advanced. In terms of data types, as compared to third party IoV companies which focus on post-sales equipment installation, our IoV intelligent terminal products are pre-installed on commercial automobiles during the manufacturing process and achieve greater integration and data collection capabilities. Our Tianxingjian IoV System collect more than 1.4 thousand types of quality data in total, covering seven categories including but not limited to drivers' behaviour, geographical locations and engine performance. The average daily new data of our Tianxingjian IoV System increased by approximately 1.9 terabytes and the cumulative amount of data collected by our Tianxingjian IoV System exceeded 2.9 petabytes as at 31 December 2021. In terms of data collection frequency, the shortest data collection cycle is every ten milliseconds. Basic data are uploaded every five seconds, much faster than the industry average of 30 seconds. In terms of accuracy, according to the statistics released by China Transport Telecommunications and Information Centre (中國交通通信信息中心) in January 2022, among the producers with more than 100 thousand online automobiles, the terminal product overall rating of Tianxingjian IoV System was 99.60%, making us one of the top performers in China; and

- **Our broad range of application scenarios.** Based on our advantages in the platform scale and data collection, we have developed multiple application scenarios. During the Track Record Period, we built a total of six types of IoV application solutions including (i) automobile financial leasing IoV solutions, covering approximately 199.3 thousand automobiles, (ii) Beidou System landing access solutions, covering approximately 605.8 thousand automobiles, (iii) big data solutions, covering approximately 266.0 thousand automobiles, (iv) dump truck supervision solutions, covering approximately 15.9 thousand automobiles, (v) environmental protection supervision solutions, covering approximately 28.0 thousand automobiles, and (vi) transportation fleet management solutions, each as at 31 December 2021. The large number of automobiles covered by the above six types of application scenarios enables us to be one of the top performers among IoV applications of the same kind in China.

With the continuous improvement of our capabilities for data analysis, application and monetisation, the revenue and profitability of our IoV and data service sector have gradually increased. From 2019 to 2021, our IoV and data service sector generated revenue of RMB241.6 million, RMB335.2 million and RMB338.3 million, respectively. Among them, our IoV and related technologies application solution business generated revenue amounting to RMB59.5 million, RMB81.6 million and RMB108.8 million, respectively. Through our advantages in technology and platform scale, we believe that we are able to continue to create more scenario-specific data services and products, which would contribute to our future growth.

Experienced management team and strong support from our Controlling Shareholders

The in-depth industry experience of the management team and strong support from our Controlling Shareholders are instrumental to our past success. Our core management team has an average industry experience of over 24 years in the commercial automobile sector, which is critical to our continued success in the future. Our chairman, Mr. Guo Wancai, has been engaged in management work for key state-owned industrial enterprises since 1997. He has an industry vision and professional financial background. Mr. Wang Runliang, our executive director and general manager, has more than 26 years of relevant experience and has a great insight into the industry trend.

Our Controlling Shareholder, Shaanxi Automobile, is a subsidiary of Shaanxi Automobile Holding, which has more than 50 years of operating history in the commercial automobile industry in China. The total number of commercial automobiles manufactured by Shaanxi Holding Group was 200,432 units in 2021, accounting for 4.3% market share and ranking ninth among all the commercial automobile manufacturers in China, according to the Frost & Sullivan Report. The total number of heavy duty commercial automobiles sold by Shaanxi Holding Group was 193,144 units in 2021, accounting for 13.8% market share and ranking fourth among all the heavy duty commercial automobile manufacturers in China, according to the same source. Shaanxi Holding Group was also the fourth largest heavy duty commercial automobile manufacturer globally in terms of the number of units of heavy duty commercial automobile manufactured in 2021, according to the same source.

We believe that the synergies between our Controlling Shareholders and us in terms of strategy and business development serve as an important foundation for us to maintain a sustainable competitive advantage. At the strategic level, we actively assist in the implementation of "Service-oriented Manufacturing" strategy of Shaanxi Automobile. At the business level, we work closely with our Controlling Shareholders who are leading commercial automobile manufacturers in the heavy commercial automobile industry in China. During the Track Record Period, Shaanxi Automobile Group's average annual sales of commercial automobiles exceeded 170.0 thousand automobiles. By virtue of our business model covering China's commercial automobile industry chain, we have contributed to their end-customers' loyalty and their sales of new automobiles. Hence, the collaboration between our Controlling Shareholders and us is complementary and mutually beneficial for both parties.

Benefiting from the rich experience of the management team and strong support from our Controlling Shareholders since our establishment, we have rapidly grown into a service provider and a key market player in the commercial automobile service industry in China. Under the leadership of our senior management team and with the support from our Controlling Shareholders, we are expected to continue to strengthen our position in the industry.

BUSINESS STRATEGIES

To proactively develop and enhance our service capabilities, our main business strategies are as follows:

We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings

We believe that the revenue generated from China's existing reserve market of commercial automobiles will gradually increase. With a growing amount of existing commercial automobiles, the demand for repair and maintenance services is expected to create huge growth opportunities. We take both offline and online measures to improve and develop our aftermarket service capabilities:

- **Offline business development**. We actively explore the repair and maintenance business for existing commercial automobiles, and set up an offline digitalised warehousing and distribution system for components and a repair and service network. We will establish 15 digital centralised warehouses in geographic areas with high components consumption, and set up offline network which will enable direct purchase and fast distribution of components to meet the needs of existing commercial automobiles customers. For further details regarding above, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds — Offline business development — (i) Offline digital warehousing and distribution system for components and digital centralised warehouses" in this prospectus. We also plan to develop a commercial automobile repair and service network and intend to attract franchised service stations. Through the establishment and enhancement of the repair and maintenance service standards, we intend to build a commercial automobile repair and maintenance network to effectively enhance the overall end-users' experience. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds — Offline business development — (ii) Commercial automobile repair and service network" in this prospectus; and

- **Online business development.** We promote the development and upgrade of our online service platform for commercial automobiles. Relying on our existing capabilities and technological know-how, we will develop a unified online service platform for users. Such a platform will also promote the development of new projects such as (a) service platform for aftermarket business, (b) online digital warehousing system, which provides online support for the aforementioned 15 high-standard centralised digital warehouses for components of commercial automobiles, (c) online service and franchise management platform, and (d) intelligent repair and training platform. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds — Online business development" and the relevant subsections in this prospectus.

We focus on improving the core IoV technology and data service capabilities to consolidate our advantages

IoV is becoming indispensable in the development of the commercial automobile industry. We continue to expand our user base of our IoV and data services by continually improving our data collection and analysis capabilities. We also continue to upgrade the core technologies and algorithms of our platform, and create data services and products to be used in more application scenarios, thereby strengthening our advantages. In particular:

- **Our IoV platform**. We actively expand and upgrade our IoV platform to achieve continuous growth in the number of users and the amount of commercial automobiles connected to our IoV platform. In particular, we will improve data security through IoV private cloud and hardware system upgrades. In addition, to further expand and consolidate our market share in the pre-installation market for commercial automobiles, we will actively seek business cooperation with unaffiliated commercial automobile manufacturers to pre-install our IoV terminal products on the commercial automobiles manufactured by them, so as to increase the number of users of our Tianxingjian IoV System. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds — Our core IoV technology and data service capabilities — (i) IoV base facility — IoV private cloud and hardware system" in this prospectus;

- **Data analysis capabilities.** Adopting both internal and external initiatives, we improve our data analysis capabilities through:

  (i) expansion of our research and development team. We will extensively recruit and cultivate talents with diverse background to build up a professional IoV research and development team;

  (ii) upgrade of our software and hardware research and development capabilities. We will focus on our research and development platform and also establish a big data research centre; and

  (iii) external strategic cooperation with prominent internet companies and information technology companies.

  By adopting the abovementioned measures, we enhance our core capabilities in data analysis and convert data assets into productivity. For further details, please refer to the sections headed "Future Plans and Use of Proceeds — Use of Proceeds — Our core IoV technology and data service capabilities — IoV base facility — Expansion of office place" and "Future Plans and Use of Proceeds — Use of Proceeds — Our core IoV technology and data service capabilities — (ii) Research and development capabilities" in this prospectus;

- **Diversified data products and data services**. We continue to actively develop and create diversified data products and data services to provide better experiences to our customers. Such data products and date services include the following:

  (i) Enrichment of data service product offerings. We continue to actively create data service products for components suppliers, commercial automobile sales dealers and service stations. Big data service system will provide components suppliers with access to the production arrangements of commercial automobile manufacturers, provide repair and failure data statistics, provide comparison on competitors, identification of false repairs, reduce litigation risk and provide many other types of value-added data services. In particular, we will develop data quality inspection platform for electronic components suppliers. We will also provide dealers with market forecasts, customer tracking, smart automobile selection, risk control management and other value-added data services. We will provide value-added data services to service and repair stations including accurate components inventory management, customer conversion and technical support;

(ii) over-the-air (OTA) platform development and operation. We will develop new services such as OTA remote update and components data monitoring. These will enable our suppliers to provide remote updates of embedded software, which will greatly reduce the costs for new components, while improving user experience. We will also provide suppliers with data tests for new products before mass supply to ensure product quality prior to installation; and

(iii) development of IoV and data solutions. We develop and upgrade our IoV products and terminal products to adapt to 5G telecommunication environment. In addition, by leveraging our advantages in IoV technology and data integration capabilities, we aim to develop (a) data assets trading platform to integrate various internal and external data resources, and (b) customised "automobile intelligent monitoring" services for government departments, including traffic management department and environmental protection department. We will provide solutions to meet the needs of various industries, including logistics of commodities, cold chain transportation and other industries.

For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds — Our core IoV technology and data service capabilities — (iii) Diversified data products and data services" in this prospectus.

We continue to consolidate our industry advantages in supply chain financial services and third party logistics services to optimise our business structure

We continue to consolidate our industry advantages in supply chain financial services and third party logistics services, including the following:

- We continue to strengthen our influence in the commercial automobile sector and consolidate our advantages in providing customised services in the supply chain financial service sector. For our financial leasing business, we continue to actively strengthen our existing businesses, and provide financial leasing services to well-known commercial automobiles brands. With the advantages of the high entry barrier, good returns and high risk tolerance for our customers in the special-purpose automobile market, we will expand our financial leasing services to cover more special-purpose automobiles to gain new growth momentum, and continue to develop and provide customised financial services. For our commercial factoring business, we will target components suppliers of commercial automobile manufacturers, and strive to penetrate the second-tier and third-tier upstream components supplier market through our existing business relationships with first-tier components suppliers. In terms of downstream logistics customers, we continue to develop relationships with large-scale customers and leading companies in industries such as bulk cargo logistics, express logistics and less-than-truck-load transport, and gain access to quality customers, so as to optimise the structure of our factoring business;

- We focus on improving the information technology infrastructure of supply chain financial services to continuously enhance the customer experience. We will also make efforts to build information-based financial services. Based on the new generation of information technology such as big data and cloud computing, we continue to upgrade and optimise our business system, risk control and credit review system, improve our business efficiency, standardise our business process, strengthen our risk control capabilities, improve customer experience and reduce overall costs; and

- We continue to diversify our customer base as well as exploring business opportunities with more independent customers through the expansion and development of our third party logistics services in relation to raw materials (such as coal and ore), commodities and express couriers.

We continuously improve our employees' career prospects and enhance incentive schemes to attract and cultivate talents

We believe that a stable and professional workforce is key to fulfillment of our long-term visions. We plan to take the following measures to strengthen talent recruitment and development:

- Through the international capital market, we strengthen the Company's brand and increase our influence to attract more quality talents;

- We continue to actively explore long-term incentive measures, including but not limited to exploring equity incentive plans after the completion of our Listing, aligning the long-term interests of employees, in particular the middle and senior management team, with those of the shareholders, thereby incentivising employees and increasing employees loyalty;

- We continue to increase our investment in employee training by providing regular and diversified skills training to build an outstanding platform for their career development; and

- We strengthen the sense of mission and honour of our employees by advocating our vision.

For further details regarding our intended use of net proceeds of the Global Offering for our business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

AWARDS AND TITLES

We have received numerous awards and titles from industry associations and relevant organisations. The table below sets forth our awards received as at the Latest Practicable Date:

Award/Title	Granting Entity	Group Entity	Granting Year
2020 Enterprise with the Highest Potential for Investment in the Logistics Industry* (2020年度物流行業最具投資價值企業)	Logistics Investment and Financing Committee of China Communications and Transportation Association* (中國交通運輸協會物流投融資協會) and Chengdu Supply Chain Association* (成都市供應鏈協會)	Company	2021
China Logistics Financial Innovation Award* (2018年度中國物流金融創新獎)	China Communications and Transportation Association (中國交通運輸協會)	Company	2018
Outstanding Logistics Service Provider in China 2021* (2021中國物流優秀服務商)	China Federation of Logistics and Purchasing* (中國物流與採購聯合會)	Tonghui	2021
Automobile Logistics Industry Innovation Award 2021* (2021年度汽車物流行業創新獎)	Automobile Logistics Sub-committee of China Federation of Logistics and Purchasing* (中國物流與採購聯合會汽車物流分會)	Tonghui	2021
National 5A Grade Logistics Enterprise* (國家級5A級物流企業)	China Federation of Logistics and Purchasing* (中國物流與採購聯合會)	Tonghui	2022
National 4A Grade Logistics Enterprise* (國家級4A級物流企業)	China Federation of Logistics and Purchasing* (中國物流與採購聯合會)	Tonghui	2020/2017/2014
China Logistics Innovation Award 2020* (2020中國物流創新獎)	China Federation of Logistics and Purchasing* (中國物流與採購聯合會)	Tonghui	2020

Award/Title	Granting Entity	Group Entity	Granting Year
Outstanding Contribution Enterprise in Logistics Industry of Shaanxi Province over the 40 Years of Reform and Opening Up in China* (改革開放40年陝西省物流行業傑出貢獻企業)	Shaanxi Province Federation of Logistics and Purchasing* (陝西省物流與採購聯合會)	Tonghui	2019
2020 China Outstanding Solution Service Provider for Intelligent Logistics* (2020中國智慧物流優秀解決方案服務商)	The 11th China Conference for Logistics Investment and Financing* (第十一屆中國物流投融資大會)	Fargo	2021
2020 Enterprise with the Highest Potential for Growth in the Logistics Industry* (2020年度物流行業最具成長潛力企業)	The 11th China Conference for Logistics Investment and Financing* (第十一屆中國物流投融資大會)	Fargo	2021
Enterprise with the Highest Investment Potential in China Logistics Industry* (中國物流行業最具投資價值企業)	Logistics Investment and Financing Sub-committee of China Communications and Transportation Association* (中國交通運輸協會物流投融資分會)	Fargo	2019
2020 Top 10 Commercial Automobile Financial Service Organisation* (2020十佳商用車金融服務機構)	2021 China Commercial Automobile Finance Industry Chain Summit Committee* (2021中國商用車金融產業峰會組委會)	Deewin Financial Leasing	2021
Award for Outstanding Contributions to Economy in Pudong New District 2020* (2020年度浦東新區經濟突出貢獻獎)	People’s Government of Pudong New District of Shanghai* (上海市浦東新區人民政府)	Deewin Financial Leasing	2021
Financial Leasing Business Innovation Award – West Lake Forum 2021* (2021年度西湖論壇杯融資租賃業務創新獎)	China Financial leasing (West Lake) Forum* (中國融資租賃(西湖)論壇)	Deewin Financial Leasing	2021

Award/Title	Granting Entity	Group Entity	Granting Year
China's Top Eight Commercial Automobile Financing Enterprises* (2019年度中國商用車金融八強企業)	Commercial Automobile Professional Committee of China Automobile Dealers Association* (中國汽車流通協會商用車專業委員會)	Deewin Financial Leasing	2019
The Second Prize for the Final of The Third China AI+ Innovation and Start-up Competition – Industrial Internet Technology Innovation and Application Competition* (第三屆中國AI+創新創業大賽工業互聯網技術創新與應用大賽決賽二等獎)	The Third China AI+ Innovation and Start-up Competition – Industrial Internet Technology Innovation and Application Competition Committee* (第三屆中國AI+創新創業大賽工業互聯網技術創新與應用大賽組委會)	Tianxingjian	2021
2021 China Commercial Automobile Internet of Vehicle Top 10 Operation Service Provider* (2021中國商用車車聯網十佳運營服務商)	China Industrial Alliance Of Satellite Application* (中國衛星應用產業聯盟), China Brand Strategy Research Centre* (中國品牌戰略研究中心), Commission for China Internet of Vehicles Conference* (中國車聯網大會組委會)	Tianxingjian	2021
Shaanxi Province First Batch Service-oriented Manufacturing Demonstration Platform (陝西省第一批服務型製造示範平台)	Industry and Information Technology Department of Shaanxi Province* (陝西省工業和信息化廳)	Tianxingjian	2021
China Top Ten Famous Brands of Innovative Technology and Outstanding Quality in 2020* (2020年中國科技創新品質創優十佳知名品牌)	Brand and Strategy Expert Working Commission of China High-Tech Industrialisation Association* (中國高科技產業化研究會品牌戰略專家工作委員會)	Tianxingjian	2020
Gold Quality Award for City Engineering Automobile Product and Solution in 2020* (2020城市工程車輛產品與方案金質獎)	Innovation Alliance for City Engineering Automobile Management and Service* (城市工程車輛管理與服務創新聯盟)	Tianxingjian	2020

OUR BUSINESS MODEL

Our business provides a variety of services covering the commercial automobile industry chain. Our business operations can be categorised into the following sectors:

(i) logistics and supply chain service sector, which includes supply chain business, automobile sales business and aftermarket product business;

(ii) supply chain financial service sector, which includes financial leasing business, factoring business and insurance brokerage business; and

(iii) IoV and data service sector.

We have achieved strong operating results in all three business sectors during the Track Record Period. The following table sets forth a breakdown of revenue by our service sectors for the years indicated:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Logistics and Supply Chain Service Sector	2,125,248	73.5	2,252,652	69.0	2,004,585	64.1
Supply Chain Financial Service Sector*Note (1)*	525,201	18.1	673,783	20.7	783,953	25.1
IoV and Data Service Sector	241,582	8.4	335,238	10.3	338,312	10.8
Total	2,892,031	100.0	3,261,673	100.0	3,126,850	100.0

Note:

(1) The revenue generated from our insurance brokerage business (which is part of our supply chain financial service sector offerings) is not consolidated since 1 July 2019 as a result of transfer of 25.00% equity interests of Meixin by the Company to a third party, after which the percentage of equity interests in Meixin held by the Company decreased from 55.00% to 30.00%. The Directors did not treat the disposal as a discontinued operation in the Group's financial statement of 2018 due to the reasons that (i) as at 31 December 2018, the management of the Group was not committed to a plan to sell Meixin which meant Meixin was not available for immediate sale in its present condition and the sales was not highly probable, and (ii) the business of Meixin was not a separate major line of business of the Group which meant Meixin could not meet the definition of discontinued operation in line with IFRS.

The aforementioned third party is a professional investment management company based in Shanghai with substantial experience in the areas of life science and health and medical service. In terms of the impact of such equity transfer, it brought in new shareholder for Meixin, which enhanced Meixin's business resources, expanded the Group's business connections, enabled Meixin to undertake further business expansion and development and promoted the synergies between Meixin and the Group's existing business sectors. The equity transfer of Meixin followed the prescribed equity transfer procedures for state-owned enterprises under the relevant PRC laws and regulations, including (i) undertaking a fair asset evaluation by an accredited organisation, which is an independent third party, and (ii) publishing equity transfer information on and asking transfer price through Western China Equity Exchange. The consideration was determined at 25.00% of the evaluated value set out in the asset evaluation report, which is approximately RMB9.7 million. In addition, pursuant to the audited financial statements of Meixin for the year ended 31 December 2018, Meixin recorded a revenue of approximately RMB24.8 million and a net profit of approximately RMB9.4 million. The purchaser has no past or present relationships (including without limitation to family, business, employment, trust, financing or otherwise) with the Group, their shareholders, directors or senior management, or any of their respective associates. Meixin and our Deewin Financial Leasing enter into service agreement annually where Meixin provides insurance policy management service in relation to the insurance policies for the commercial automobiles being subject to our financial leasing service. Meixin will assist with claim settlement in relation to the aforementioned commercial automobiles, where Deewin Financial Leasing is the first beneficiary under the relevant insurance policies, and provide ancillary services. As such, we will pay service fees to Meixin pursuant to the aforementioned service agreements. In addition, we did not receive any referral fee from Meixin and/or commission/advisory fee from insurance policy purchasers thereafter. In particular, Deewin Financial Leasing as the first beneficiary under the relevant insurance policies is prohibited to receive the aforementioned fees and/or commission from Meixin.

In addition, upon the confirmation by Meixin and to the best knowledge, information and belief of our Directors, Meixin was not the subject of any material non-compliant incidents, claims, litigations or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

For further details, please refer to the section headed “Appendix I — Accountant’s Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net” in this prospectus.

LOGISTICS AND SUPPLY CHAIN SERVICE SECTOR

We provide a wide range of logistics and supply chain services under each of our (i) supply chain business, (ii) automobile sales business, and (iii) aftermarket product business. The revenue from our offerings are:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB’000)	*(%)*	*(RMB’000)*	*(%)*	*(RMB’000)*	*(%)*
Supply chain business	1,387,710	65.3	1,477,549	65.6	1,459,858	72.8
Automobile sales business	651,554	30.7	665,287	29.5	441,237	22.0
Aftermarket product business	71,216	3.3	91,136	4.1	84,917	4.2
Others *Note (1)*	14,768	0.7	18,680	0.8	18,573	1.0
Total	2,125,248	100.0	2,252,652	100.0	2,004,585	100.0

Note:

(1) Including the revenue generated from (i) financial leasing assistance service; and (ii) provisional automobile plate service. For further details, please refer to the section headed “Financial Information — Description of Major Components of Our Results of Operations — Revenue” in this prospectus.

As indicated, our revenue from the logistics and supply chain service sector was stable during the Track Record Period.

Our major customers are components suppliers, commercial automobile manufacturers, commercial automobile sales dealers, logistics companies and commercial automobile end users. During the Track Record Period, we served more than 3,350 upstream and downstream customers. We continuously strive to diversify our customer base while exploring business opportunities with more independent customers during the Track Record Period. In particular, we have been actively expanding and developing our third party logistics services for independent third parties in relation to raw materials (such as coal and ore), commodities and express couriers since 2021.

The following table sets forth a breakdown of the revenue by customer and derived from our supply chain business, automobile sales business and aftermarket product business for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Logistics and Supply Chain Service Sector									
Automobile manufacturing supply chain services									
Shaanxi Holding Group	439,110	71.1	15.2	602,165	75.6	18.5	423,257	67.4	13.5
Overlapping Logistics Customers	178,674	28.9	6.2	192,950	24.2	5.8	199,284	31.8	6.4
Independent Logistics Supply Chain Customers	67	0.0	0.0	1,732	0.2	0.1	5,028	0.8	0.2
Sub-total	617,851	100.0	21.4	796,847	100.0	24.4	627,569	100.0	20.1
Automobile logistics services									
Shaanxi Holding Group	30,369	6.9	1.1	14,346	2.9	0.4	58,449	13.4	1.9
Overlapping Logistics Customers	406,643	93.1	14.0	476,666	97.1	14.7	378,784	86.6	12.1
Sub-total	437,012	100.0	15.1	491,012	100.0	15.1	437,233	100.0	14.0
Third party logistics services									
Independent Logistics Supply Chain Customers	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Sub-total	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Automobile sale business									
Shaanxi Holding Group	126	0.0	0.0	231	0.0	0.0	–	0.0	0.0
Overlapping Logistics Customers	651,428	100.0	22.5	665,056	100.0	20.4	433,908	98.3	13.9
Independent Customer	–	0.0	0.0	–	0.0	0.0	7,329	1.7	0.2
Sub-total	651,554	100.0	22.5	665,287	100.0	20.4	441,237	100.0	14.1
Aftermarket product business									
Shaanxi Holding Group	39,918	56.1	1.4	5,607	6.2	0.2	2,256	2.7	0.1
Independent Logistics Supply Chain Customer	31,298	43.9	1.1	85,529	93.8	2.6	82,661	97.3	2.6
Sub-total	71,216	100.0	2.5	91,136	100.0	2.8	84,917	100.0	2.7
Total revenue of the sector	2,125,248	100.0	73.5	2,252,652	100.0	69.0	2,004,585	100.0	64.1

Note:

(1) The revenue disclosed here does not include "other" revenue. For further details, please refer to the section headed "— Logistics and Supply Chain Service Sector" above in this section.

Supply Chain Business

During the Track Record Period, we provided supply chain services for the following number of commercial automobiles manufactured by Shaanxi Holding Group:

	For the year ended 31 December					
	2019		2020		2021	
	Units	Percentage against the total shipping volume of the respective companies	Units	Percentage against the total shipping volume of the respective companies	Units	Percentage against the total shipping volume of the respective companies
		%		%		%
Automobile manufacturing supply chain services						
Shaanxi Heavy Duty Automobile	116,489	100.0	114,524	100.0	96,924	100.0
Shaanxi Commercial Automobile	22,250	100.0	40,023	100.0	38,561	100.0
Automobile logistics services						
Shaanxi Heavy Duty Automobile	134,752	100.0	165,379	100.0	143,435	100.0
Shaanxi Commercial Automobile	1,803	11.6	35,038	100.0	22,721	100.0

We provide supply chain service to various types of customers set out as follows:

- *Automobile manufacturing supply chain service*. We provide supply chain management and "integrated logistics*" (一體化物流) services in relation to commercial automobile components and provide solutions to resolve issues related to high inventory, slow turnover, and redundant processes in the supply chain logistics. Through seamless integration with the manufacturing plan of commercial automobile manufacturers, we provide closed-loop management for our customers, including collecting components from suppliers, transportation, warehousing, sorting, packaging, distribution and other supply chain logistics processes, in order to streamline redundant processes and achieve a low logistics cost while maintaining service quality. For the years ended 31 December 2019, 2020 and 2021, our automobile manufacturing supply chain services were used in the production of approximately 138.7 thousand, 154.5 thousand and 135.5 thousand commercial automobiles, respectively. We also provide module assembly service for components in order to enhance the efficiency of assembly lines of commercial automobile manufacturers and reduce transportation costs incurred in the inbound logistics by increasing loading rates of supply assembly.

- *Automobile logistics service*. We organise transportation of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile to pick-up points designated by the commercial automobile sales dealers. Such logistics services are provided by independent third party subcontractors who are engaged and selected by us. For the years ended 31 December 2019, 2020 and 2021, we provided automobile logistics services in relation to approximately 136.6 thousand, 200.4 thousand and 166.2 thousand commercial automobiles, respectively.

- *Third party logistics service*. We organise independent third party subcontractors to provide logistics services in relation to goods, ores, steels, raw materials and commodities to places designated by the shippers. For the years ended 31 December 2019, 2020 and 2021, our revenue for such services is approximately RMB332.8 million, RMB189.7 million and RMB395.1 million, respectively. Our Group has been actively expanding its third party logistics service during the Track Record Period in order to diversify our customer base.

  Save for the year ended 31 December 2020 when we recorded a decrease in revenue contributed by our third party logistics service primarily due to termination of engagement with a major customer in August 2020, we have achieved a steady increase in revenue attributable to such business from approximately 11.5% for the year ended 31 December 2019 to approximately 12.6% for the year ended 31 December 2021. Please refer to the section headed "Risk Factors — Risks relating to our Business — Our historical financial conditions and operating results are not indicative of future performance and implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate" in this prospectus and paragraphs headed "— Supply Chain Business — Automobile Logistics Service and Third Party Logistics Service" in this section for further details.

The following table sets forth a breakdown of revenue derived from supply chain business by type of services for the years indicated:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Supply Chain Business						
Automobile manufacturing supply chain service	617,851	44.5	796,847	53.9	627,569	43.0
Automobile logistics service	437,012	31.5	491,012	33.2	437,233	30.0
Third party logistics service	332,847	24.0	189,690	12.9	395,056	27.0
Total	1,387,710	100.0	1,477,549	100.0	1,459,858	100.0

Automobile Manufacturing Supply Chain Service

We served more than 1.3 thousand components suppliers and distributed approximately 108.7 thousand types of components to the warehouses and production lines, with a total transportation mileage of 122.7 million kilometres during the Track Record Period. We are selected by the relevant service providers based on the quality of our services and efficiency and not due to our relationships with our Controlling Shareholders.

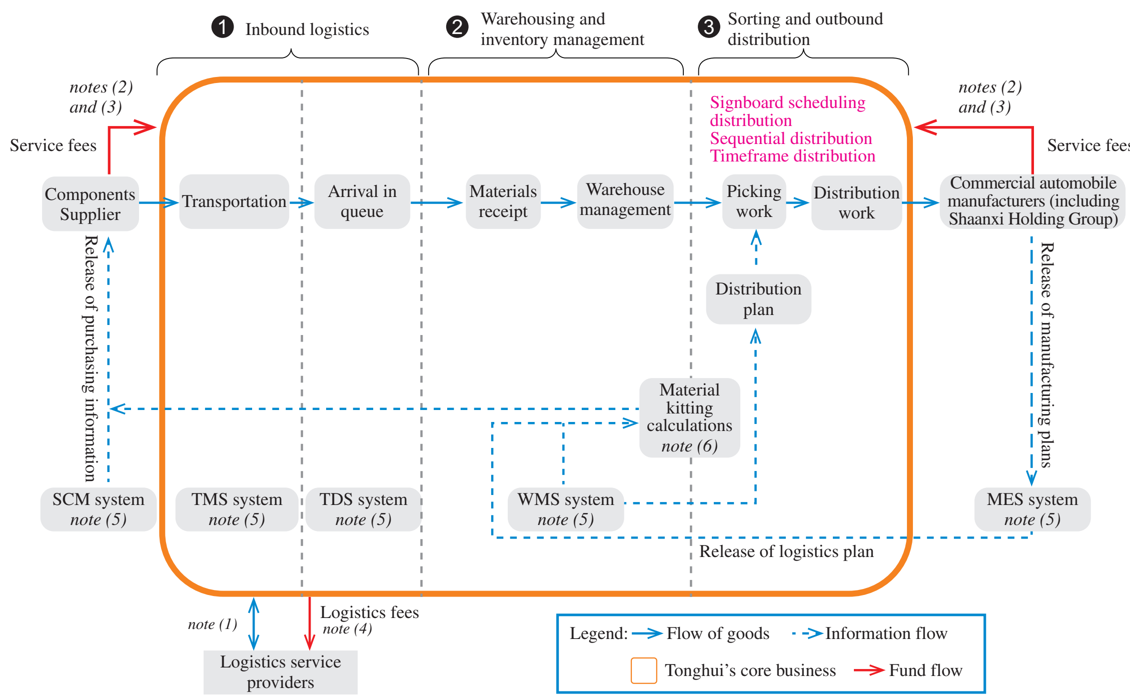
"Integrated logistics" refer to supply chain plans and encompass various core logistics stages, including transportation, warehousing, sorting and distribution, to (i) streamline redundant processes along the supply chain from the components suppliers to the commercial automobile manufacturers, (ii) reduce the aggregate supply chain costs, and (iii) enhance the experience of our customers.

We set ourselves apart from our competitors because we can monitor the manufacturing process of commercial automobile manufacturers and adjust the components required by manufacturers and transport the components accordingly. This can effectively shorten the cycles required to transport the components, and alleviate the concerns of inadequate or over supply. A mismatch in the procurement plans and the actual manufacturing plans of the commercial automobile manufacturers may sometimes result in excessive or insufficient components inventories – leading to higher inventory costs of excess component or disruption in the production of commercial automobiles due to insufficient component. We believe that our ability to resolve these issues helped to optimise production cycle while reducing cost.

The components suppliers would only need to take care of the manufacturing and supply of components, whereas we would be responsible for the transportation, warehousing, sorting and distribution processes until the components are delivered to the commercial automobile manufacturers in accordance with their procurement plans and manufacturing plans. Compared with other independent third party logistics companies in the industry, we have a unique manufacturing plan management and control system and material kitting analysis system (more fully explained below in Note 6), which is supported by our team of more than 150 people.

Workflow of Our Automobile Manufacturing Supply Chain Service

Our automobile manufacturing supply chain service comprise: (i) inbound logistics, (ii) warehousing and inventory management, and (iii) sorting and outbound distribution as set out below:



Notes:

(1) Inbound logistics is supported by our own transportation fleet as well as independent third parties logistics service providers under outsourcing agreements. Please refer to the paragraphs headed "– Automobile Manufacturing Supply Chain Service – Our Transportation Fleet" and "– Automobile Manufacturing Supply Chain Service – Our Suppliers and Key Terms of the Agreements with Third Party Logistics Service Providers" in this section for further details.

(2) We receive service fees from our customers (including both the commercial automobile manufacturers and the components suppliers) which comprise our logistics costs, warehousing and management costs, distribution costs and a reasonable profit. Please refer to the paragraphs headed "– Automobile Manufacturing Supply Chain Service – Our Customers and Key Terms of the Agreements with Customers" and "– Automobile Manufacturing Supply Chain Service – Pricing Policy" in this section for further details.

(3) The operational workflow of processing and settling service fees from the components suppliers and/or the commercial automobile manufacturers involve the following steps: (i) after we have completed the outbound distribution, our customers will be requested to confirm the billing information and then return it to the system for posting; (ii) the finance and accounting department will extract the billing data and calculate the service fees according to the service agreements; (iii) upon completion of internal verification, the business department will send the detailed accounting statements to our customers for verification and confirmation within seven working days of receipt of the accounting statements; (iv) we will then issue the bill to our customers who shall be settled our fees within a stipulated period pursuant to the issued bills.

(4) The operational workflow of processing and settling logistics fees payable to the logistics service providers involve the following steps: (i) upon the completion of the transportation of components by transportation fleets, the transportation receipts shall be submitted to the transportation business department, which will conduct the reconciliation and verification of the transportation records; (ii) the transportation business department will submit the verified transportation records and receipts to the finance and accounting department, which will calculate the freight costs according to the stipulated contract price; (iii) after the finance and accounting department confirms the freight details with the logistics service providers, the logistics service providers will then issue bill to us; and (iv) logistics fees shall be settled within a stipulated period pursuant to the issued bills.

(5) Please refer to the paragraphs headed "— Automobile Manufacturing Supply Chain Service — Information Technology System of Our Automobile Manufacturing Supply Chain Service" in this section for further details.

(6) Material kitting calculations refer to the process of sorting and counting the components available to ensure that the relevant components required for commercial automobile assembly are adequate. We carry out three rounds of material kitting calculations during the process: (i) after the release of assembly plans by the commercial automobile manufacturers (i.e., four to seven days before the commercial automobile assembly), we compile a list of components required for the assembly and identify the deficient components by checking against the MES and report to the components suppliers for replenishment; (ii) after the determination of manufacturing plans by the commercial automobile manufacturers (i.e. three days before the commercial automobile assembly), we will counter-check the components required pursuant to the manufacturing plan against the MES to match the actual production needs and report to the components suppliers for replenishment (if necessary); and (iii) the day before the commercial automobile assembly, we will conduct a final check on the availability of the components and report to the components suppliers for further replenishment (if necessary) to ensure the adequacy of components.

Stage 1: Inbound logistics

The transportation business department first receives freight pick-up request from the components suppliers about their incoming components, and then the inbound logistics department will verify the inventory stock and time of delivery of the supplies. Our transportation fleet will collect the components from the suppliers and deliver them to production bases centred in Xi'an of the PRC. If required, we will engage, external transportation fleet from third party service providers to support the inbound logistics.

We have three modes of inbound logistics: (i) long-distance logistics. Our transportation fleet will collect and transport the components from the suppliers over a long distance and have them stocked before distributing the same to the commercial automobile manufacturers in accordance to their procurement plans, (ii) short-distance logistics. We extend the outbound distribution plan to the suppliers that are located close to the commercial automobile manufacturers, and through our lean matching plan, we collect and transport the components from the suppliers to the commercial automobile manufacturing, with our warehouses being a temporary storage buffer (approximately two to twelve hours), and (iii) transit logistics. We have set up transit logistics centres in components supplier-intensive areas (such as Danyang and Shiyan in the PRC) for local interim collection and will adopt dedicated shuttle system for transportation to the commercial automobile manufacturers.

Our fees are calculated in accordance with the service agreements and will be charged per unit (generally in tonnes, cubic metres or number of automobiles, depending on the types of the components) depending on the materials to be transported. Such fees will take into account, the historical average market price of the specific transportation route, toll fee policies and oil price fluctuations.

Stage 2: Warehousing and inventory management

Our logistics centres will accept, process and warehouse the incoming components as inventory, the level of which will be managed according to the production cycle of commercial automobile manufacturers, location of suppliers, quality inspection cycle and warehousing utilisation. Before warehousing, quality of the incoming components will be inspected, and those that fail quality control will be returned. Stocking of each type of components will then be labelled and monitored both manually and electronically. Further supply will be requested from time to time based on the outbound delivery and inventory accounting management in order to maintain an appropriate inventory level at our warehouses.

We generally only charge the component suppliers for the warehousing and inventory management service of the components according to the service agreements. Such fees will be charged per square metre of the storage area required each month in accordance with our rental costs, warehouse maintenance costs and components management costs.

Stage 3: Sorting and outbound distribution

We sort, pack and transport the required components to assembly plants in Xi'an, Baoji, Wuhai, Urumqi, Datong and Huainan in the PRC and other assembly plants according to the manufacturing plans of commercial automobile manufacturer. In our sorting and outbound distribution phase, we adopt different sorting and distribution strategies according to the manufacturing plan of the commercial automobile manufacturers to distribute the components to their assembly lines.

Relying on our unique logistics planning and control system and based on the characteristics of components, we have established a set of sorting and distribution standards that organically combine signboard scheduling distribution (i.e., a distribution method that uses visual clues, including signboards, to signal the requests from, and response to, various segments of the distribution system to facilitate its scheduling and work flow), sequential distribution, timeframe distribution, planned distribution and other distribution methods, which will continue to be adjusted and optimised so as to achieve an efficient, orderly and flexible logistics distribution of the components to the production lines designated by the commercial automobile manufacturers. At the same time, three rounds of material kitting calculations are carried out before the commercial automobiles are being assembled so as to assist the commercial automobile manufacturers in carrying out their manufacturing plans. Please also refer to note 6 to the diagram under the paragraph headed "— Automobile Manufacturing Supply Chain Service — Workflow of Our Automobile Manufacturing Supply Chain Service" in this section for further details.

The commercial automobile manufacturers shall pay for the sorting and distribution fees in respect of mainly engines, gearboxes and other materials that belong to the commercial automobile manufacturers, which are charged per unit of automobile on a stepped cost basis according to the shipping volume, the distribution characteristics of such materials and the specific requests on the delivery methods (if any). The components suppliers shall pay for a fixed rate of the value of the other components supplied to the commercial automobile manufacturers in respect of the sorting and distribution service.

Information Technology System of Our Automobile Manufacturing Supply Chain Service

We provide automobile manufacturing supply chain service through the advanced and integrated information technology system, which can display many crucial parameters related to our automobile manufacturing supply chain service, which are updated on a real-time basis. We have adopted electronic transport document, which we believe can expedite the payment and settlement process. This also solves the problems associated with paper transport document, such as long circulation time, high cost, slow reconciliation, risk of loss and damage and lack of settlement efficiency. As at the Latest Practicable Date, our information technology system consists of the following components:

- supply chain management system ("**SCM**") — orders for components will be sent to the suppliers through this system and the suppliers will issue their shipping instructions correspondingly onto the SCM;

- transportation management system ("**TMS**") — the shipping instructions from the suppliers will be channelled to the TMS to initiate a transportation plan. Personal computers, website and mobile applications are available on the TMS, which provides monitoring and processing functions for the components transportation, including but not limited to contract management, route management, carrier management, transportation route planning, fleet scheduling and tracking, automatic bill verification and settlement functions. The TMS also tracks the real-time location of our own transportation fleet during the delivery of the components from the suppliers to our warehouses;

- truck dispatching system ("**TDS**") — fleet arrival registration, entry and exit of unloading area, parking space and queue management and unloading operation monitoring can be achieved through the TDS;

- warehouse management system ("**WMS**") — the WMS is a self-developed, copyrighted system that provides warehouse management functions, including but not limited to receipt and storage, inter-warehouse allocation, batch management, multi-supplier management, barcode and scanning management. The WMS has a management function module that can decompose the distribution plans of the commercial automobile manufacturers, including Shaanxi Commercial Automobile; and

- manufacturing execution system ("**MES**") — the MES is an information system at the execution level of the commercial automobile manufacturers. It provides functions of manufacturing plan control and execution, order scheduling, process management and feedback, work-in-process management, data collection, quality management and manufacturing monitoring.

Our IoV and Data Service and Automobile Manufacturing Supply Chain Service

In addition to our advanced information technology system, we also take advantage of our IoV and data service and strive to build an online transportation platform to facilitate our automobile manufacturing supply chain service. For instance, we install the Tianxingjian IoV System on the automobiles in our transportation fleet for real-time data collection and analysis. In the forthcoming years, we plan to further develop an online freight platform that builds on our existing TMS and leverages our IoV applications to provide the carriers and transport service with real-time information on the supply level and transportation capabilities. This also provides our customers with enhanced visibility on management of commercial automobile production through such enhanced technological integration.

Our Transportation Fleet

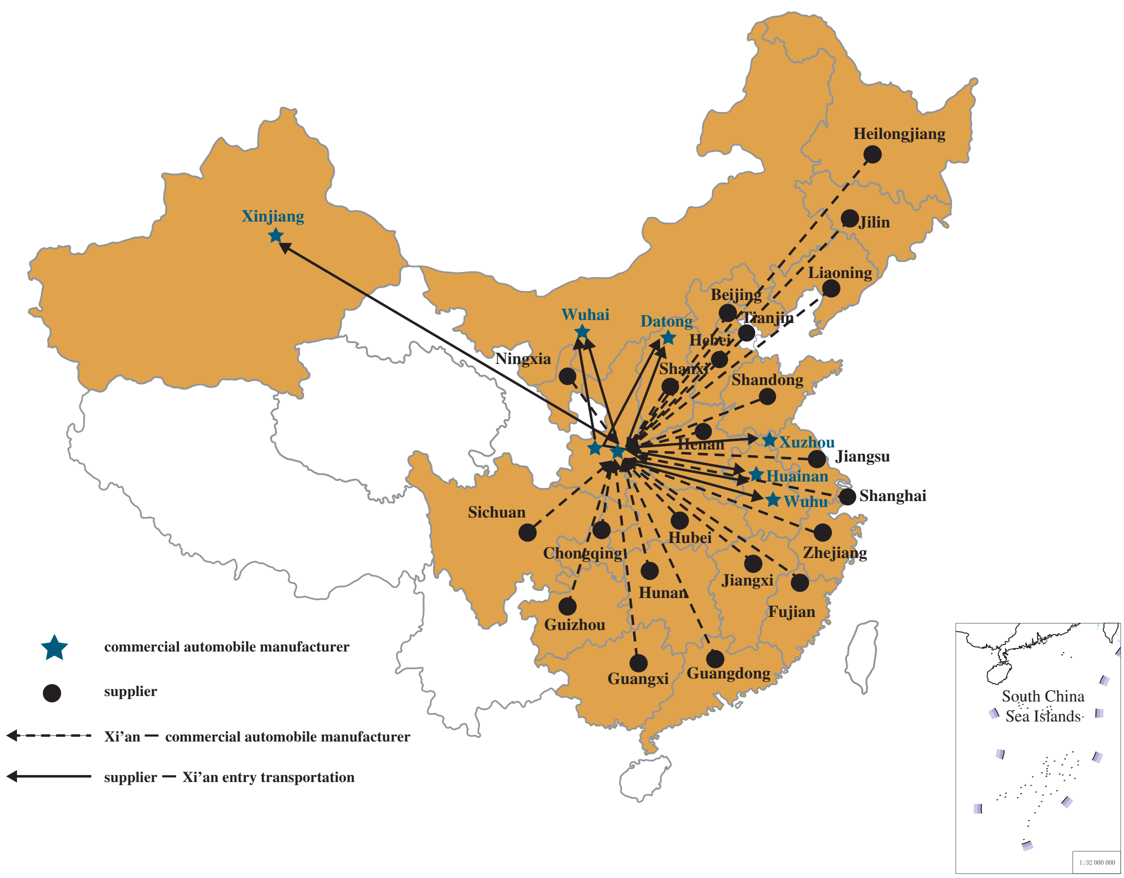
As at 31 December 2021, for our inbound logistics service, we owned a transportation fleet of 85 commercial automobiles. We also engaged 41 independent third parties logistics service providers under outsourcing agreements, which enables us to deploy transportation capacity of more than 6,500 additional commercial automobiles per year. In particular, we have incorporated the transportation capabilities of these strategic cooperative partners with those of our own transportation fleet. As at 31 December 2021, for our outbound distribution service, we owned a transportation fleet of 137 forklifts and 34 trailers and leased 62 forklifts and 22 trailers.

Our Warehouses and Logistics Centres

In addition to our large transportation fleet, we also operate a number of warehouses and logistics centres throughout the PRC. Our warehouses are generally located within ten kilometres of the manufacturing plants, in particular the assembly halls, of the designated commercial automobile manufacturers we serve. This enables us to deliver the components to the commercial automobile manufacturers conveniently and make swift adjustment pursuant to the latest manufacturing arrangement. As at 31 December 2021, we had 11 warehouses and logistics centres.

Our Logistics Network

With support of our large transportation fleet and warehouses, our nation-wide logistics network enables us to maintain our position in the commercial automobile manufacturing supply chain market. The map below illustrates the geographic coverage of our automobile manufacturing supply chain services as at 31 December 2021:



Supply Chain Management Value-Added Service

To enhance the manufacturing efficiency of the commercial automobile manufacturers, we also provided supply chain management value-added service during the Track Record Period which included design, preparation and arrangement of the assembly of components pursuant to the manufacturing needs of the commercial automobile manufacturers. The components include tyres, cooling system and steering tanks. In particular, we focus on optimising the assembly of tyres for Shaanxi Holding Group and, with the support of our autonomous transformation and configuration capability, we are able to satisfy such demand in respect of approximately 1.2 million tyres for the year ended 31 December 2021.

Our Customers and Key Terms of the Agreements with Customers

Customers of our automobile manufacturing supply chain services are primarily commercial automobile manufacturers and components suppliers. In addition to the provision of automobile manufacturing supply chain services to Shaanxi Commercial Automobile and Shaanxi Heavy Duty Automobile, our connected persons, we also provide automobile manufacturing supply chain services to various other commercial automobile manufacturers, including our connected persons and an independent third party. For details of our transactions with connected persons, please refer to the section headed "Connected Transactions — Non-exempt Continuing Commercial Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

The major customers of our automobile manufacturing supply chain services which contributed (a) more than 5.0% of the total revenue of this business segment and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively, included:

(i) Shaanxi Heavy Duty Automobile, who is an associate of Shaanxi Automobile, our Controlling Shareholder, and is thus our connected person and contributed revenue in the sum of RMB196,998.6 thousand, RMB220,547.1 thousand and RMB147,534.1 thousand in 2019, 2020 and 2021, respectively, accounting for 31.9%, 27.7% and 23.5% of the total revenue of our automobile manufacturing supply chain services, and 6.8%, 6.8% and 4.7% of the total revenue of the Group,

(ii) Shaanxi Commercial Automobile, who is our Controlling Shareholder and is thus our connected person, and contributed revenue in the sum of RMB34,950.7 thousand, RMB79,272.7 thousand and RMB68,398.6 thousand, in 2019, 2020 and 2021, respectively, accounting for 5.7%, 9.9% and 10.9% of the total revenue of our automobile manufacturing supply chain services, and 1.2%, 2.4% and 2.2% of the total revenue of the Group,

(iii) Shaanqi Datong Special Purpose Automobile Co., Ltd. (陝汽大同專用汽車有限公司), a commercial automobile manufacturer who is an associate of Shaanxi Heavy Duty Automobile, and is thus our connected person and contributed revenue in the sum of RMB62,819.9 thousand, RMB85,646.1 thousand and RMB37,317.8 thousand in 2019, 2020 and 2021, respectively, accounting for 10.2%, 10.7% and 5.9% of the total revenue of our automobile manufacturing supply chain services, and 2.2%, 2.6% and 1.2% of the total revenue of the Group,

(iv) Shaanqi Automobile Huainan Special Purpose Automobile Co., Ltd.* (陝汽淮南專用汽車有限公司), a commercial automobile manufacturer who is an associate of Shaanxi Heavy Duty Automobile, and is thus our connected person and contributed revenue in the sum of RMB48,840.2 thousand, RMB81,359.4 thousand and RMB38,678.0 thousand in 2019, 2020 and 2021, respectively, accounting for 7.9%, 10.2% and 6.2% of the total revenue of our automobile manufacturing supply chain services, and 1.7%, 2.5% and 1.2% of the total revenue of the Group,

(v) Shaanxi Hande Axle Co., Ltd.* (陝西漢德車橋有限公司) together with its Xi'an branch company, who is an associate of Shaanxi Heavy Duty Automobile, and is thus our connected person and contributed revenue in the sum of RMB23,008.2 thousand, RMB40,633.8 thousand and RMB41,386.5 thousand, in 2019, 2020 and 2021, respectively, accounting for 3.7%, 5.1% and 6.6% of the total revenue of our automobile manufacturing supply chain services, and 0.8%, 1.2% and 1.3% of the total revenue of the Group, and

(vi) Shaanqi Xinjiang Automobile Co., Ltd.* (陝汽新疆汽車有限公司), a commercial automobile manufacturer who is an associate of Shaanxi Heavy Duty Automobile, and is thus our connected person and contributed revenue in the sum of RMB24,134.7 thousand, RMB29,638.8 thousand and RMB33,861.4 thousand, in 2019, 2020 and 2021, respectively, accounting for 3.9%, 3.7% and 5.4% of the total revenue of our automobile manufacturing supply chain services, and 0.8%, 0.9% and 1.1% of the total revenue of the Group.

The total revenue contributed by the aforementioned major customers amounted to RMB390,752.3 thousand, RMB537,097.9 thousand and RMB367,176.4 thousand in 2019, 2020 and 2021, respectively, accounting for 63.3%, 67.3% and 58.5% of the total revenue of our automobile manufacturing supply chain services, and 13.5%, 16.4% and 11.7% of the total revenue of the Group.

Except for the customers disclosed above, no other customer contributed (a) more than 5.0% of the total revenue of our automobile manufacturing supply chain services and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. In addition, the aforementioned other customers were dispersed and therefore not regarded as major customers of our automobile manufacturing supply chain services during the Track Record Period.

In addition, for further details of our transactions with our major customers who are our connected persons, please refer to the section headed "Connected Transactions — Non-exempt Continuing Commercial Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

For the years ended 31 December 2019, 2020 and 2021, we provided automobile manufacturing supply chain service to five, six, six and six commercial automobile manufacturers, respectively. There was no material fluctuation in terms of the number of commercial automobile manufacturers served by our automobile manufacturing supply chain service during the Track Record Period.

In relation to the components suppliers, we are not responsible for purchasing the components since the commercial automobile manufacturers will purchase the components directly from the components suppliers. For further details, please see the key terms of our agreements with customers set out below. As such, the change of the components suppliers is primarily due to the purchase policies and business decisions of the relevant commercial automobile manufacturers. The following table sets forth the movement in the number of components suppliers served by our automobile manufacturing supply chain business during the periods and as at the dates indicated:

	For the Year Ended and As at 31 December			For the Period From 31 December 2021 Ended and As at the Latest Practicable Date
	2019	2020	2021	
Number of components suppliers at the beginning of the period	853	806	702	784
Number of new components suppliers engaged during the period	89 *Note (2)*	98 *Note (3)*	179 *Note (4)*	63 *Note (6)*
Number of existing components suppliers ceased to be engaged during the period	(136) *Note (1)*	(202) *Note (3)*	(97) *Note (5)*	(119) *Note (6)*
Number of components suppliers at the end of the period	806	702	784	728

Notes:

(1) The number of existing components suppliers declined materially for the relevant period(s), primarily due to (i) the quality and/or price of the components provided by the relevant components suppliers, and/or (ii) the relevant components suppliers' failure to supply components on timely basis.

(2) The number of new components suppliers engaged increased materially for the year ended 31 December 2019, primarily due to the relevant commercial automobile manufacturers' commencement of new model commercial automobiles manufacturing in response to the increasing market demand of natural gas-driven commercial automobiles. As a result, 89 new components suppliers were engaged to provide more than 50 types of components.

(3) There was a material change for the year ended 31 December 2020 in terms of (i) the number of new components suppliers engaged, and (ii) the number of existing components suppliers ceasing to be engaged, which was primarily due to the strategic change of product composition and the launch of new model commercial automobiles by the relevant commercial manufacturers. As a result, (i) 98 new components suppliers were engaged to provide more than 50 new types of components, and (ii) 202 existing components suppliers ceased to be engaged, which terminated the supply of more than 80 types of components.

(4) There was a material change in the number of new components suppliers engaged for the relevant period, which was primarily due to the continuing change of product composition by the relevant commercial manufacturers in 2021.

(5) There was a material change in the number of existing components suppliers ceasing to be engaged for the year ended 31 December 2021, which was primarily due to the further cost control measures adopted by a commercial automobile manufacturer. Such commercial automobile manufacturer arranged bidding by its components suppliers, through which 97 existing components suppliers ceased to be engaged.

(6) There was a material change in both the number of existing components suppliers ceasing to be engaged and new components suppliers engaged for the relevant period, which was primarily due to the adjustment of procurement cost by the commercial automobile manufacturers.

We adopt the following measures to expand our customer base: (i) understanding the components suppliers' supply needs by actively arranging personnel to visit them. We then formulate customised service plans and quotations for them, (ii) establishing logistics service points in components suppliers concentrated localities to integrate with regional resources, and (iii) solving logistics problems of commercial automobile manufacturers and components suppliers and extending our scope of services in accordance with the strategic plan of our Group.

During the Track Record Period, we entered into logistics service agreements with customers, including both commercial automobile manufacturers and components suppliers. The typical terms are set out below:

Term: Typically one year

Payment terms: The customer shall work with us to complete the reconciliation and invoicing of the logistics and transportation services that accrued in the previous month on or before the 15th of each month, and complete the payment to us within 60 days from the date of issuing the invoice through bank transfer.

The customer shall work with us to verify the warehousing and distribution service fees and confirm within seven working days after we have issued the final accounts, and complete the payment to us within 30 days after we have issued the value-added tax invoice through bank transfer.

Liability:

- Both parties shall strictly follow the steps and timing of the precise planning as agreed, and if one party causes the other party's automobile or cargo to wait and affects the normal production of the relevant commercial automobile manufacturers, that party shall bear the liability in accordance with the rules provided by the relevant commercial automobile manufacturers.

- Upon the provision of logistics and warehousing services, if it is determined by both parties in writing that we are responsible for the cargos being stolen, lost, contaminated or damaged, we are liable for damages. However, we shall not be liable if the cargos are stolen, lost, contaminated or damaged due to the following reasons: (i) natural attributes of the cargos themselves, (ii) reasonable depreciation of the cargos (such as the packing and unpacking of vulnerable materials), or (iii) fault of the customer.

- If we issue a high-inventory notice to the customer, that customer shall, after receiving our notice, adjust the delivery plan or re-assign the storage area in accordance with the actual inventory level without undue delay, or otherwise we have right to refuse to accept and deliver the excess components.

We are not responsible for purchasing components since the commercial automobile manufacturers will purchase the components directly from the components suppliers, and the costs of purchasing such components are borne by the commercial automobile manufacturers. We may be liable for the loss or damage of the inventories pursuant to our agreements with the commercial automobile manufacturers and the components suppliers, otherwise we do not normally bear the inventory risk of the commercial automobile manufacturers nor the components suppliers. In fact, our inventory risk is lower than that of our competitors in the logistics industry as we are able to optimise our inventory level by virtue of our "integrated logistics" planning. Also, we do not have the discretion to select the components suppliers for the commercial automobile manufacturers since we follow the procurement and manufacturing plans of the commercial automobile manufacturers to transport the materials from the components suppliers selected by them.

Our Suppliers and Key Terms of the Agreements with Third Party Logistics Service Providers

In addition, during the Track Record Period, we entered into agreements with third party logistics service providers. The typical terms are set out below:

Term:	Typically one year
Operational workflow:	(i) we request the logistics service provider to provide logistics services, (ii) the logistics service provider provides affirmative response within an hour after the receipt of such demand, (iii) we arrange to coordinate with the loading of cargos onto the transportation automobile provided by the logistics service provider, (iv) we and the logistics service provider both inspect and approve the cargo to be delivered, the amount of which is subject to the confirmation by both parties, (v) the logistics service provider delivers the cargos to the destination, (vi) the receiving unit inspects and approves the cargos delivered, (vii) the logistics service provider sorts and verifies the receipt form and returns it to us, and (viii) we pay the freight charge in accordance with the receipt form.
Liability:	After the handing of goods over to the logistics service provider, the logistics service provider shall ensure the safety and completeness in the amount of cargos, and not cause any damage to/loss of the packaging of the products or to the parts therein, otherwise the logistics service provider shall be liable for compensating for the loss and the joint economic responsibility.

Pricing Policy

Our pricing for automobile manufacturing supply chain service is determined by reference to the specific service model, the prevailing market price and the relevant costs incurred. Upon signing the logistics service agreements with our customers, we will stipulate the service fees to be collected from our customers, who are the receivers of our automobile manufacturing supply chain service (including both the commercial automobile manufacturers and the components suppliers). Please refer to the paragraphs headed "— Workflow of Our Automobile Manufacturing Supply Chain Service" in this section for details of our pricing policy in respect of different stages of our automobile manufacturing supply chain service.

The time for provision of automobile manufacturing supply chain service ranges from four to 72 hours after we receive an order from our customer, depending on a number of factors, including our inventory level and the delivery cycle of components. Upon completion of our logistics service, we will issue invoice to our customers to collect the payment sum. We usually grant a credit term of around 30 to 90 days, starting from the receipt of the invoice by the customer, to our customers.

Automobile Logistics Service and Third Party Logistics Service

We provide automobile logistics services to commercial automobile sales dealers of Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile. The table below sets forth the shipping volume of commercial automobiles that were transported through our automobile logistics services for the years indicated:

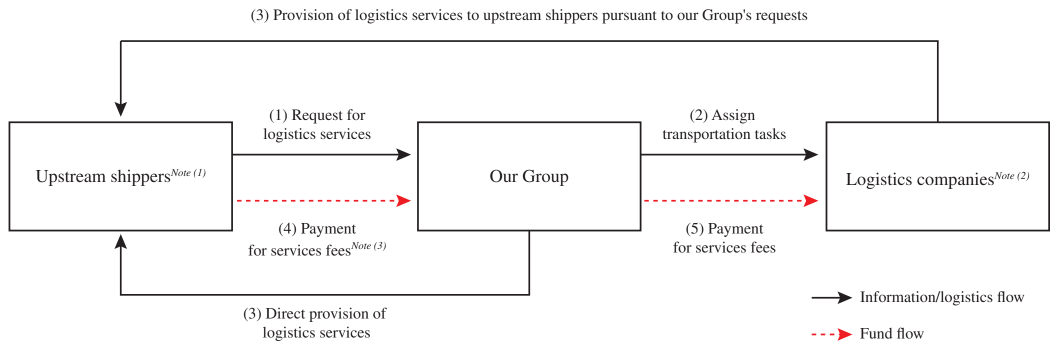
	Years ended 31 December		
	2019	**2020**	**2021**
Commercial automobile manufactured by Shaanxi Heavy Duty Automobile (in thousand)	134.8	165.4	143.5
Commercial automobile manufactured by Shaanxi Commercial Automobile (in thousand)	1.8	35.0	22.7
Total	136.6	200.4	166.2

During the Track Record Period, we provided third party logistics services to the relevant shippers for transporting ore, coal and steels. Such business model is the same as that of our logistics service to transport components for our automobile-related customers. We generated revenue of approximately RMB332.8 million, RMB189.7 million and RMB395.1 million for the years ended 31 December 2019, 2020 and 2021, respectively, from our third party logistics services. The decrease in revenue for the year ended 31 December 2020 was due to suspension of a logistics project with a major customer in August 2019 for commercial reasons, thereby resulting in a decline in revenue generated from our third party logistics services. We also maintain close business relationship with logistics service providers and transportation fleets.

In 2018, Fargo successfully passed the non-truck operating common carrier pilot enterprises comprehensive assessment of the Ministry of Transport and became one of the 229 national non-truck operating common carrier pilot enterprises recognised by the Ministry of Transport. Since obtaining the qualification, as at the assessment date on 15 November 2019, Fargo reported approximately 85.9 thousand units of waybills with shipping volume of approximately 175.6 million tonnes and realised a total freight value of approximately RMB401.4 million in the aggregate. As at 31 December 2019, Fargo ranked first in terms of fleet qualification compliance rate* (車輛資質符合率), percentage of normal order access* (單據接入正常率) and matching rate of waybill and capital flow orders* (運單與資金流水單匹配率) against Comprehensive Monitoring and Evaluation Standards for Pilot Operation of Non-Truck Operating Common Carrier* (《無車承運人試點運行綜合監測評估標準》).

The standard operational workflow for our automobile logistics and third party logistics services is set out below:

Automobile logistics service



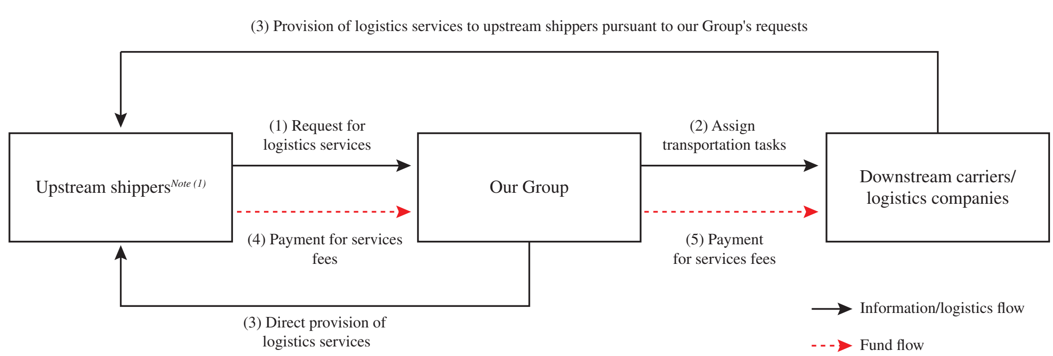
Notes:

(1) Please refer to the paragraphs headed "— Customers of Our Automobile Logistics Service and Third Party Logistics Service" in this section for further details. Customers of our automobile logistics service are primarily national and regional commercial automobile sales dealers throughout China that have cooperative relationship with Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile.

(2) We will take charge of the scheduling, planning and arrangement of transportation capacity of the carrier pursuant to the logistics transportation needs of the upstream shippers. We will engage downstream logistics companies to complete the transportation tasks. We arrange the performance of logistics service for the upstream shippers and bear the risks involved in transportation. We manage such risks through contractual arrangement with downstream logistics companies. Downstream logistics companies will be accountable to us for the specific performance of logistics service.

(3) In respect of the automobile logistics service provided to commercial automobile sales dealers, the purchasers of the commercial automobiles would first pay Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) for the commercial automobile sales price together with the transportation service fee, and entrust Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) to pay the transportation service fee to us (or our subsidiary) for the automobile logistics service provided by us. In respect of the automobile logistics services provided to Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile, Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile would directly pay for the transportation service fee to our Group.

Third party logistics service



Note:

(1) Please refer to the paragraphs headed "— Customers of Our Automobile Logistics Service and Third Party Logistics Service" in this section for further details. Customers of our third party logistics service are typically various manufacturing enterprises and large logistics companies, all of which are independent third parties.

Engagement of Downstream Carriers

To ensure quality and efficiency of our service, we closely monitor the process of, and has established standardised operational flow for providing automobile logistics service and third party logistics service. We set forth our typical systematic operation workflow for the engagement of downstream carriers (who are generally required by us to have their own transportation fleet) in respect of our automobile logistics service and third party logistics service as follows:

Stage 1: Initiation of business

We will sign freight transportation agreements with upstream shippers and downstream carriers. We generally select upstream shippers (where applicable) with good operating capability, financial strength and ability to perform their obligations under the agreement and to repay the debt.

We maintain a close relationship with downstream carriers and provide them with logistics management solutions, including business assignment, transportation route collaboration, transportation resources integration, automobile purchase and financing, logistics financing and aftermarket products (e.g. ETC cards, tyres and lubricants) purchase catered for their daily operations. This solves the difficulties of downstream carriers and increases the scope of cooperation between the carrier and us. It also increases our transportation capacity and logistics resource reserves for business from upstream shippers.

The upstream shippers engage our Group for third-party logistics services, instead of engaging the downstream carriers directly, primarily because (i) we have adopted quality management system with ISO 9001:2015 certificate and have been rated as a national 5A grade logistics enterprise, and we maintain systems to integrate and manage the transportation capabilities of downstream carriers, (ii) we generally purchase sufficient amount of logistics enterprises liability insurance to protect against the transportation risks, and (iii) our registered capital meets the requirements of the upstream shippers. These qualities demonstrated our financial and operational capabilities which outperform other downstream carriers in the bidding process of the upstream shippers for the selection of logistics service providers.

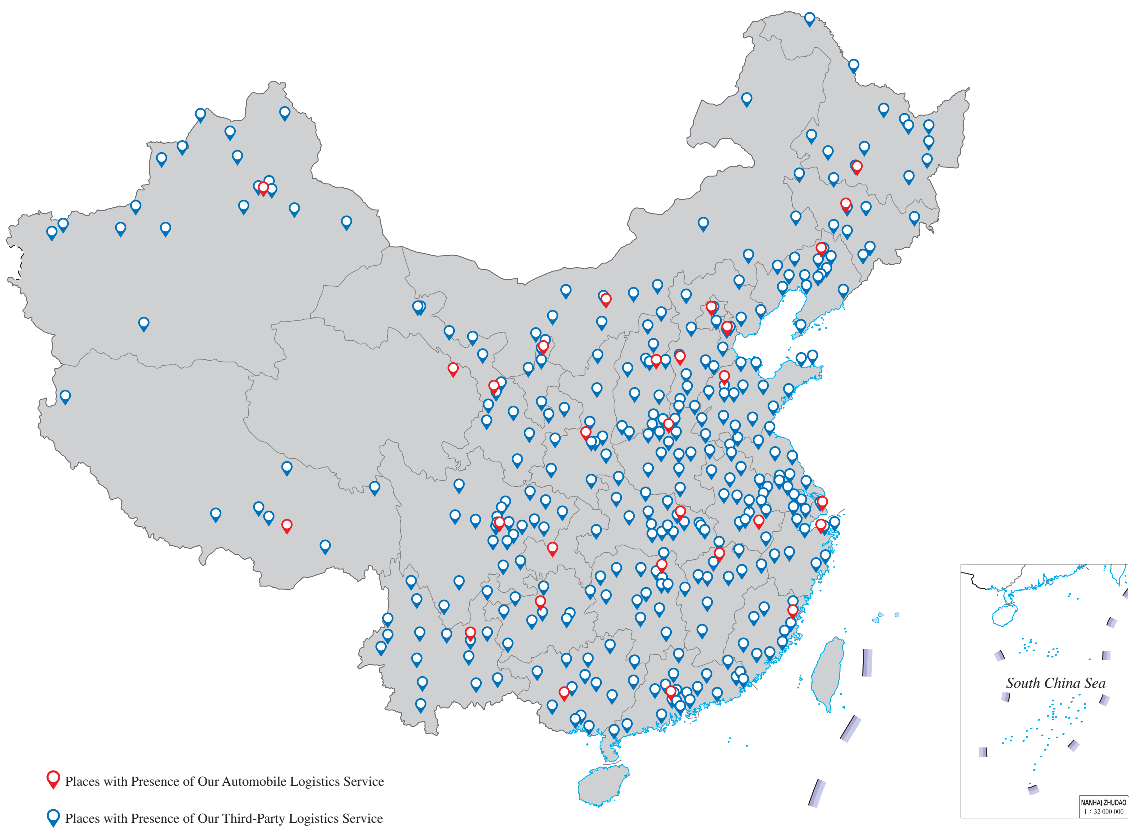
Stage 2: Selection and review of downstream carriers

We maintain close collaborative relationships with 77 downstream carriers and transportation fleet as at 31 December 2021. We maintain a candidate list of service providers that takes into account a number of factors, including, amongst others, their ability to provide on-time delivery service and to maintain a low inventory loss rate, and we conduct regular evaluation of the logistics services from such providers based on the work quality check conducted by us and the feedback from our customers. For example, in respect of an automobile logistics service project, we will first select our downstream logistics service providers through an open tender to invite the potential downstream logistics service providers to give us their tenders in a form of negotiation response detailing their company particulars, logistics capabilities, prior experiences, service fees and other key project terms. We (or our relevant subsidiary) will then conduct research and evaluation on the candidates through review committee. The candidates will be evaluated taking into account their business quality, operating and management capabilities, dispatching capabilities, transportation efficiency, logistics costs, risk migration, fleet resources as well as familiarity with the transportation route.

Based upon the review result, we will select the relevant downstream logistics service providers and inform them of the successful tender result. We will then enter into logistics service agreement with them, which governs the operational, financial and legal arrangement of such logistics service.

Geographic Coverage of Our Automobile Logistics Service and Third Party Logistics Service

Taking advantage of strong business capabilities and logistics networks of our logistics service providers, our logistics and transportation service provides extensive coverage in the PRC. As at 31 December 2021, we serve customers located in approximately 31 provinces, municipalities and autonomous regions in the PRC. In addition to Shaanxi Province, our third party logistics service covers regions with developed logistics industry, including Jiangsu, Zhejiang, Shanghai, Beijing, Tianjin, Hebei and Henan regions in the PRC, as well as the natural resources-based markets including Xinjiang, Inner Mongolian, Shanxi and other regions in the PRC. The map below illustrates the geographic coverage of our automobile logistics service and third party logistics services as at 31 December 2021:



Customers of Our Automobile Logistics Service and Third Party Logistics Service

Customers of our automobile logistics service are primarily national and regional commercial automobile sales dealers throughout China that have cooperative relationship with Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile. We also provide automobile logistics service to Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile. For further details, please refer to the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — Industry Norm and Mutually Beneficial and Complementary Relationship — Logistics and Supply Chain Service Sector" in this prospectus. There was no material fluctuation in terms of the number of commercial automobile manufacturers served by our automobile logistics service during the Track Record Period. In addition, the customers of our automobile logistics service did not include any components suppliers during the Track Record Period.

Customers of our third party logistics service are typically various manufacturing enterprises and large logistics companies, all of which are independent third parties. Such customers did not include any components suppliers during the Track Record Period.

The major customers of our automobile logistics service and third party logistics service which contributed (a) more than 5.0% of the total revenue of this business segment and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively, included:

(i) Shaanxi Heavy Duty Automobile, who is our connected person and contributed revenue in the sum of RMB24,009.7 thousand, nil and RMB40,907.2 thousand in 2019, 2020 and 2021, respectively, accounting for 3.1%, nil and 4.9% of the total revenue of our automobile logistics service and third party logistics service, and 0.8%, nil and 1.3% of the total revenue of the Group,

(ii) Changshan Giantruck Supply Chain Management Co., Ltd. (常山眾卡運力供應鏈管理有限公司), an independent logistics and transportation service company who contributed revenue in the sum of RMB280,316.5 thousand, RMB170,998.1 thousand and nil, in 2019, 2020 and 2021, respectively, accounting for 36.4%, 25.1% and nil of the total revenue of our automobile logistics service and third party logistics service, and 9.7%, 5.2% and nil of the total revenue of the Group,

(iii) Artux Jianbao Mine Selection Co., Ltd. (阿圖什建寶選礦有限公司), an independent logistics service company who contributed revenue in the sum of nil, RMB1,009.6 thousand and RMB75,106.8 thousand, in 2019, 2020 and 2021, respectively, accounting for nil, 0.1% and 9.0% of the total revenue of our automobile logistics service and third party logistics service, and nil, 0.03% and 2.4% of the total revenue of the Group,

(iv) Customer A, an independent logistics service company who contributed revenue in the sum of nil, nil and RMB81,979.3 thousand, in 2019, 2020 and 2021, respectively, accounting for nil, nil and 9.8% of the total revenue of our automobile logistics service and third party logistics service, and nil, nil and 2.6% of the total revenue of the Group, and

(v) Yili Lirong Supply Chain Management Co., Ltd. (伊犁利融供應鏈管理有限公司), an independent logistics service company who contributed revenue in the sum of nil, nil and RMB48,710.9 thousand, in 2019, 2020 and 2021, respectively, accounting for nil, nil and 5.9% of the total revenue of our automobile logistics service and third party logistics service, and nil, nil and 1.6% of the total revenue of the Group.

The total revenue contributed by the aforementioned major customers amounted to RMB304,326.2 thousand, RMB172,007.7 thousand and RMB246,704.2 thousand in 2019, 2020 and 2021, respectively, accounting for 39.5%, 25.2% and 29.6% of the total revenue of our automobile logistics service and third party logistics service, and 10.5%, 5.2% and 7.9% of the total revenue of the Group.

Except for the customers disclosed above, no other customer contributed (a) more than 5.0% of the total revenue of our automobile logistics service and third party logistics service, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. In addition, the aforementioned other customers were dispersed and therefore not regarded as major customers of our automobile logistics service and third party logistics service during the Track Record Period.

In addition, for further details of our transactions with our connected person Shaanxi Heavy Duty Automobile, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

Through in-depth research on the shipping needs of our customers, we provide them with suitable transportation routes, transportation automobile models, transportation costs, settlement credit terms and other services to ensure that the logistics service is carried out in accordance with our customised transportation plan and to help reduce transportation costs of and capital turnover pressure on our customers.

Key Terms of Relevant Agreements under Automobile Logistics Service

In relation to automobile logistics service, we entered into agreements with customers during the Track Record Period. The typical terms are set out below:

Term:	Typically about six months.
Transportation fee:	Transportation fee per unit of commercial automobile depends on the model of the subject commercial automobile.
Payment:	The customer would first pay Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) for the commercial automobile sales price together with the transportation fee, and entrust Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) to pay the transportation fee to us.
Liability:	We shall ensure the completeness of the components (including spare tyres and automobile tools) and shall be solely and fully liable for any damage to the commercial automobile, any damage to or loss of the commercial automobile accessories, and/or any damage to or injury inflicted upon third parties arising out of traffic accident during the transportation of the commercial automobile.

In addition, we entered into agreements with automobile logistics service providers during the Track Record Period. The typical terms are set out below:

Term:	Typically one year.
Transportation fee:	Transportation fee per unit of commercial automobile depends on the model of the subject commercial automobile.

Operation:	Within three hours of receiving request for logistics service by the automobile logistics service provider, the automobile logistics service provider shall undertake the relevant commercial automobile logistics procedure with Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) and be provided with the subject commercial automobile to be transported, handover certificate, warranty card, compliance certificate, commercial automobile accessories, commercial automobile keys, etc. If the automobile logistics service provider fails to object to the model, appearance, specification and accessories of the commercial automobile upon verification during the handover, they are deemed to have been accepted by the automobile logistics service provider and all the expenses to cure such loss or damage thereof shall be fully borne by such automobile logistics service provider.
Liability:	The automobile logistics service provider shall be solely and fully liable for the occurrence of any events of delay, loss or damage during the transportation of the automobile. We can deduct the loss sum from the deposit or the transportation fee only to the automobile logistics service provider. The automobile logistics service provider shall make up the deducted sum to the balance of the deposit.

Key Terms of Relevant Agreements under Third Party Logistics Service

In relation to third party logistics service, we entered into agreements with customers, mainly including independent manufacturing enterprises and large logistics companies during Track Record Period. The typical terms are set out below:

Term:	Typically about one year.
Transportation fee:	Dependent on the cargo value, time limit, transportation costs, transportation distance and difficulty of the subject transportation route.
Deposit:	No deposit requirement generally.
Settlement:	Settlement cycle of the transportation fee can either be every two months or every three months. The reconciliation of the transportation fee normally occurs the following month from the completion of transportation.
Liability:	We shall ensure that the customer's goods are delivered to designed place in a timely and safe manner in accordance with the time limit, transportation route and other requirements, and that the goods are duly received and accepted. If there is any delay in the transportation of the goods, the customer has a right to demand penalty sum from us, which might be responsible for the customer's loss, and the customer may require the transportation route to be adjusted accordingly.

Some large logistics companies engage us for third party logistics service since they may require extra transportation capabilities from third parties (including our Group) to serve their clients' specific needs from time to time. Our Group provides logistic services to these large logistic companies via our downstream carriers since the shipping volumes procured by such large logistics companies are relatively greater than those of the other upstream shippers and thus we will have to engage downstream carriers with sufficient transportation capacity to provide the relevant logistics services.

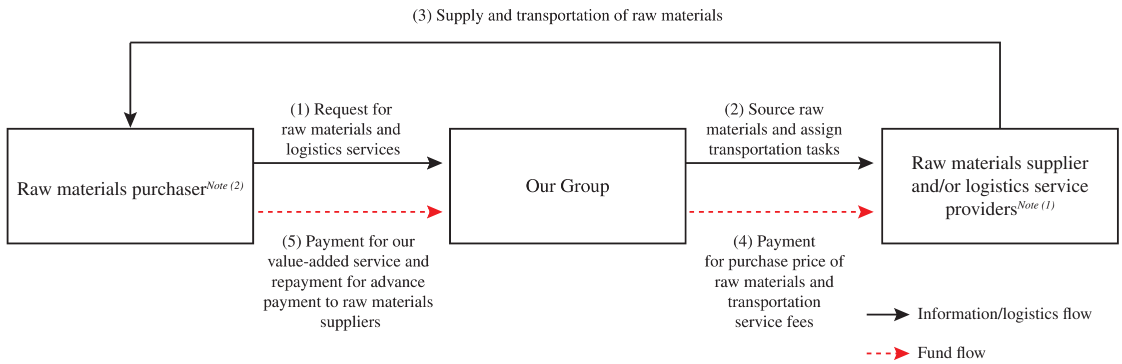
Advance Arrangement under Third Party Logistics Service

According to the Frost & Sullivan Report, in addition to the transportation services, it is the industry norm for logistics service providers in the automotive industry to source for raw materials (including supply of coal and iron ore) and to match purchasers with suppliers. Upon matching, these logistics service providers first purchase and pay for the raw materials. They then provide logistics service to the relevant customers and sell the raw materials to them. Such logistics service providers are generally resourceful in sourcing suitable raw materials and have the expertise to provide strict quality control and meet the transportation requirements of suppliers and customers. These industry observations were based on interviews with industry peers who are the leading automobile transportation companies listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange in the PRC, and they have confirmed that such combination of services and arrangement are common in the industry.

Since we have been actively developing our third party logistics business with independent third parties in relation to raw materials, we provide one-stop solution to certain customers, by sourcing and purchasing raw materials such as coal and iron ore for our customers as well as transporting such raw materials, which are sourced from and performed by the downstream raw materials suppliers or service providers engaged by us. In addition to paying for the raw materials, customers must pay our service fees incurred for the transportation of such raw materials, in one go (the "**Advance Arrangement**"). According to the Frost & Sullivan Report, the Advance Arrangement is also in line with the industry practice.

Under the Advance Arrangement, we search for suitable raw materials suppliers in accordance with the requirements of our relevant customers, and sign raw materials purchase agreement with these raw materials suppliers to stipulate our prepayment of raw materials' purchase price in advance and to affix the unit purchase price with them, which is otherwise subject to industry fluctuations according to the Frost & Sullivan Report. Such prepayment shall be recognised as our advances for such raw materials' purchase price on behalf of customers under our other receivables based on the applicable accounting standards. For further details of the relevant accounting standards and the reasons for the upsurge of such advances during the year of 2021, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Other Receivables" of this prospectus.

The Advance Arrangement is a form of subcontracting arrangement, in which the downstream carriers generally sell and deliver raw materials as requested by the relevant customers. The standard operational workflow to provide the relevant services is set out below:



Notes:

(1) Certain raw material suppliers may carry out the transportation of raw materials by themselves to the relevant customers, whereas in the other projects, our Group would engage separate downstream logistics companies to arrange for the transportation of such raw materials.

(2) Certain raw material purchasers also engage other providers for logistics services with similar advance arrangements in the PRC, which is consistent with the industry norm according to the Frost & Sullivan Report. The relevant customers have also confirmed that such contract terms with the Group are comparable to those with other logistics service providers.

In terms of contracting arrangement, we may either sign an overall raw materials purchase and sales agreement with the raw materials suppliers and customers stipulating the overall supply volume and delivery period among the parties, or execute separate periodic supply orders to arrange for supply of the raw materials to be completed within the same period, both of which are supported by back-to-back purchase obligations or separate purchase orders provided by the relevant customers. The typical terms of the agreements with the relevant customers and raw materials suppliers under the Advance Arrangement are as follows:

Roles:	Pursuant to the relevant agreements, the relevant customers agree to source and purchase, and the relevant raw materials suppliers agree to sell and deliver the subject raw materials at the stipulated unit price (which consists of purchase price and transportation service fee per unit of raw materials) and delivery period. We are mainly responsible for matching purchasers with suppliers in respect of raw materials, arranging for logistics services and making advance payment to the suppliers on behalf of the relevant customers.
Pricing terms:	We charge for the overall sourcing, dispatch and transportation value-added service fee, which is a mark-up on top of the raw materials purchase price and transportation fees payable to the raw material suppliers, from the relevant customers, and it is dependent on the raw materials value, time limit, transportation costs, transportation distance and difficulty of the subject transportation route. Whilst we pay in advance for the purchase price of raw materials on behalf of the relevant customers, we do not charge any interests or service fees on the advances provided by our Group to the raw materials suppliers.

	In addition, we have no pricing discretion on the sales of the raw materials, which is typically determined by the relevant customers.
Settlement/credit terms:	Upon completion of the transportation of raw materials to (and at the satisfaction of) the relevant customers: (i) the relevant customers shall, generally within the credit period of one to three months, settle such purchase price and our associated transportation fees pursuant to the specific terms of our agreements with them; and (ii) we shall first settle a stipulated percentage (usually 80%) of the total fees payable to the raw materials suppliers and, within three days after we have received the purchase price and transportation fees from the relevant customers, we shall settle the remaining fees with the raw materials suppliers.
Logistics and storage arrangement:	We shall source raw materials according to the loading and quality requirements of the relevant customers, and the raw material suppliers shall arrange for logistics services to transport the raw materials directly to the sites designated by the relevant customers. In some other projects, our Group will engage downstream logistics companies to arrange for the transportation of raw materials. In either case, we do not provide any storage arrangement for such raw materials. We do not take inventory risk of the raw materials.
Liability:	We shall ensure that the raw materials are delivered to designed place in a timely and safe manner in accordance with the time limit, transportation route and other requirements, and that the raw materials are duly received with both its quantity and quality accepted by the relevant customers. The raw materials suppliers shall be responsible for any loss incurred by us as a result of such customers' complaint against us on quality, safety, transportation volume or payment issues attributable to the fault of the raw material suppliers. In the event that the relevant customers do not accept delivery of the raw materials due to any quantity or quality issues, the relevant customers (through our Group) are entitled to either return the unsatisfactory portion of raw materials to the relevant suppliers (with no payment obligations to the relevant suppliers arising therefrom and that any cost incurred shall be borne by the raw materials suppliers), or to accept them at a discounted unit price. In the event the relevant customers do not pay for our advances made on their behalf to the relevant raw materials suppliers, we have the right to file a lawsuit against the relevant customers in the competent courts pursuant to the relevant agreements executed among the parties.

Our Directors confirm that, during the Track Record Period, (i) all advances made by our Group to the raw material suppliers pursuant to the Advance Arrangement were properly supported by back-to-back purchase obligations or separate orders received from the relevant customers; and (ii) we have not encountered any instances where our Group provided advances to raw materials suppliers and the purchase orders were subsequently cancelled by the relevant customers.

Since we do not control the raw materials before they are transferred to the customers (i.e. we do not take inventory risk and have no pricing discretion of the sales of raw materials), our performance obligation under the Advance Arrangement is to arrange for the raw materials to be provided to the customers rather than to directly provide the raw materials to them. As such, we do not recognise revenue of selling raw materials to the customers as well as corresponding cost of purchasing raw materials (on a net basis) and we only recognise revenue and cost of providing logistics service.

We carried out logistic services arising from the Advance Arrangement since July 2020 and, primarily as a result of the continuous expansion of our third party logistics services. During the year of 2021, the revenue generated from such arrangement increased from approximately RMB5.0 million for the year ended 31 December 2020 to approximately RMB52.1 million for the year ended 31 December 2021. The gross profit generated from such transportation fees for the year ended 31 December 2021 was approximately RMB3.0 million, representing a gross profit margin of approximately 5.8% for the same period. According to the Frost & Sullivan Report, this is in line with the industry average gross profit margin ranging from 5.0% to 10.0% for listed industry peers that have adopted similar advance arrangement. Such gross profit margin is higher than that of our third party logistics services on the whole at approximately 2.6% for the same year primarily due to the fact that we provide one-stop value-added service for the customers which bundle the matching of them with raw material suppliers, the advance payment for the purchase price on their behalf and the transportation of raw materials to designated places, and additional revenue can be generated from such bundled services without incurring substantial cost in providing the same, resulting in a higher gross profit margin.

The gross profit margin of our third party logistics service without the Advance Arrangement was approximately 2.1%, 0.01% and 2.1% for the years ended 31 December 2019, 2020 and 2021, respectively, which falls within the industry average gross profit margin of third party logistics service without similar advance arrangement ranging from 0.0% to 3.0% during the Track Record Period based on industry peers, according to the Frost & Sullivan Report. This is also largely in line with the relatively low gross profit margin of our third party logistics service as a whole at approximately 2.1%, 0.1% and 2.6% for each of the same year. For the reasons of low gross profit margin of our third party logistics service, please refer to the section headed "Risk Factors — Risk relating to our Business — Our historical financial conditions and operating results are not indicative of future performance and implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate". In particular, the gross profit margin of our third party logistics service for the year ended 31 December 2020 was significantly lower than that of the other years comprising the Track Record Period primarily due to termination of engagement with a major customer of our third party logistics service, which engages in the provision of logistics and transportation service, upon expiry of engagement term in August 2020 pursuant to our relevant contract with such customer that was not subject to the Advance Arrangement, and no renewal of the relevant contract or formation of new contract was pursued due to such customer's adjustment of its own business plan.

For the details of credit risk and liquidity risk exposure of the Advance Arrangement, please refer to "Risk Factors — Risks relating to our business — We may face cashflow mismatch and/or default which could affect our business, financial conditions and operating results" in this prospectus. We consider that the credit risk exposure of the Advance Arrangement is relatively low primarily due to the following reasons: (i) we have been actively and independently developing business relationships with the relevant customers under the Advance Arrangement, a vast majority of which are PRC state-owned enterprises or companies with PRC state-owned asset background with sizeable scale principally engaging in public utility businesses that are relatively stable in operations; and (ii) we have established a sound and effective risk control system and adopted, among the others, the following credit risk, cash flow and liquidity management measures to manage such risks:

- in the early stage of such business engagement, we conduct due diligence on the collaborating customers under the Advance Arrangement to establish a business and solvency profile of each such customer based on various factors including, without limitation, its operating and financial conditions, equity holding structure, any outstanding lawsuits or legal proceedings, opportunities and risks in the industry. A due diligence report and project proposal would be submitted to the risk review committee for review and approval before such Advance Arrangement can be carried out;

- we also conduct due diligence on the collaborating raw materials suppliers under the Advance Arrangement and screen out the unqualified suppliers based on operational quality, transportation capabilities, risk control, and financial conditions. Upon engagement of suitable raw material suppliers, certain agreements may also specify indicators related to raw materials or services to be achieved by these suppliers, failing which may render penalty charges on such suppliers;

- from the settlement perspective, we closely monitor the liquidity status of the Advance Arrangement. To collect our receivables, we issue monthly statements to the relevant customers to provide them with the accurate coal transportation details of the preceding month. Through strict implementation of operational workflow, we ensure that relevant payments for fall within the stipulated credit period and no significant cash flow shortfall will occur;

- in the case of default by our customers, our business and legal departments shall jointly formulate and implement a series of risk control measures including, without limitation, issuing repayment reminders and demand letters to, or even taking enforcement actions against such customers, to collect the outstanding receivables from such defaulting customers;

- from the operational perspective, we closely review the contractual terms with relevant customers relating to coal quality, transportation time, cargo loss and damage and liability issues arising from the transportation of coals, and usually require the raw materials suppliers to purchase a sufficient amount of transportation insurance so as to cover any potential liability arising from the transportation risk; and

- we analyse and forecast the matching of the associated cash inflows and outflows arising from projects subject to Advance Arrangement by compiling monthly rolling budget, and would adopt appropriate capital arrangements, including the use of bank financing and emergency fund, to ensure the normal operation of our business.

As at the Latest Practicable Date, approximately RMB63.4 million or 60.7% of our advances for coal purchase price on behalf of customers as at 31 December 2021 had been subsequently settled due to the above credit risk, cash flow and liquidity management measures. As at the Latest Practicable Date, our customer, Xinjiang Jinchuan Thermal Power Co., Ltd.* (新疆金川熱電有限責任公司) ("**Xinjiang Jinchuan**"), was unable to pay for the outstanding fees, which amounted to approximately RMB32.3 million, to our Group within the credit period of 60 days upon completion of the service under the Advance Arrangement primarily due to a contractual dispute on alleged quality issue in relation to the coals delivered. We had initiated legal proceedings against this customer and the Intermediate People's Court of No. 2 Xinjiang Production and Construction Corps ruled in favour of our Group with a judgment handed down in April 2022. We completed filing for enforcement of the aforesaid judgment against Xinjiang Jinchuan by the end of May 2022 and designate personnel to regularly visit the local court that has competent enforcement jurisdiction over the region in which Xinjiang Jinchuan is located, as well as the relevant discipline inspection authority to monitor the enforcement matters. We are actively seeking settlement of the outstanding advances under the Advance Arrangement and expect that, subject to the enforcement progress in respect of the overdue receivables, such advances as at 31 December 2021 will be settled by the second quarter of 2022.

Based on the above, our Directors believe that the Advance Arrangement does not constitute a separate business from, nor render significant change to our Group's business and revenue models as well as its risk profile in relation to our third party logistics services.

As advised by our PRC Legal Advisers, (i) the terms of contracts among our customers, our suppliers and us in relation to sale of raw materials under the Advance Arrangement fall within the definition of "sales contract" under the PRC Civil Code, (ii) the Advance Arrangement in such sale contracts under which our Group pays the purchase price for raw materials on behalf of the customers is for the purpose of "production or business operation" within the meaning of Provisions of the Supreme People's Court, and it is thus valid and legally binding even if it would be regarded by the relevant regulatory authorities as providing financing to the customers, (iii) the Group is not required to obtain any licences, permits and/or approvals to conduct business under the Advance Arrangement, and (iv) such Advance Arrangement complies with all applicable laws, rules and regulations in the PRC. Please refer to the section headed "Regulatory Overview — Regulations regarding local financial regulation" in this prospectus for further details.

Pricing Policy

Typically for automobile logistics service, we provide a market-driven bidding process through which carriers are selected, and our selection criteria generally prioritise candidates who offer the lowest price and meet our standard with respect to downstream carrier's transportation service capability. Our pricing for third party logistics service is determined by reference to the prevailing market price and the relevant costs incurred, which is dependent on factors such as prevailing market oil price, type of cargo goods, transportation distance and time limit.

Upon entering into transportation agreements with the downstream carriers to whom we have subcontracted the automobile logistics service, they are typically required to pay a deposit to us, the amount of which primarily depends on the safety and time limit of the transportation work and the value of the relevant goods. We generally provide automobile logistics service or third party logistics service within one to seven days after customer places orders, which depends on a number of factors, including primarily the dispatch and assignment of transportation fleet and drivers, location and timing of loading and unloading goods, distance and route of the transportation work. Upon completion of our logistics service, we will proceed to collect the payment sum from our upstream customers and then arrange for payment to downstream carriers. We usually grant our customers a credit term of around three to 90 days from our customers' receipt of the invoice. Our downstream carriers usually grant us a credit term of around 30 to 90 days from our receipt of the invoice.

Automobile Sales Business

We provide automobile sales service that mainly covers the commercial automobiles manufactured by Shaanxi Holding Group, including tractors (牽引車), dump trucks (自卸車) and cargo trucks (載貨車) of Xuande Series 3/6/9 (軒德3/6/9系列) model, which can be classified into Cummins-engine (康明斯發動機) driven, conventional (i.e., non-Cummins-engine driven, including those driven by Yuchai engine (玉柴發動機) and Yunnei engine (雲內發動機)) and electric automobiles. During the Track Record Period, we mainly sold commercial automobiles manufactured by Shaanxi Holding Group, and we had started to sell certain commercial automobiles of other brands from 2021. The revenues generated from our sales of commercial automobiles were approximately RMB651,554 thousand, RMB665,287 thousand and RMB441,237 thousand, respectively.

The table below sets forth the number of commercial automobiles we sold through our automobile sales business for the years indicated:

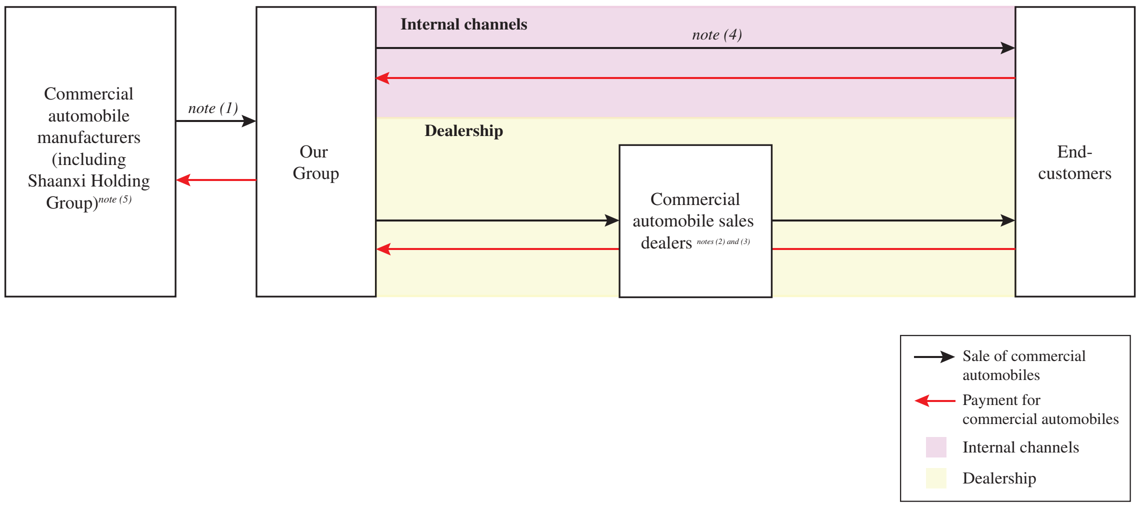
	Years ended 31 December		
	2019	**2020**	**2021**
Commercial automobiles manufactured by Shaanxi Heavy Duty Automobile	35[(1)]	38	34
Commercial automobiles manufactured by Shaanxi Commercial Automobile	2,468	2,946	1,853
Commercial automobiles of other brands	0	0	51
Total	2,503	2,984	1,938

Note:

(1) We sold much fewer commercial automobiles manufactured by Shaanxi Heavy Duty Automobile than commercial automobiles manufactured by Shaanxi Commercial Automobile due to our shift in business focus in 2019 to sell more commercial automobiles manufactured by Shaanxi Commercial Automobile. As such, the number of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile which we sold decreased substantially from 1,042 in 2018 to 35 in 2019. There had been a shift in business focus because (i) we had been the regional exclusive sales dealer of Shaanxi Heavy Duty Automobile's commercial automobiles with Cummins engine in the early years, but after Shaanxi Heavy Duty Automobile adopted a policy to engage more primary sales dealers in different regions in the PRC, we ceased to be an exclusive sales dealer in such regions and no longer enjoyed the exclusivity in such sales dealership; and (ii) Shaanxi Commercial Automobile, being an emerging commercial automobile manufacturer that experienced a rapid business growth in the recent years with improving product quality and growing customer satisfaction, has actively pursued collaboration with us in light of our extensive sales channels and capabilities, as well as our familiarity with automobiles with Cummins engine, and sought to cooperate with us in sales of automobiles with Cummins engine and chose us as the regional exclusive sales agent. As such, we have been developing a complementary and mutually beneficial business relationship with Shaanxi Commercial Automobile, with a goal to further engage in providing customised commercial automobile sales service in the future.

Our Sales Channels

During the Track Record Period, we conducted our automobile sales business through two sales channels, namely: (i) internal channels, through which we sell our commercial automobiles to end-customers, and (ii) dealership, through which we sell our commercial automobiles to commercial automobile sales dealers who will then further sell to end-customers. The following diagram illustrates our two sales channels as at the Latest Practicable Date:



Notes:

(1) Please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Automobile Purchase Process with Commercial Automobile Manufacturers" in this section for further details.

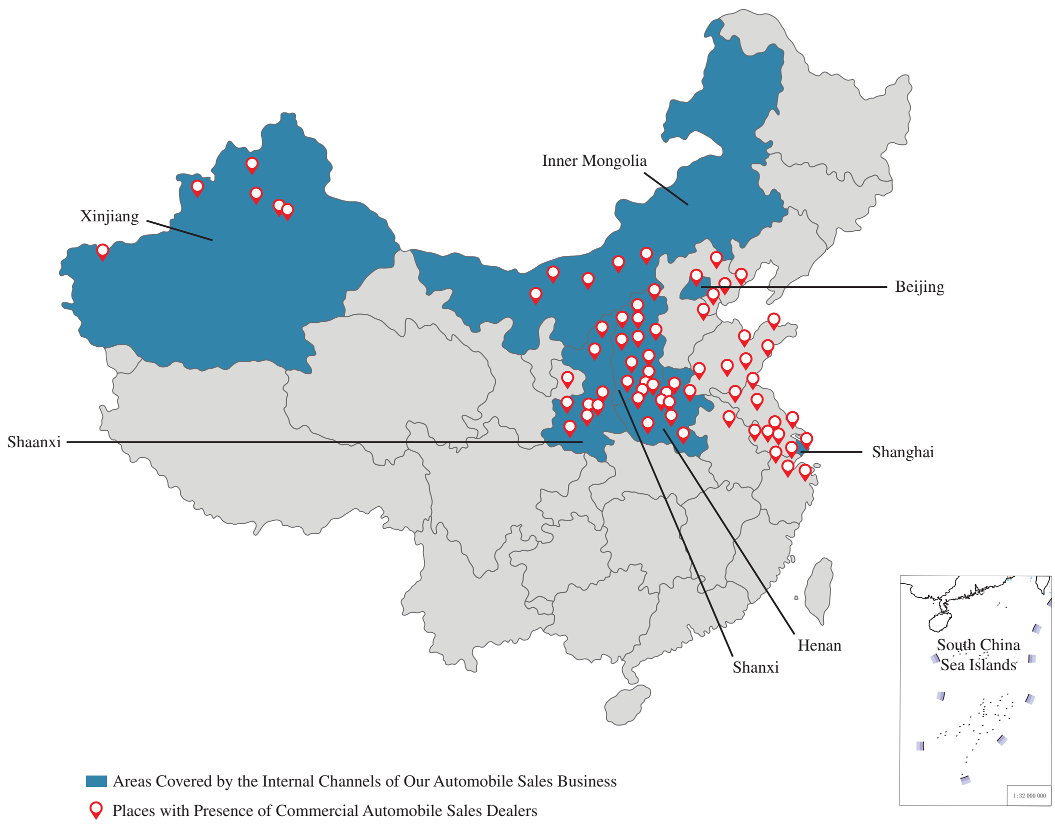
(2) In terms of sourcing, our commercial automobile sales dealers (i) are not able to source the commercial automobiles directly from Shaanxi Holding Group since we are the exclusive regional sales dealers of Shaanxi Holding Group in the relevant regions that we operate our automobile sales business; and (ii) generally did not purchase or source commercial automobiles solely and/or exclusively from the Group, but also from suppliers of commercial automobiles that were not manufactured by Shaanxi Holding Group mainly because they are not our exclusive sales agents and that they will generally sell commercial automobiles from different brands to fulfil the diverse requirements of their own customers. For the years ended 31 December 2019, 2020 and 2021, only three, three and zero commercial automobile sales dealers purchased or sourced commercial automobiles solely and exclusively from the Group.

(3) We enter into commercial automobile dealership framework agreements with our commercial automobile sales dealers. Where our sales were conducted through dealership, the commercial automobile sales dealers who purchased the commercial automobiles are regarded as the customers of our Group, no matter whether they resell the products to other commercial automobile sales dealers or to end-customers. We pass the title of the commercial automobiles to the commercial automobile sales dealers when we deliver the commercial automobiles to them. Please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Dealership and Our Commercial Automobile Sales Dealers" in this section for further details.

(4) We enter into commercial automobile sales agreements with our end-customers. Where our sales were conducted through our internal channels, the end-customers who purchased the commercial automobiles are regarded as the customers of our Group. Please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Automobile Sales Process through Our Internal Channels" in this section for further details.

(5) Shaanxi Holding Group generally engages several primary dealers (including but not limited to our Group) who are able to meet their financial and operational requirements from a holistic perspective for the sake of selling and distributing the commercial automobiles manufactured by them throughout the PRC. Shaanxi Holding Group generally does not engage or establish business relationship with our commercial automobile sales dealers (which are relatively smaller in terms of operational scale than those primary dealers engaged by Shaanxi Holding Group) in conducting sales and distribution of commercial automobiles manufactured by them, and hence we are able to manage our own network of dealership channels in the relevant regions that we operate our automobile sales business.

The map below illustrates the locations of our internal sales channels and commercial automobile sales dealers within our commercial automobile sales network as at 31 December 2021:



The following table sets forth the revenue generated from the commercial automobile sales by our sales channels for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Internal channels	505,861	77.6	319,768	48.1	122,858	27.8
Dealership	145,693	22.4	345,519	51.9	318,379	72.2
Total	651,554	100.0	665,287	100.0	441,237	100.0

Note:

(1) Revenue contribution through the commercial automobile sales dealers increased steadily from 22.4% in 2019 to 51.9% in 2020, and further to 72.2% in 2021 primarily because (i) we had been steadily expanding sales through our dealership channel since 2020 to pursue a business growth in our automobile sales business, thereby increasing the revenue contribution from our commercial automobile sales dealers; and (ii) for some commercial automobile sales dealers with which we began to collaborate in 2020, they further increased their commercial automobile orders with us and deepened our business collaboration in the beginning of 2021 when they have developed more in-depth understanding of the commercial automobiles we sell and become aware that the commercial automobiles we sell can better serve their end-customer's need. As a result, there has been in a further increase in our sales revenue from the rising number of orders by these commercial automobile sales dealers.

The major customers of our internal channels (which are regarded as our end-customers) that contributed (a) more than 5.0% of the total revenue of our automobile sales business, and (b) more than 1.0% of the total revenue of the Group for one or more relevant year during the Track Record Period, respectively, included:

(a) Henan Shanqi Heavy Duty Automobile Sales Co., Ltd. (河南陝汽重卡汽車銷售有限公司), an independent automobile, machinery and metallic material supplier, who contributed a revenue of approximately RMB35,327.1 thousand, nil and nil in 2019, 2020 and 2021, respectively, accounting for approximately 5.4%, nil and nil of the total revenue of our automobile sales business, and 1.2%, nil and nil of the total revenue of the Group, and

(b) Xinjiang Tiantong Modern Logistics Company Limited (新疆天通現代物流有限責任公司), an independent logistics and transportation service company, who contributed a revenue of approximately nil, RMB61,020.8 thousand and RMB306.6 thousand in 2019, 2020 and 2021, respectively, accounting for approximately nil, 9.2% and 0.1% of the total revenue of our automobile sales business, and nil, 1.9% and 0.01% of the total revenue of the Group.

The major customers of our dealership channels (which are regarded as our commercial automobile sales dealers) that contributed (a) more than 5.0% of the total revenue of our automobile sales business, and (b) more than 1.0% of the total revenue of the Group for one or more relevant year during the Track Record Period, respectively, included:

(a) Henan Juton Vehicle Co., Ltd. (河南駿通車輛有限公司), an independent commercial automobile sales dealer, who contributed a revenue of approximately RMB28,506.4 thousand, RMB56,564.4 thousand and nil in 2019, 2020 and 2021, respectively, accounting for approximately 4.4%, 8.5% and nil of the total revenue of our automobile sales business, and 1.0%, 1.7% and nil of the total revenue of the Group, and

(b) Suzhou Pengshun Automobile Sales Service Co., Ltd. (蘇州鵬順汽車銷售服務有限公司), an independent commercial automobile sales dealer, who contributed a revenue of approximately RMB751.9 thousand, RMB50,205.6 thousand and RMB23,300.8 thousand in 2019, 2020 and 2021, respectively, accounting for approximately 0.1%, 7.5% and 5.3% of the total revenue of our automobile sales business, and 0.03%, 1.5% and 0.7% of the total revenue of the Group.

The total revenue contributed by the aforementioned major customers amounted to RMB64,585.4 thousand, RMB167,790.8 thousand and RMB23,607.4 thousand in 2019, 2020 and 2021, respectively, accounting for 9.9%, 25.2% and 5.4% of the total revenue of our automobile sales business, and 2.2%, 5.1% and 0.7% of the total revenue of the Group.

Except for the customers disclosed above, no other customer contributed (a) more than 5.0% of the total revenue of our automobile sales business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. In addition, the aforementioned other customers were dispersed and therefore not regarded as major customers of our automobile sales business during the Track Record Period.

Our Internal Channels

We conduct our automobile sales business through our internal channels, namely Fargo's subsidiaries and local office. As at 31 December 2021, our internal sales channels to end-customers (the "**internal channels**") include: (i) Shanghai Fargo Supply Chain Management (Group) Co., Ltd. (上海遠行供應鏈管理(集團)有限公司), which is located in Shanghai of the PRC, (ii) Inner Mongolia Fargo Supply Chain Management Co., Ltd.* (內蒙古遠行供應鏈管理有限公司), which is located in Inner Mongolia of the PRC, (iii) Beijing Deewin Fargo Supply Chain Management Co., Ltd.* (北京德銀遠行供應鏈管理有限公司), which is located in Beijing of the PRC, (iv) Xinjiang Fargo Supply Chain Management Co. Ltd.* (新疆遠行供應鏈管理有限公司), which is located in Xinjiang of the PRC, (v) Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司), which is located in Shaanxi Province of the PRC, (vi) Henan Deewin Supply Chain Management Co., Ltd.* (河南德銀供應鏈管理有限公司), which is located in Henan Province of the PRC, (vii) Shanxi Deewin Fargo Supply Chain Management Co., Ltd.* (山西德銀遠行供應鏈管理有限公司), which is located in Shanxi Province of the PRC, and (viii) Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司), which is located in Shaanxi Province of the PRC. For further details of the locations of our internal sales channels, please refer to the paragraph headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Our Sales Channels" in this section. Through the above broadly distributed internal channels in Shanghai, Xinjiang, Henan Province, Shanxi Province and other regions in the PRC, we are able to sell the commercial automobiles to our end-customers, which mainly include logistics and transportation service companies, construction and metallic material supplier, commercial automobile supplier and individuals. Such distribution model is not uncommon within the industry.

Driven by national infrastructure construction projects and the development of the trunk logistics transportation industry, the sales volume of heavy commercial automobiles in China maintained at a high growth rate from 2015 to 2020. Please refer to the section headed "Industrial Overview — The Commercial Automobile Industry Chain Service in China — Overview of Commercial Automobile Industry Chain Service Market in China — Sales Volume of Commercial Automobiles in China" in this prospectus for further details. Whilst we do not operate any flagship or dealership stores in our internal channels, we procure and are able to secure such end-customers under our internal channels through different methods including, among others, that: (i) the sales staff of our internal channels promote the commercial automobiles that we sell by visiting logistics companies and industrial areas and calling the potential customers; (ii) we regularly carry out marketing and promotional campaigns via both our online channel (including WeChat public account) and offline channel (including automobile delivery ceremonies and roving exhibitions) to increase product visibility; and (iii) we leverage our existing financial resources and synergise with our supply chain business (including automobile manufacturing supply chain service and automobile/third party logistics service) in order to simultaneously promote our commercial automobile sales to those quality key customers. Please refer to the paragraphs headed "— Our Internal Channels" and "— Automobile Sales Process through Our Internal Channels" in this section for further details of how we sell the commercial automobiles via our internal channels.

Automobile Sales Process through Our Internal Channels

Where our sales were conducted through our internal channels, the end-customers who purchased the commercial automobiles are regarded as the customers of our Group. For further details regarding the end customers which contributed (a) more than 5.0% of the total revenue of our automobile sales business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, please refer to the paragraph headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Our Sales Channels" in this section. Please also refer to the paragraph headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Dealership and Our Commercial Automobile Sales Dealers" in this section for details of the commercial automobile sales dealers during the Track Record Period. During the Track Record Period, the aforementioned end-customers did not include any commercial automobile manufacturers and/or components suppliers.

We, through our internal channels, will enter into commercial automobile sales agreements with our end-customers. They are typically required to pay deposits, the amount of which depends on the automobile types and models before we enter into sales agreements with them. If the automobiles are in stock, we typically deliver such automobiles within three days after the customer (i) enters into automobile sales agreements and (ii) completes relevant financing arrangements (as applicable). Occasionally for popular models, the lead time could be delayed depending on a number of factors, including primarily the current inventory levels and the production capacity of the relevant commercial automobile manufacturers.

Dealership and Our Commercial Automobile Sales Dealers

As at 31 December 2021, we engaged more than 150 commercial automobile sales dealers, who are independent third parties of our Company, in order to tap into their automobile sales network. As at 31 December 2019, 2020 and 2021 and the Latest Practicable Date, 65, 78, 173, 155 and 161 commercial automobile sales dealers, respectively, were engaged in respect of our automobile sales business, due to the growing demand for commercial automobiles by end-users and our strategic plan to expand its business geographically in the PRC market. These commercial automobile sales dealers are generally operating at national and regional levels throughout China. For further details of (i) the locations of our commercial automobile sales dealers, and (ii) commercial automobile sales deals which contributed (a) more than 5.0% of the total revenue of our automobile sales business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, please refer to the paragraph headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Our Sales Channels" in this section. Please also refer to the paragraph headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business — Automobile Sales Process through Our Internal Channels" in this section for details of our end-customers during the Track Record Period. During the Track Record Period, the aforementioned commercial automobile sales dealers did not include any commercial automobile manufacturers and/or components suppliers.

The following table sets forth the movement in the number of commercial automobile sales dealers engaged for our automobile sales business during the periods and as at the dates indicated:

	For the Year Ended and As at 31 December			For the Period From 31 December 2021 Ended and As at the Latest Practicable Date
	2019	2020	2021	
Number of commercial automobile sales dealers at the beginning of the period	65	78	173	155
Number of new commercial automobile sales dealers engaged during the period	62	162	103	18
Number of existing commercial automobile sales dealers ceased to be engaged during the period	(49)	(67)	(121)	(12)
Number of commercial automobile sales dealers at the end of the period	78	173	155	161

The number of commercial automobile sales dealers ceasing their engagement with us increased during the Track Record Period mainly because (i) a number of commercial automobile sales dealers voluntarily ceased cooperation with us (which accounted for 34, 45 and 88 commercial automobile sales dealers for the years ended 31 December 2019, 2020 and 2021, respectively) as we have strategically adjusted our dealership network based on our historical sales performance and we (a) have gradually ceased development of dealership channels in certain regions, including various cities in Anhui, Sichuan, Chongqing and Shandong, and (b) have been actively expanding distribution of commercial automobiles with Cummins engine since 2020, both of which may not be in line with the business plan and/or the target market of some existing commercial automobile sales dealers; (ii) they have failed to fulfil our key performance indicators during the year and we have the right to cancel their dealership immediately (which accounted for nine, 11 and 18 commercial automobile sales dealers for the years ended 31 December 2019, 2020 and 2021, respectively); (iii) we closely monitor the service provided by them, and would cease to cooperate with commercial automobile sales dealers due to their unsatisfactory service which may affect the Group's image (which accounted for six, 11 and 15 commercial automobile sales dealers for the years ended 31 December 2019, 2020 and 2021, respectively). There had been no material litigations or legal proceedings between the Group and any of its existing or terminated commercial automobile sales dealers during the Track Record Period and up to the Latest Practicable Date. We expect to maintain relatively stable cooperation relationship with our commercial automobile sales dealers in 2022.

Our relationship with the commercial automobile sales dealers is that between a buyer and a seller. Where our sales were conducted through commercial automobile sales dealers, the commercial automobile sales dealers who purchased the commercial automobiles are regarded as the customers of our Group, no matter whether they resell the products to other commercial automobile sales dealers or to end-customers. We pass the title of the commercial automobiles to the commercial automobile sales dealers when we deliver the commercial automobiles to them. In terms of sourcing, our commercial automobile sales dealers (i) are not able to source the commercial automobiles directly from Shaanxi Holding Group since we are the exclusive regional sales dealers of Shaanxi Holding Group (but not restricted from selling other brand of commercial automobiles) in the relevant regions where we operate our automobile sales business; and (ii) generally did not purchase or source commercial automobiles solely and/or exclusively from the Group, but also from suppliers of commercial automobiles that were not manufactured by Shaanxi Holding Group mainly because they are not our exclusive sales agents and that they will generally sell commercial automobiles from different brands to fulfil the diverse requirements of their own customers.

We enter into commercial automobile dealership framework agreement with our commercial automobile sales dealers, the terms of which are largely standardised. We set forth below some typical terms of our commercial automobile dealership framework agreement:

Term:	Typically 12 months
Sales area:	We distribute the commercial automobile sales dealers into different sales region, and require them to only conduct business within their respective sales region.
Deposits:	Within five days from entering into the commercial automobile dealership framework agreement, the commercial automobile sales dealer shall pay a deposit for the sum of negotiated amount between the parties per unit multiplied by the annual target sales volume committed by the commercial automobile sales dealer. We can forfeit part or whole deposit sum if the commercial automobile sales dealer fails to achieve its target sales volume, or if the commercial automobile sales dealer has breached the relevant regulations and policies. The remaining portion of the deposits will be returned to the commercial automobile sales dealers upon the completion or termination of the agreement.
Guarantee:	The shareholders and legal representative of the commercial automobile sales dealer shall unconditionally and irrevocably guarantee the commercial automobile sales dealer's performance and obligations under the commercial automobile dealership framework agreement.
Key performance indicators:	If the commercial automobile sales dealer is unable to achieve 40.0% of the annual target sales volume by the first half of the year, we are entitled to cancel the commercial automobile's dealership in selling commercial automobiles and terminate the commercial automobile dealership framework agreement immediately. If the dealer is unable to achieve 70.0% of the annual target sales volume by the end of the year, we are entitled to cancel the commercial automobile dealership in selling commercial automobiles and terminate the commercial automobile dealership framework agreement immediately.

Our commercial automobile dealership framework agreement generally does not include terms that (i) restrict the appointment of sub-dealers, (ii) mandate selling price(s) to sub-dealers or end-customers, or (iii) relate to product return policy.

Each of commercial automobile sales dealers that we cooperate with has its own automobile storage area and dedicated management staff. Our management evaluates and plans for inventory procurement of our commercial automobile sales dealer and works with the business executive of the dealers to optimise the level and composition of their inventories in response to changing market conditions. We recommend the inventory order amount for each commercial automobile sales dealer based on a number of parameters, including its existing inventory levels and compositions, expected delivery times of purchase orders, expected customer demand, projected sales trends, and sales targets set by the commercial automobile manufacturers, through which our centralised enterprise resource planning is formulated. Upon agreement, we may help the commercial automobile sales dealers to track automobile inventories by Tianxingjian IoV System and regularly assist them to conduct offline stock count on the inventories. Meanwhile, the commercial automobile sales dealers can check and stock count the automobile inventories against the recommended inventory standards on a regular basis themselves and make timely report to us upon our request. In order to rebalance their inventory levels, we may transfer the automobiles from one outlet to another according to specific needs.

Our commercial automobile sales dealers generally purchase the commercial automobiles from us based on the actual orders placed by the end-customers, and only a small number of them would purchase hot sale models in advance for stock up and then resell during peak seasons. We generally do not accept product return of commercial automobiles from the commercial automobile sales dealers (except for defective products) and we have, in our sole discretion, in very few and exceptional cases allowed such return during the Track Record Period. We do not allow return of obsolete stock of commercial automobiles from the commercial automobile sales dealers, nor do we provide any assistance in their disposal. It remains solely the responsibility of the commercial automobile sales dealers to dispose of any obsolete stock. Based on the above, our Directors believe that the sales to our commercial automobile dealers during the Track Record Period were properly supported by actual demand of end-customers.

Our automobile sales revenue is recognised upon the handing over and acceptance of the commercial automobiles to our commercial automobile sales dealers through dealership or end-customers through our internal channels. Generally, the historical automobile sales are to a large extent recurring in nature. As at 31 December 2019, 2020 and 2021 and the Latest Practicable Date, the outstanding balance of trade receivables from the Group's commercial automobile sales dealers was approximately RMB31.1 million, RMB82.4 million, RMB90.2 million and RMB89.2 million, respectively. During the Track Record Period, such outstanding balance of trade receivables increased primarily because:

(a) there was an increasing number of commercial automobile sales dealers we engaged during the Track Record Period that would provide ancillary service to their end-customers by assisting them to obtain financial leasing services. Such commercial automobile sales dealers would pay for the commercial automobiles purchased from our Group after undergoing relevant credit review and financing procedures related to those end-customers, which may be subject to the processing time of financial leasing service providers. This resulted in the increase in trade receivables from our commercial automobile sales dealers from 31 December 2019 to 31 December 2020 (which had been settled as at 30 June 2021),

(b) the commercial automobile sales dealers increased their purchase for our commercial automobiles adopting Phase 5 Automobile Emission Standards due to their relatively lower selling price than those adopting Phase 6 Automobile Emission Standards (the full adoption of which is mandatory from 1 July 2021). This resulted in the increase in trade receivables from our commercial automobile sales dealers from 31 December 2020 to 31 December 2021, and

(c) since the beginning of 2021, we have engaged some new commercial automobile sales dealers which had been accounted as our end-customers during the prior years (as these end-customers have entered into the relevant commercial automobile dealership framework agreements with us during 2021), resulting in a reclassification of trade receivables to those relating to dealership channels as at 31 December 2021.

As at 31 January 2022, approximately RMB4.5 million of the Group's outstanding trade receivables as at 31 December 2021 were settled, and the remaining portion of approximately RMB89.0 million outstanding trade receivables was within the credit period granted to our commercial automobile sales dealers and thus not overdue yet.

In terms of recoverability of trade receivable from our commercial automobile sales dealers, we consider substantial part of these trade receivables (as at 31 December 2021) to be recoverable and only a small portion of impairment provision for bad debt is required. Such receivables were due from customers with good settlement histories and low default rate. As at the Latest Practicable Date, we consider the subsequent settlement rate of such trade receivables as at 31 March 2022 to be reasonable, as we generally offer a credit period from 0 to 60 days to our commercial automobile sales dealers and some of the receivables were not yet due for payment. For further details of our subsequent settlement of trade receivables, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Trade receivables".

In the event of any default or delay in payment by our commercial automobile sales dealers in the future, resulting in an increase in our receivable turnover days, we may experience untimely and significant cash flow shortfall, and our cash position, liquidity, financial condition and results of operations may be materially and adversely affected. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — The sales levels of the commercial automobiles as reported by our commercial automobile sales dealers may not be indicative of the actual commercial automobile sales situation. We also rely on our commercial automobile sales dealers for our commercial automobile sales business and if their performance is not well, our business, financial conditions and operating results could be materially and adversely affected" in this prospectus for further details of the relevant risks.

Financial Leasing Service and Automobile Sales Business

Due to the relatively high unit price of the commercial automobiles that we sell, in particular the heavy commercial automobiles, and the financial constraints of the individual purchasers, a portion of customers of our automobiles sales business are referred to our financial leasing business from which such individual purchasers can conveniently obtain financial assistance. During the Track Record Period, approximately 25.0%, 29.0% and 35.9% of the customers of our automobile sales business were also customers of our financial leasing business for the years ended 31 December 2019, 2020 and 2021, respectively. The operation of our automobile sales business financed by automobile financial leasing is typically the same as that without automobile financial leasing.

We have adopted a standardised business workflow which facilitates the cooperation between our automobile sales business and our financial leasing business. Please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Financial Leasing Business — Operational Workflow" in this section for further details.

Automobile Purchase Process with Commercial Automobile Manufacturers

We purchase the new commercial automobiles from the commercial automobile manufacturers, which is conducted through the sales system of the commercial automobile manufacturers. We enter into automobile sales agreements with the commercial automobile manufacturers, and before making a purchase order on the sales system, we are typically required to pay deposits. The size of deposits primarily ranges from RMB10.0 thousand to RMB20.0 thousand, which depends on the automobile types and models. The ownership of the new commercial automobile is transferred to us only upon full payment of the automobile sales price to the commercial automobile manufacturers. We normally settle the purchase prices in accordance with the pricing policies of the commercial automobile manufacturers. They generally do not offer any credit term to us.

The commercial automobile manufacturers are responsible for paying the transportation fees to deliver the new commercial automobiles. In general, the lead time required to deliver conventional new commercial automobiles to our sales halls is within 30 days. The subject automobile will be inspected by the quality inspector of the commercial automobile manufacturers before exiting their warehouses and, if there is any quality issue upon the receipt of the subject automobile, we can go to the nearby service stations of the commercial automobile manufacturers for free automobile rectification. During the Track Record Period and as at the Latest Practicable Date, we had not requested to return any major product to the commercial automobile manufacturers as a result of commercial automobile defects.

Pricing Policy

Our pricing for automobile sales service is determined by reference to the commercial automobile manufacturer's manufacturer suggested retail price and competitive product prices with the same configuration in the market. Despite the manufacturer suggested retail price, we retain certain flexibility in determining the retail prices of the new commercial automobile that we are authorised to sell. This allows us to adjust our pricing strategy and to offer a discount or mark up on the manufacturer suggested retail price, accounting for (i) the market demand for a particular model, (ii) our inventory level, and (iii) the market prices of competitive products, according to which a retail price will be determined so as to generate revenue through the price difference. We usually grant a credit term of around zero to 60 days to our customers from the receipt of the commercial automobiles by them.

Aftermarket Product Business

Aftermarket product business is widely recognised as one of the key areas with potential for rapid business growth in the foreseeable future. During the Track Record Period, we engaged in aftermarket product business that mainly covered the sales of (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. According to the Frost & Sullivan Report, with the fast expansion of commercial automobile market and the rapid increase of the existing reserve market size of commercial automobiles, the market demand for aftermarket products are growing at an accelerated pace.

The table below sets forth the number of aftermarket products we mainly sold for the years indicated:

	Years ended 31 December		
	2019	**2020**	**2021**
Tyres	25,421	37,794	33,502
Lubricants (in barrels)	7,694	23,097	16,152
Carbamide (in barrels)	4,000	9,826	22,342
Cylinder	974	48	–

Arrangements with Our Customers and Suppliers and Pricing Policy

End-customers of our aftermarket product business are primarily individuals as measured by the number, all of whom are independent third parties. We also sell our aftermarket products to the commercial automobile sales dealers, who are regarded as our end-customers under the aftermarket product business. In addition, during the Track Record Period, we also sold our aftermarket products to other customers including (i) aftermarket product trading companies, (ii) logistics service providers, which consumed a large number of aftermarket products during their daily operations, in particular tyres and lubricants, and (iii) certain commercial automobile manufacturers for undertaking the manufacturing work. In addition, the customers of our aftermarket product business did not include any components suppliers during the Track Record Period.

The following table sets forth the movement in the number of commercial automobile manufacturers served by our aftermarket product business during the periods and as at the dates indicated:

	For the Year Ended and As at 31 December			For the Period From 31 December 2021 Ended and As at the Latest Practicable Date
	2019	**2020**	**2021**	
Number of commercial automobile manufacturers at the beginning of the period	2	7	7	5
Number of new commercial automobile manufacturers engaged during the period	6[Note (1)]	1	3	0
Number of existing commercial automobile manufacturers ceased to be engaged during the period	(1)	(1)	(5)[Note (2)]	0
Number of commercial automobile manufacturers at the end of the period	7	7	5	5

Notes:

(1) There was a material change in the number of new commercial automobile manufacturers engaged for the year ended 31 December 2019, which was primarily due to our marketing efforts targeting commercial automobile manufacturers to enhance our client base.

(2) There was a material change in the number of existing commercial automobile manufacturers ceasing to be engaged for the year ended 31 December 2021, which was primarily due to the significant increase in the sales price of our certain aftermarket products, in particular cylinder used during the manufacturing of commercial automobiles. Such increase was in turn due to a sharp increase in domestic market price of natural gas and oil since the end of the fourth quarter of 2020, which was attributable to bad weather in Northwestern China.

(3) During the Track Record Period, we mainly sold lubricants and cylinder to Shaanxi Holding Group. In the future, we will focus on the independent third party customers for our aftermarket products, and will closely monitor our sales of aftermarket products to Shaanxi Holding Group after the Listing. Please also refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence — automobile aftermarket product business" for further details.

In addition, the major customers of our aftermarket product business which contributed (a) more than 5.0% of the total revenue of this business segment, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively, included:

(i) Henan Juton Vehicle Co., Ltd. (河南駿通車輛有限公司), an independent manufacturer of trailers and commercial automobile sales dealer who contributed revenue in the sum of RMB18,376.8 thousand, RMB30,857.1 thousand and RMB31,280.0 thousand in 2019, 2020 and 2021, respectively, accounting for 25.8%, 33.9% and 36.8% of the total revenue of our aftermarket product business, and 0.6%, 0.9% and 1.0% of the total revenue of the Group, and

(ii) Shaanqi Datong Special Purpose Automobile Co., Ltd. (陝汽大同專用汽車有限公司), a commercial automobile manufacturer who is an associate of Shaanxi Heavy Duty Automobile, and is thus our connected person and contributed revenue in the sum of RMB33,079.8 thousand, RMB1,334.4 thousand and nil in 2019, 2020 and 2021, respectively, accounting for 46.4%, 1.5% and nil of the total revenue of our aftermarket product business, and 1.1%, 0.04% and nil of the total revenue of the Group, and

The total revenue contributed by the aforementioned major customers amounted to RMB51,456.6 thousand, RMB32,191.5 thousand and RMB31,280.0 thousand in 2019, 2020 and 2021, respectively, accounting for 72.2%, 35.4% and 36.8% of the total revenue of our aftermarket product business, and 1.7%, 0.9% and 1.0% of the total revenue of the Group.

Except for the customers disclosed above, no other customer contributed (a) more than 5.0% of the total revenue of our aftermarket product business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. In addition, the aforementioned other customers were dispersed and therefore not regarded as major customers of our aftermarket product business during the Track Record Period.

In addition, for further details of our transactions with our connected person, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

Upon receiving orders for purchase of aftermarket products from our customers, which may include commercial automobile manufacturers (such as Shaanxi Holding Group) and our commercial automobile sales dealers and end-customers under our automobile sales business, we will then purchase certain aftermarket products from the suppliers. We generally deliver the products to customers upon receipt of full payment of the sales prices. We typically complete the delivery within five to ten days after customer places orders. In a few cases, for popular aftermarket products that are short in supply due to the limited production capacity of the suppliers, the lead time could be up to one month. Our pricing for our aftermarket products is determined with reference to the relevant commercial automobile-related manufacturer suggested retail price. Despite the manufacturer suggested retail price, we retain certain flexibility in determining the retail prices, which allows us to adjust our pricing strategy to offer a discount or mark up on the manufacturer suggested retail price to account for the market demand for a particular product and our inventory level. We generally do not offer any credit term for our customers for products sold based upon cash-on-delivery model, whilst for some products we may grant a credit term of around two to three months from the issuance of invoice to our customers.

Leveraging our in-depth cooperation with commercial automobile manufacturers and maintaining close business relationship with a multitude of suppliers of aftermarket products, we enjoy the benefits of product customisation and higher bargaining power in terms of pricing. We maintain a candidate list of suppliers, which are usually well-known brands in the industry, and conduct regular evaluation of the products from such suppliers based on the frequent product quality check undertaken by us and the feedback from our customers. We purchase substantially all of our aftermarket products from the relevant product manufacturers through the sales system of the manufacturers. We normally settle the purchase prices in accordance with the business policies of the product manufacturers. Our agreements with the suppliers usually include technical indicators and guarantee of repair, replacement and refund for substandard products to ensure the quality of the aftermarket products supplied by them. Our credit terms with our suppliers are generally consistent with those with our customers.

CLGG Online Platform

Our CLGG Online Platform is an online service platform for commercial automobiles. The platform makes use of commercial automobile operating data and deeply integrates with our supply chain financial service and aftermarket products in order to provide online commercial automobile purchase and leasing, aftermarket product purchase, supply chain and logistics finance and other services to users ranging from small and medium-sized carriers to individual commercial automobile users, which ultimately enhance their management, logistics efficiency and competitiveness.

Our CLGG Online Platform includes a website ("**CLGG Website**") (which can be assessed at **https://clgg.com/**) and a mobile application ("**CLGG App**") (which supports both iOS and Android operation systems).

Illustration of CLGG Website

Illustration of CLGG App

The platform has been docked with the main business management systems of our relevant business sectors, and the first phase of docking the online freight with Fargo as well as the TMS of Tonghui has been completed. When users submit request for purchasing commercial automobiles and aftermarket products or application for automobile financing through the platform, the platform will forward them to the relevant business management system of our corresponding business unit. Information in such business management system and our CLGG Online Platform are synchronised, so that users can track the operation progress timely. As a commercial automobile service online platform, our CLGG Online Platform consolidates the information relating to the services provided by our other business sectors and presents them in a unified form.

Our CLGG Online Platform consists of the following features:

- introducing our offering of purchase and leasing of commercial automobiles. Users could conveniently search and filter results on the types of automobiles they would like to purchase or lease through selecting different options of "use type", "drive mode", "automobile type" and "horsepower";
- introducing our offering of tyres, lubricants, ETC, etc. which are similarly offered by our aftermarket product business;
- introducing our supply chain financial service sector, including our financial leasing business, logistics factoring and insurance agency business, with succinct language and charts;
- linking to our IoV and data service, through which users can conveniently gain access to all our IoV service by logging into their accounts with CLGG Online Platform; and
- allowing users to access our online freight platform through the CLGG App.

As such, we provide our intragroup commercial automobile-related services to the users of our CLGG Online Platform with enhanced customer experience.

For the future development of our CLGG Online Platform, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUPPLY CHAIN FINANCIAL SERVICE SECTOR

Benefiting from (i) our focus on the field of commercial automobiles, and (ii) development of our industry-leading risk management capabilities supported by our IoV technologies, our supply chain financial service sector has achieved a steady development. We manage to offer a wide range of financial services along the supply chain of the commercial automotive industry and maintains its business with strong profitability and quality assets. Through business planning and business coordination, our supply chain financial service sector enjoys diversified customer base expansion channels that reach out to the components suppliers, commercial automobile sales dealers, logistics service providers, and commercial automobile end users along the industry supply chain, through which we can satisfy their financing needs in different scenarios by providing them with a full range of financial services.

Our supply chain financial service sector primarily comprises: (i) financial leasing business, (ii) factoring business, and (iii) insurance brokerage business. The following tables set forth a breakdown of revenue derived from our supply chain financial service sector during the Track Record Period:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Financial leasing business	454,164	86.5	634,585	94.2	747,793	95.4
Factoring business	59,110	11.3	38,589	5.7	35,221	4.5
Others[*Notes (1)&(2)*]	11,927	2.2	609	0.1	939	0.1
Total	525,201	100.0	673,783	100.0	783,953	100.0

Notes:

(1) Including the revenue generated from (i) the provision of satellite positioning device and the related installation service to commercial automobiles other than brands from Shaanxi Holding Group in order to facilitate provision of our financial leasing service, and (ii) our insurance brokerage business. For further details, please refer to the section headed "Financial Information — Description of Major Components of Our Results of Operations — Revenue" in this prospectus.

(2) The revenue generated from our insurance brokerage business (which is part of our supply chain financial service sector offering classified in "Others" category above) is not consolidated since 1 July 2019 as a result of transfer of 25% equity interests of Meixin by the Company to a third party, after which the percentage of equity interests in Meixin held by the Company decreased from 55% to 30%. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus. The revenue generated from our insurance brokerage business amounted to RMB10,109.3 thousand for the six months ended 30 June 2019.

As shown in the table above, our supply chain financial service sector had expanded rapidly during the Track Record Period. The revenue of our supply chain financial service sector increased from approximately RMB525.2 million for the year ended 31 December 2019 to approximately RMB673.8 million for the year ended 31 December 2020 and further to approximately RMB784.0 million for the year ended 31 December 2021, representing a CAGR of 22.2%.

The following table sets forth a breakdown of the revenue by customer and derived from our financial leasing business and factoring business for the years indicated:

Revenue derived from	For the year ended 31 December 2019 Amount	2019 Percentage of the total revenue of the relevant sub-business sectors	2019 Percentage of the total revenue of the Group	2020 Amount	2020 Percentage of the total revenue of the relevant sub-business sectors	2020 Percentage of the total revenue of the Group	2021 Amount	2021 Percentage of the total revenue of the relevant sub-business sectors	2021 Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Financial Leasing Services									
Overlapping Financial Leasing Customers	411,644	90.6	14.2	546,017	86.0	16.7	631,368	84.4	20.2
Independent Financial Leasing Customers	42,520	9.4	1.5	88,568	14.0	2.8	116,425	15.6	3.7
Sub-total	454,164	100.0	15.7	634,585	100.0	19.5	747,793	100.0	23.9
Factoring business									
Shaanxi Holding Group	2,329	3.9	0.1	–	0.0	0.0	–	0.0	0.0
Overlapping Factoring Customers	35,755	60.5	1.2	30,543	79.1	1.0	24,656	70.0	0.8
Independent Factoring Customers	21,026	35.6	0.7	8,046	20.9	0.2	10,565	30.0	0.4
Sub-total	59,110	100.0	2.0	38,589	100.0	1.2	35,221	100.0	1.2
Total revenue of the sector	525,201	100.0	18.1	673,783	100.0	20.7	783,953	100.0	25.1

Note:

(1) Total revenue of the supply chain and financial service sector included the revenue derived from our insurance brokerage business for approximately RMB10,109.3 thousand in the six months ended 30 June 2019. The revenue generated from our insurance brokerage business (which is part of our supply chain financial service sector offering classified in "Others" category above) is not consolidated since 1 July 2019 as a result of transfer of 25% equity interests of Meixin by the Company to a third party, after which the percentage of equity interests in Meixin held by the Company decreased from 55% to 30%. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus.

In 2019 to 2021, our factoring business and financial leasing businesses covered a total of more than 42,800 customers with the newly invested funds reached RMB8,166.4 million, RMB10,332.6 million and RMB8,830.9 million, respectively. In particular, benefiting from our close connection with the logistics service providers, our logistics and supply chain service sector brought in business of 1,873 units of newly leased automobiles with a cumulative newly invested funds of approximately RMB545.7 million for Deewin Financial Leasing during the Track Record Period, and also new factoring transactions with a cumulative newly invested funds of approximately RMB1,097.1 million for Deewin Factoring during the Track Record Period.

Financial Leasing Business

We engage in financial leasing business through our wholly-owned subsidiary, Deewin Financial Leasing. As at 31 December 2021, our financial leasing business has served customers located in about 31 provinces, municipalities and autonomous regions in the PRC. Our financial leasing services are provided through our commercial automobile sales dealers and service providers located throughout the PRC. The map below illustrates the location of our financial leasing business presence as at 31 December 2021:

In September 2015, the State Council of the PRC issued the Guiding Opinions of the General Office of the State Council on Accelerating Development of the Financial Leasing Industry* (《國務院辦公廳關於加快融資租賃業發展指導意見》), which encourages the use of financial leases to serve the development of the real economy and promotes the further penetration of automobile financing in the PRC. According to the Frost & Sullivan Report, the sales volume of heavy commercial automobiles in the PRC from 2022 to 2026 are expected to return to a normal level in the next few years but still remain at a relatively high level, amounting to 1,277.5 thousand units in 2026. Also, from 2017 to 2021 the existing volume of heavy commercial automobiles in the PRC increased from 6.3 million to 8.2 million with a CAGR of 6.9%, and from 2021 to 2026 it is expected to increase from 8.2 million to 8.3 million with a CAGR of 0.2%. In addition, from 2017 to 2021 the financial leasing penetration ratio for heavy commercial automobiles in the PRC increased from 33.5% to 55.8%, and from 2021 to 2026 it is expected to increase from 55.8% to 67.3%. This lays a good foundation for the sustainable development of our financial leasing business. Please refer to the section headed "Industry Overview" in this prospectus for further details.

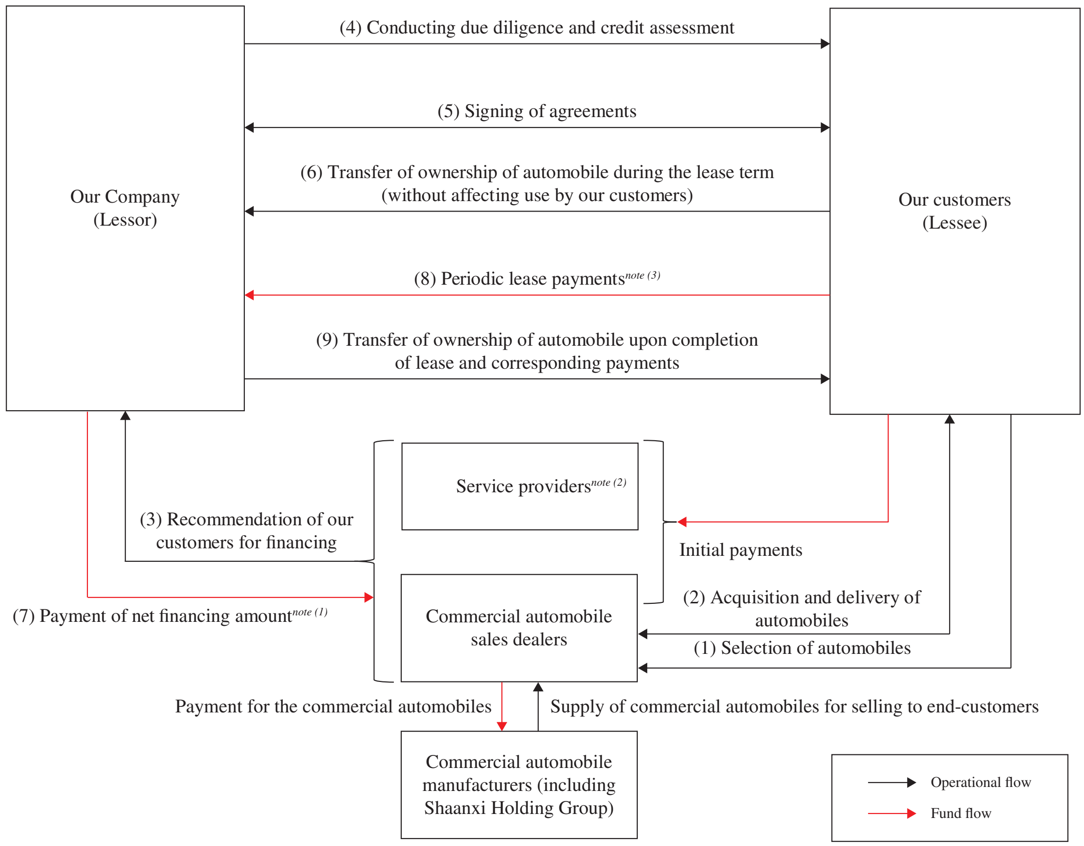
According to the Frost & Sullivan Report, our financial leasing business ranked fourth among all the commercial automobile manufacturer-connected financial leasing enterprises in the PRC in terms of the number of newly leased commercial automobiles in 2021. Deewin Financial Leasing was recognised by Commercial Automobile Professional Committee of China Automobile Dealers Association* (中國汽車流通協會商用車專業委員會) as one of the China's top eight commercial automobile financing enterprises in 2019.

During the Track Record Period, the number of effective financial leasing agreements that we entered into was approximately 22.1 thousand, 33.8 thousand and 33.8 thousand as at 31 December 2019, 2020 and 2021, respectively. As at 31 December 2021, we had a total assets of RMB8,052.3 million, having served a total of more than 81.3 thousand customers for over 94.3 thousand leased commercial automobiles through our network of quality commercial automobile sales dealers in the PRC.

Sale and Leaseback Model

Our financial leasing business specialises in providing sale and leaseback service to our customers. Under the sale and leaseback model, our customer acquires an automobile from our commercial automobile sales dealers and sells and transfers the ownership of that automobile to us. We (as lessor) then leases the automobile back to our customer (as lessee) in exchange for periodic lease payments. This is in substance a type of collateral financing, a combination of purchase and leasing arrangements for our customer, which allows our customers to retain the right to uninterruptedly enjoy the use of the automobile whilst apportioning a single purchase price into periodic lease payments, thus satisfying their specific financing needs.

The following diagram illustrates the typical sale and leaseback arrangement among our Company, our customers and the commercial automobile sales dealers:



Notes:

(1) Net financing equals to the total estimated value of the leased commercial automobile minus the initial payment by our customers (the initial payment typically includes down payment, security deposit, insurance fee, administrative fee, satellite positioning device installation fee and retention price (if applicable)).

(2) Service providers generally sell various brands of commercial automobiles, trailers and second hand commercial automobiles, and do not focus on selling one specific brand of automobiles. They also leverage on such sales activities to provide financing solutions (including financial leasing services) supporting the sales process.

(3) Periodic lease payments include principal and interest payments from our customers. Please refer to the paragraphs headed "— Financial Leasing Business — Pricing Policy" for further details on our pricing policy of financial leasing business.

Commercial automobile sales dealers and the service providers refer customers to us and provide guarantee for our customers' liability under the financial leasing arrangements. Some of the customers of our financial leasing service are referred to us by our automobile sales business, which accounted for approximately 2.1%, 1.6% and 1.8% of the total number of customers of our financial leasing service for the years ended 31 December 2019, 2020 and 2021, respectively. Typically, we provide a net financing amount of 65.0% to 90.0% of the total estimated value of the leased commercial automobiles. The periodic lease payments consist of the net financing amount together with interest (and other fees and expenses, if applicable). To mitigate our risk, we will (i) require our customers to transfer ownership of the leased commercial automobile to us during the lease term and arrange for the registration of such rights with the relevant PRC authorities to the extent permitted by local policies and regulations, and (ii) require the relevant commercial automobile sales dealers or service providers to provide guarantees on the liability of such customers. Throughout the lease terms, the costs of commercial automobile repair and maintenance are borne by our customers. At the end of the lease terms, all rights to the leased commercial automobiles will be transferred to our customers.

We also provide financial leasing service to users of commercial automobiles in the existing reserve market, which is less affected by the sales volume of the new commercial automobiles in the incremental market. For the years ended 31 December 2019, 2020 and 2021, the Company provided financial leasing services for 445, 352 and 146 units of commercial automobiles in the existing reserve market, representing only approximately 2.3%, 1.3% and 0.7% of the Company's financial leasing business, respectively. In limited but growing number of cases, our customer sells his/her/its second hand commercial automobile to us to gain cash inflow and we then lease such commercial automobile to our customer for lease payments. We discount the value of the subject commercial automobile for age, condition, model, level of operational depreciation and obsoleteness of the commercial automobiles, assessed by independent valuation or comparable model of that commercial automobile in the first and/or second hand market, and take into account the customer's financing needs to determine the net financing to our customer. The following table sets forth the approximate average and range of discounts applied to the comparable models of commercial automobiles by the Group during the Track Record Period:

	For the Year Ended 31 December		
	2019	2020	2021
Average discount	58.4%	52.5%	56.2%
Range of discount*note (1)*	12.7% – 86.6%	2.2% – 86.7%	4.2% – 70.9%

Note:

(1) The discount rates applied to the subject commercial automobiles during the Track Record Period were dispersed mainly because of the divergence in the age, condition, model, level of operational depreciation and obsoleteness of the subject commercial automobiles, which had been and will continue to be assessed on a case-by-case basis. According to the Frost & Sullivan Report, this is also in line with the industry norm.

The following table sets out the movement in the number of financial leasing agreements and the financial lease receivables balance during the years and as at the dates indicated:

	For the Year Ended and As at 31 December		
	2019	2020	2021
	Number of Agreements		
Financial leasing agreements at the beginning of the year	20,281	22,065	33,759
Financial leasing agreements entered into during the year	14,294	20,511	13,883
Financial leasing agreements due during the year	(12,510)	(8,817)	(13,864)
Financial leasing agreements at the end of the year	22,065	33,759	33,778

	For the Year Ended and As at 31 December		
	2019	2020	2021
	(RMB in million)		
Beginning financial lease receivables balance*Note (1)*	5,039.5	6,728.8	9,736.9
Additional financial lease receivables released during the year	6,643.8	9,379.7	6,833.0
Additional financial lease receivables collected during the year	(4,954.5)	(6,371.7)	(8,153.6)
Ending financial lease receivables balance	6,728.8	9,736.9	8,416.3

Note:

(1) The amount of financial lease receivables each year is measured by the value of outstanding rent balance derived from the existing financial leasing agreements at the end of each year without cash flow discounted. Meanwhile, the amount of loan receivables from financial leasing business each year is measured at amortised cost using the effective interest method.

The following table sets out the change in the average and range of principal amount of newly entered financial leasing agreements and the amount of financial leases receivables during the years and as at the dates indicated:

	For the Year Ended and As at 31 December		
	2019	2020	2021
Average principal amount of newly entered financial leasing agreements *(RMB'000)*	430.4	442.8	470.8
Range of principal amount of newly entered financial leasing agreements *(RMB'000)*	27.0 – 50,000.0	365.0 – 40,000.0	50.0 – 150,000.0
Ending financial lease receivables balance *(RMB in million)Note (1)*	6,728.8	9,736.9	8,416.3

Note:

(1) The amount of financial lease receivables each year is measured by the value of outstanding rent balance derived from the existing financial leasing agreements at the end of each year without cash flow discounted. Meanwhile, the amount of loan receivables from financial leasing business each year is measured at amortised cost using the effective interest method.

Our Customers

As at 31 December 2021, in terms of number of customers, more than 97.0% of our customers are individuals who are independent third parties of our Company. The remaining customers of our financial leasing business mainly include (i) various companies providing logistics service in relation to a wide range of goods and products, and (ii) an independent commercial automobile manufacturer. For the years ended 31 December 2019, 2020 and 2021, we provided financial leasing service to one commercial automobile manufacturer, namely the aforementioned independent commercial automobile manufacturer, only. There was no material fluctuation in terms of the number of commercial automobile manufacturers served by our financial leasing service during the Track Record Period. In addition, the customers of our financial leasing business did not include any components suppliers during the Track Record Period.

During the Track Record Period, none of the aforementioned customers contributed (a) more than 5.0% of the total revenue of our financial leasing business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. As such, the customers of our financial leasing business were dispersed and no single customer was regarded as a major customer of our financial leasing business during the Track Record Period.

In order to effectively reduce the business risk for engaging our financial leasing business, we normally select those customers who use our financial leasing services for no more than two commercial automobiles. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Financial Leasing Business — Stage 2: Customer due diligence and credit assessment" in this section for further details regarding the selection of our customers.

Models and Sales Channels

Our financial leasing business can be divided into two categories based on brands namely (i) brands from Shaanxi Holding Group, and (ii) other automobile brands. The other automobile brands generally consist of the mainstream domestic commercial automobile brands other than those from Shaanxi Holding Group, which include external brands, trailers and second hand commercial automobiles.

Generally, financial leasing projects for brands from Shaanxi Holding Group are sourced by our commercial automobile sales dealers that mainly sell commercial automobiles of brands from Shaanxi Holding Group, whereas those for the other brands are mostly sourced by our service providers. Differentiated from those commercial automobile sales dealers that focus on selling automobiles, service providers sell commercial automobiles of external brands, trailers and second hand commercial automobiles to the customers, and financial leasing services are provided by commercial automobile financial leasing service providers to support the sales process. The following table sets forth the breakdown of the units of newly leased and invested amount of the respective main business streams for the years indicated:

	Year Ended 31 December								
	2019			2020			2021		
	Units of newly leased automobiles	Invested amount	Invested amount percentage	Units of newly leased automobiles	Invested amount	Invested amount percentage	Units of newly leased automobiles	Invested amount	Invested amount percentage
		(RMB'000)	*(%)*		*(RMB'000)*	*(%)*		*(RMB'000)*	*(%)*
Brands from Shaanxi Holding Group	17,023	5,350,554.0	89.3	24,808	7,665,148.4	88.8	19,156	5,735,392.6	94.9
Other automobile brands	2,327	642,172.6	10.7	3,216	963,217.4	11.2	1,150	309,546.9	5.1
Total	19,350	5,992,726.6	100.0	28,024	8,628,365.8	100.0	20,306	6,044,939.5	100.0

For the year ended 31 December 2021, our financial leasing business accounted for 10.8% of the total number of sales of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and 22.7% of the total number of sales of commercial automobiles manufactured by Shaanxi Commercial Automobile, respectively, and maintained a leading position among all the automobile financial leasing providers respectively for Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in 2021.

Lease Terms

Our lease term ranges from three months to thirty-eight months, with twenty-four months being our dominant lease term. At present, the dominant lease terms in the PRC are twenty-four months and thirty-six months, with increasing use of those with thirty-six months in recent years and the longest term usually not exceeding thirty-six months.

The following table sets out the breakdown of number of financial leasing agreements and financial lease receivables balance according to their terms as at the dates indicated:

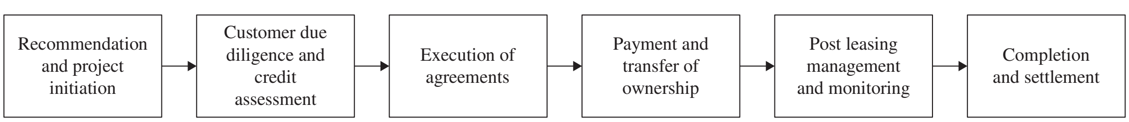
	As at 31 December					
	2019		2020		2021	
	Number	Financial lease receivables balance[Note (1)]	Number	Financial lease receivables balance[Note (1)]	Number	Financial lease receivables balance[Note (1)]
		RMB (in million)		*RMB (in million)*		*RMB (in million)*
Not more than one year	7,779	1,255.8	12,477	1,780.0	16,854	2,544.1
Over one year but not more than two years	12,574	4,473.9	17,308	5,936.7	14,403	4,680.6
Over two years	1,712	999.1	3,974	2,020.1	2,471	1,191.6
Total	22,065	6,728.8	33,759	9,736.8	33,778	8,416.3

Note:

(1) The amount of financial lease receivables each year is measured by the value of outstanding rent balance derived from the existing financial leasing agreements at the end of each year without cash flow discounted. Meanwhile, the amount of loan receivables from financial leasing business each year is measured at amortised cost using the effective interest method.

Operational Workflow

Our financial leasing business operation generally follows our operational workflow as shown below. The chart below shows the typical process workflow of our financial leasing business operation:



Stage 1: Recommendation and project initiation

We work closely with our commercial automobile sales dealers and service providers, which have been introduced and screened internally by our officers and project managers for collaborative engagement, to identify potential financial leasing demands from our customers. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Financial Leasing Business — Stage 1: Recommendation and preliminary assessment" in this section for further details regarding our screening of commercial automobile sales dealers and service providers. Our commercial automobile sales dealers and service providers also conduct preliminary screening and assessment on the background information of the customers that they refer to us.

Stage 2: Customer due diligence and credit assessment

The credit assessment department will conduct a further due diligence investigation against the background of the commercial automobile leasing project and creditworthiness of our customer, and compile due diligence and risk assessment reports. We will also produce credit assessment reports based on the credit assessment results provided by independent third parties in the following manner: (i) for all customers who are natural persons, we will obtain credit assessment data from various big data platforms managed by independent third parties with a letter of authorisation issued by such customer for conducting information query; and (ii) for all customers who are legal persons, we will obtain credit assessment information through open information platforms managed by independent third parties. The customer's application and relevant due diligence materials will then be circulated for internal assessment and approval. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Financial Leasing Business — Stage 2: Customer due diligence and credit assessment" in this section for further details regarding our credit assessment procedure.

We are dedicated to expanding quality customers base. For the years ended 31 December 2019, 2020 and 2021, the credit review passing rates of our new financial leasing applications were approximately 98.4%, 99.0% and 97.3%, respectively. The following table sets forth the number of rejected applications and the related rejection rate during the Track Record Period:

	Years ended 31 December		
	2019	**2020**	**2021**
Number of rejected applications	209	229	464[1]
Rejection rate	1.6%	1.0%	2.7%

Note:

(1) The number of rejected applications for the year ended 31 December 2021 increased as a result of our enhanced customer due diligence and credit assessment by introduction of additional third party service providers of external database at the beginning of 2021.

Stage 3: Execution of agreements

After assessment, we will notify our customers of the assessment result. If the customer passes our screening, the business operation department will negotiate and settle the terms of the financial lease with our customer with the assistance of the commercial automobile sales dealers or service providers. Please refer to the paragraphs headed "— Supply Chain Financial Service Sector — Financial Leasing Business — Pricing policy" in this section for further details regarding the determination of the pricing of our financial leases. To further mitigate our risks, we may also (i) require our customer to execute an agreement to transfer the ownership of the subject automobile to us, and (ii) require the relevant commercial automobile sales dealer or service provider to provide a guarantee on the financial liability of such customer.

Once the terms are finalised, our customer is required to settle the initial payment (which typically includes down payment, security deposit, insurance fee, administrative fee, satellite positioning device installation fee and retention price (if applicable)) on or prior to the execution of the financial leasing agreement, to provide us other necessary documents to effectuate the sale and leaseback arrangement and to complete the necessary administrative procedures (which include, without limitation, the installation of Tianxingjian IoV System onto the leased commercial automobile) accordingly.

Stage 4: Payment and transfer of ownership

The ownership of the leased commercial automobile is transferred to us upon the execution of the financial leasing agreement. Our finance department then arranges the payment of the purchase price to our customer in accordance with the terms and conditions of the agreement, upon which the lease term for that leased commercial automobile shall begin. We normally require that the time from passing of the credit assessment to beginning of the lease term shall not exceed three months, or otherwise the financial leasing project shall be aborted.

Stage 5: Post leasing management and monitoring

Our customer will provide us with periodic lease payments according to the agreed payment schedule under the financial leasing agreement under the lease term. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Financial Leasing Business — Stage 4: Risk monitoring and enforcement" in this section for further details regarding our risk management procedures in managing our portfolio.

Stage 6: Completion and settlement

At the completion and settlement stage, the ownership of the leased commercial automobile will be transferred back to our customer upon the full performance of the financial leasing agreement.

Asset Quality Information

During the Track Record Period, our financial leasing business had default ratios of 2.0%, 2.1% and 4.0% and assets of those new financial leasing agreement that were entered into by the Company had default ratios of 0.03%, 0.03% and 0.18% for the years ended 31 December 2019, 2020 and 2021, respectively. On 1 December 2020, Deewin Financial Leasing received AA grade credit rating by China Chengxin Credit Rating Group.

The following table sets forth the number of customers and lease contracts, the average and range of interest rate charged, the value of collateral and additional collateral (including guarantees), the aggregate, average and range of coverage ratio, and the loan-to-value ratio in respect of the incremental market during the years and as at the dates indicated:

	Year Ended and As at 31 December		
	2019	**2020**	**2021**
Number of customers	12,074	17,199	12,681
Number of financial leasing agreements	14,294	20,511	13,883
Average interest rate charged	7.6%	7.1%	7.1%
Range of interest rate charged	4.1% – 11.0%	4.0% – 12.0%	4.2% – 10.8%
Value of collateral (including guarantees) (RMB in million)	6,653.3	9,924.8	6,735.7
Aggregate coverage ratio Note (1)	136.6%	136.7%	136.9%
Average coverage ratio Note (2)	137.5%	138.7%	140.0%
Range of coverage ratio Note (2)	100.0% – 312.3%	100.0% – 356.6%	100.0% – 370.1%
Loan-to-value ratio Note (3)	73.2%	73.2%	73.1%

Notes:

(1) Aggregate coverage ratio is calculated as the value of newly-added total leased assets of the relevant year divided by the outstanding finance lease receivables in respect of our financial leasing business as at the year end.

(2) Coverage ratio for each financial leasing transaction is calculated as the value of newly-added leased assets of the relevant year divided by the outstanding financial lease receivables in respect of such financial leasing transaction as at the year end.

(3) Loan-to-value ratio is calculated as the outstanding financial lease receivables divided by the value of total leased assets as at the year end.

The following table sets forth the number of customers and lease contracts, the average and range of interest rate charged, the value of collateral and additional collateral (including guarantees), the aggregate, average and range of coverage ratio, and the loan-to-value ratio in respect of the existing reserve market during the years and as at the dates indicated:

	Year Ended and As at 31 December		
	2019	**2020**	**2021**
Number of customers	287	252	104 Note (4)
Number of financial leasing agreements	317	272	109 Note (4)
Average interest rate charged	10.5%	10.6%	10.6%
Range of interest rate charged	6.5% – 12.8%	7.8% – 12.3%	7.5% – 13.9%
Value of collateral (including guarantees) (RMB in million)	73.0	61.9	26.9 Note (5)
Aggregate coverage ratio Note (1)	112.5%	114.6%	113.2%
Average coverage ratio Note (2)	112.8%	114.8%	112.3%
Range of coverage ratio Note (2)	100.4% – 124.3%	100.0% – 124.6%	100.3% – 112.5%
Loan-to-value ratio Note (3)	88.9%	87.3%	88.3%

Notes:

(1) Aggregate coverage ratio is calculated as the value of newly-added total leased assets of the relevant year divided by the outstanding finance lease receivables in respect of our financial leasing business as at the year end.

(2) Coverage ratio for each financial leasing transaction is calculated as the value of newly-added leased assets of the relevant year divided by the outstanding financial lease receivables in respect of such financial leasing transaction as at the year end.

(3) Loan-to-value ratio is calculated as the outstanding financial lease receivables divided by the value of total leased assets as at the year end.

(4) The number of customers involved and the number of financial leasing agreements entered into by us for the year ended 31 December 2021 were subject to increased price of oil as well as power rationing arising from the second half of 2021, which resulted in lower business operation efficiency of our financial leasing business for the same period.

(5) There was a material decrease in the value of collateral (including guarantees) from RMB61.9 million as at 31 December 2020 to RMB26.9 million as at 31 December 2021. Such decrease was primarily due to the decrease in the number and the amount of financial leases for other automobile brands and the second hand automobiles during the year ended 31 December 2021.

The following table sets forth information about the credit risk exposure of our financial leasing business's loan receivables as at the dates indicated using a provision matrix:

	Stage 1[Note (1)]	Stage 2[Note (2)]	Stage 3[Note (3)]	Total
Loan receivables				
31 December 2019				
Expected loss rate	0.4%	28.8%	58.3%	2.0%
Gross carrying amount (RMB'000)	6,049,262	10,464	164,364	6,224,090
Loss allowance provision (RMB'000)	(24,374)	(3,018)	(95,763)	(123,155)
31 December 2020				
Expected loss rate	0.5%	31.8%	41.3%	2.1%
Gross carrying amount (RMB'000)	8,678,240	14,743	351,825	9,044,808
Loss allowance provision (RMB'000)	(41,184)	(4,686)	(145,119)	(190,989)
31 December 2021				
Expected loss rate	0.8%	34.6%	56.7%	4.0%[Note (4)]
Gross carrying amount (RMB'000)	7,400,012	154,724	346,285	7,901,021
Loss allowance provision (RMB'000)	(62,888)	(53,557)	(196,191)	(312,636)

Notes:

(1) If the credit risk has not increased significantly since its initial recognition, the financial instrument is included in stage 1, at which only the expected credit loss in the next 12 months needs to be measured.

(2) If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2, at which the lifetime expected credit loss needs to be measured.

(3) If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3, at which the lifetime expected credit loss needs to be measured.

In terms of the long-term loan receivables being subject to credit impairment, we will evaluate the recoverability of the relevant long-term loan receivables on a case-by-case basis based on various factors including the value of the relevant collaterals. The expected loss rate as at 31 December 2020 was lower than that as at 31 December 2019 and 31 December 2021 because the relevant defaults in 2020 were mainly attributable to the occasional incident of sharp increase in domestic price of natural gas due to the bad weather in Northwest China, and therefore the deterioration of the financial conditions of the relevant customers was only temporary. As such, the recoverability of the relevant long-term loan receivables was higher and bad debts were accrued at lower level.

(4) The expected loss rate increased from 2.1% as at 31 December 2020 to 4.0% as at 31 December 2021. The increase was primarily due to the deterioration of the financial conditions of the relevant customers as a result of (i) the steady increase of domestic price of oil and natural gas, which led to higher transportation costs, and (ii) the continuing development of COVID-19, which impacted the business operation efficiency and reduced the logistics transportation routes.

Lease Portfolio

The following table sets forth the breakdown of the financial lease receivables by exposure size based on the related contractual undiscounted cash flow in respect of the incremental market as at the dates indicated:

	As at 31 December					
	2019		**2020**		**2021**	
	RMB (in million)	*%*	*RMB (in million)*	*%*	*RMB (in million)*	*%*
Up to RMB500,000	4,157.4	61.8	6,105.2	62.7	5,153.0	61.2
Over RMB500,000 to RMB1,000,000 (inclusive)	1,050.1	15.6	1,668.8	17.2	1,311.9	15.6
Over RMB1,000,000 to RMB3,000,000 (inclusive)	862.9	12.8	1,298.6	13.3	992.7	11.8
Over RMB3,000,000	658.5	9.8	664.2	6.8	958.7	11.4
Amount of financial lease receivables*Note (1)*	6,728.8	100	9,736.9	100	8,416.3	100.0

Note:

(1) The amount of financial lease receivables each year is measured by the value of outstanding rent balance derived from the existing financial leasing agreements at the end of each year without cash flow discounted. Meanwhile, the amount of loan receivables from financial leasing business each year is measured at amortised cost using the effective interest method.

Based on the collateral/security provided, we can classify financial leases into the following categories:

- Guaranteed leases without security: leases backed by guarantees of commercial automobile dealers, the service providers or any other persons (including guarantees provided by our internal channels under the automobile sales business), but not backed by any security or collateral;

- Secured leases without guarantee: leases secured in whole or in part by the ownership of leased commercial automobiles, but not backed by any guarantors; and

- Secured leases with guarantee: leases backed by guarantees of commercial automobile dealers, the service providers or any other persons (including guarantees provided by our internal channels under the automobile sales business), as well as secured in whole or in part by the ownership of leased commercial automobiles.

The following table sets forth our financial lease receivables from financial leasing business by collateral/security based on the related contractual undiscounted cash flow in respect of the incremental market as at the dates indicated:

	As at 31 December					
	2019		2020		2021	
	RMB (in million)	*%*	*RMB (in million)*	*%*	*RMB (in million)*	*%*
Guaranteed leases without security*notes (1)(3)*	1,318.4	19.6	1,254.3	12.9	1,089.9	13.0
Secured leases without guarantee*note (2)*	nil	nil	nil	nil	407.5	4.8
Secured leases with guarantee*note (3)*	5,410.4	80.4	8,482.6	87.1	6,918.9	82.2
Amount of financial lease receivables*note (4)*	6,728.8	100.0	9,736.9	100.0	8,416.3	100.0

Notes:

(1) These leases were backed by guarantees but not any security or collateral because, during the Track Record Period, whilst we have executed agreements with our customers in respect of the transfer of ownership of all the leased commercial automobiles, such rights of the leased commercial automobiles were not all registered because of the differentiated registration standards implemented by certain local authorities in various cities in the PRC (including those in Xinjiang and Tibet) that do not practically allow registration of relevant rights by financial leasing companies. As advised by our PRC Legal Advisers, (i) the absence of such registration would not impact the effectiveness of the transfer agreements, and (ii) if our customers breach the relevant financial leasing agreements and dispose of the relevant commercial automobiles without our approval, we could claim against such customers for breach of contract based on the financial leasing agreements and the ownership transfer agreements. During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any aforementioned legal proceedings against our customers arising in the ordinary course of our financial leasing business.

(2) Since the beginning of 2021, we had entered into several financial leasing arrangements with customers directly without the referral by, or guarantee from, the commercial automobile sales dealers or the service providers. As at 31 December 2021, there were 107 financial leasing agreements adopting this approach (representing approximately 0.3% of our total number of financial leasing agreements as at 31 December 2021, which was insignificant to our financial leasing business), and all these financial leases were secured with ownership of the leased commercial automobiles. According to the Frost & Sullivan Report, this approach is in line with the industry norm.

(3) Some of these guarantees were provided internally by our internal channels (i.e. the subsidiaries of Fargo) under the automobile sales business. In respect of guaranteed leases without security, the amount of financial lease receivables subject to our internal guarantees amounted to approximately RMB119.3 million, RMB127.3 million and RMB213.6 million as at 31 December 2019, 2020 and 2021, representing approximately 1.8%, 1.3% and 2.5% of the total amount of financial lease receivables, respectively.

In respect of secured leases with guarantee, the amount of financial lease receivables subject to our internal guarantees amounted to approximately RMB42.1 million, RMB92.0 million and RMB89.0 million as at 31 December 2019, 2020 and 2021, representing approximately 0.6%, 0.9% and 1.1% of the total amount of financial lease receivables, respectively.

(4) The amount of financial lease receivables each year is measured by the value of outstanding rent balance derived from the existing financial leasing agreements at the end of each year without cash flow discounted. Meanwhile, the amount of loan receivables from financial leasing business each year is measured at amortised cost using the effective interest method.

Summary of Key Terms of Financial Leasing Agreement

A summary of the key terms of the financial leasing agreement is set out below (demonstrated by those under a core commercial automobile financial leasing transaction):

- *Term*: the lease terms under a majority of our lease agreements are two to three years;

- *Commercial automobile under lease*: a detailed list of commercial automobile for leasing is appended to the financial leasing agreement;

- *Ownership of commercial automobile under lease*: during the lease term, we have the ownership of leased commercial automobile, whereas our customer enjoys the right to possess, use and generate income from the leased commercial automobile subject to the terms and conditions of the financial leasing agreement. The lessee may not transfer, sub-lease, lend or otherwise dispose of the leased commercial automobile without our consent, and must take appropriate actions to take proper care of the leased commercial automobile;

- *Installation*: Tianxingjian IoV System or other approved satellite positioning device will be installed in the commercial automobile to be leased;

- *Rent, fees and security deposit*:

  — regular lease payment by lessee;

  — fees for late repayment and insurance; and

  — security deposit;

- *Default provision*: if lessee fails to pay any instalment of rent or fails to perform any of its obligation specified in the financial leasing agreements, we shall have the right to demand prompt payment in full or in part of the loan receivables from the financial leasing business;

- *Dispute resolution*: the financial leasing agreement shall be interpreted in accordance with the laws of the PRC, and if any dispute arises, it shall be subject to the People's Court of the PRC that has jurisdiction over the region where the financial leasing agreement was signed; and

- *Completion*: after full settlement of all interest and principal payables or compensation settled.

Pricing Policy

The following table sets forth the percentage range of down payment, security deposit, administrative fee and annual interest rate for the years ended 31 December 2019, 2020 and 2021, respectively:

	Year Ended 31 December		
	2019	**2020**	**2021**
Down payment	0.0% – 30.0%	0.0% – 30.0%	0.0% – 30.0%
Security deposit	0.0% – 30.0%	0.0% – 30.0%	0.0% – 30.0%
Administrative fee	0.0% – 1.0%	0.0% – 1.0%	0.0% – 1.0%
Annual interest rate	4.1% – 11.0%	4.0% – 12.0%	4.2% – 10.8%

As advised by our PRC Legal Advisers, (i) there is no limitation imposed by the relevant PRC laws, rules and regulations in relation to the standard business administrative fees, such as interest rates and administrative fees, charged for provision of financial leasing business; and (ii) pursuant to the Relevant Regulatory Opinion Letter for Deewin Financial Leasing Co., Ltd. and Shanghai Deewin Commercial Factoring Co., Ltd.* (《關於德銀融資租賃有限公司上海德銀商業保理有限公司相關監管意見的函》) issued by Shanghai Municipal Financial Regulatory Bureau on 6 February 2022, Deewin Financial Leasing was not subject to any supervisory measure or administrative penalties imposed by Shanghai Municipal Financial Regulatory Bureau. As such, our PRC Legal Advisers are of the view that the interest rates and administrative fees charged by the Group during the Track Record Period in respect of its financial leasing business complied with all the applicable PRC laws, rules and regulations in all material aspects.

There are circumstances under which we would reduce the down payment, security deposit and/or administrative fees to zero. For example, (i) we take into account our customer's down payment and security deposit as a complete pricing parameter and do not consider them separately in determining our pricing for each customer. Generally, when the security deposit payment is sufficient to provide an internal rate of return required in respect of that single transaction, we may choose not to demand for down payment from our customer and *vice versa*. Yet, either down payment or security deposit would still be required for a transaction; and (ii) if the combination of the above pricing parameters meets the expected rate of return set by our policy, our administrative fee charged on such customer can be reduced to zero. Such pricing policy is in line with the industry norm.

The pricing policy of our financial leasing business is formulated with reference to categorisation of the financial lease products (rather than by customer segmentation) and has been driven by the following two main factors:

(i) Our risk appetite, taking into account the historical performance and risk profile of a particular product type. If we choose to enter into certain product areas with higher risk, we would require more favourable pricing terms, such as by increasing down payment ratio; for more mature areas with good business quality, we are willing to offer more concessions on pricing; and

(ii) By reference to the price level of the competitors and change of the prevailing market price.

The annual business meeting is held every year within the Company, at which the basic pricing policy for the year will be formulated and the target internal rate of return will be clearly defined. The target internal rate of return is theoretically fixed, but there are sales and promotion initiatives in each year due to seasonality and regionality from time to time and adjustments may be made to our key financial leasing terms including price, security deposit, down payment ratio and interest rate accordingly, which ultimately affect our pricing policy. Generally, the number and amount of financial leasing business tend to decline during the third quarter of the year, which is in line with the pattern of commercial automobile sales, in particular the heavy commercial automobile sales, in China.

The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin of our financial leasing business for the years ended 31 December 2019, 2020 and 2021, respectively:

	Year Ended 31 December		
	2019	**2020**	**2021**
	(RMB (in million), except for %)	*(RMB (in million), except for %)*	*(RMB (in million), except for %)*
Interest income*Note (1)*	454.6	634.6	747.8
Interest expense*Note (2)*	168.5	220.7	278.4
Net interest income*Note (3)*	286.1	413.9	477.4
Net interest margin*Note (4)*	4.9%	4.6%	5.3%

Notes:

(1) "Interest income" represents income generated by the financial lease receivables of Deewin Financial Leasing.

(2) "Interest expense" represents expense for the interest-bearing liabilities of Deewin Financial Leasing.

(3) "Net interest income" represents the difference between the interest income and the interest expense of Deewin Financial Leasing.

(4) "Net interest margin" is calculated by dividing net interest income by the average balance of financial lease receivables of Deewin Financial Leasing as at the beginning and as at the end of the year.

Due to market competition, the interest rates and administrative fees for our financial leasing business are under a downward pressure. According to the Frost & Sullivan Report, this is also consistent with the industry trend.

Liquidity management

We closely monitor the liquidity status of our financial leasing business and proactively manage the relevant potential business operations risks. The following table sets forth the relevant liquidity indicators (calculated based on the financial information of Deewin Financial Leasing) in respect of our financial leasing business only as at the dates indicated below which are in line with the industry:

	As at 31 December		
	2019	**2020**	**2021**
Current ratio[Note (1)]	1.0	1.0	1.2
Risk asset to equity ratio (%)[Note (2)]	483.6	539.7	481.5
Gearing ratio (%)[Note (3)]	244.7	316.4	356.5
Leverage ratio (%)[Note (4)]	308.1	342.1	357.6
Liquidity gap (RMB in million)[Note (5)]	1,218.0	1,606.0	1,562.3
Registered capital (RMB in million)	1,050.0	1,550.0	1,550.0

Notes:

(1) Total current assets divided by total current liabilities as at the end of the year.

(2) Total assets (but excluding cash and bank deposits) divided by total equity as at the end of the year.

(3) Net debts (including borrowings, lease liabilities, bond payable and loan payable but excluding restricted bank deposits and cash and cash equivalent) divided by the total equity as at the end of the year end.

(4) Total borrowings divided by total equity as at the end of the year.

(5) Total financial assets minus total financial liabilities as at the end of the year.

Our Lenders and Funding Capabilities

We conduct regular capital planning, reporting and forecasting, and formulate appropriate funding plans which seek to mitigate our exposure to liquidity and interest rate risks. We have established a prudent risk management system to manage our credit risk, liquidity risk and interest rate risk. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business" in this section for further details.

As our financial leasing business is capital intensive, we have established diversified funding channels to ensure the sufficiency of working capital and financing for our financial leasing business. During the Track Record Period, we mainly obtained funding from several sources, namely (i) bank borrowings, (ii) loan from related parties, (iii) other borrowings from other financial institutions, and (iv) asset-backed notes/securities. We carefully assess various funding options available in the market and select appropriate funding channels by taking into account the cost of capital, the loan terms and the readiness for the approval of funds. Accordingly, we have been able to secure sufficient funding to sustain our business growths during the Track Record Period.

The following table sets out the breakdown of our funding balance by source in respect of our financial leasing business as at the dates indicated:

	As at 31 December					
	2019		2020		2021	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Bank borrowings	1,667,220	43.0	962,905	17.1	931,563	17.8
Loan from related parties Note (1)	1,000,000	25.8	3,585,000	63.8	854,000	16.4
Other borrowings from other financial institutions Note (2)	1,128,321	29.0	749,979	13.4	2,498,429	47.8
Asset-backed notes/securities Note (3)	85,332	2.2	323,003	5.7	939,857	18.0
Total	3,880,873	100.0	5,620,887	100.0	5,223,849	100.0

Notes:

(1) In order to reduce its dependence on the related parties, Deewin Financial Leasing continued to obtain credits from third parties, strengthen its financing capabilities, diversify financing channels and meet its capital needs for business development. As such, there was a material decrease in the amount of loan from related parties from RMB3,585,000 thousand as at 31 December 2020 to RMB854,000 thousand as at 31 December 2021. For further details, please refer to the paragraphs headed "— Financial Leasing Business — Our Lenders and Funding Capabilities — Loan from Related Parties" and "— Financial Leasing Business — Our Lenders and Funding Capabilities — Our Debt Management" in this section for further details.

(2) There was a material increase in the amount of other borrowing from other financial institutions from RMB749,979 thousand as at 31 December 2020 to RMB2,498,429 thousand as at 31 December 2021. Such increase was primarily because we incurred more borrowings from other financial institutions to repay our loans from related parties and to fund the expansion of our operational scale.

(3) There was a material increase in the amount of asset-backed notes/securities from RMB323,003 thousand as at 31 December 2020 to RMB939,857 thousand as at 31 December 2021. Such increase was primarily because we issued additional asset-backed notes in the amount of RMB800.0 million and RMB900.0 million in June 2021 and September 2021, respectively.

Bank Borrowings

During the Track Record Period, we obtained interest-bearing loans from numerous banks in the PRC to fund the working capital and liquidity demands from our financial leasing business. As at 31 December 2019, 2020 and 2021, our outstanding bank borrowings amounted to RMB1,667.2 million, RMB962.9 million and RMB931.6 million, respectively. These bank borrowings typically bore an effective interest rate of approximately 3.8% to 4.8%.

The key terms of the bank borrowing agreements with funding providers include the followings:

	Banks
Fund purpose:	Funding the working capital requirements of our financial leasing business
Term:	Typically 12 to 24 months
Effective interest rate:	Ranging from 3.8% to 4.8%
Security/guarantee/credit:	Shaanxi Automobile Group and/or the Company provide or do not provide guarantee
Transferability:	Transferable

Loan from Related Parties

During the Track Record Period, we obtained loan from the related parties under a "unified borrowing and repaying" (統借統還) model, under which the related parties allocate funds borrowed from the lending banks and financial institutions to us, and collects the principal and interest payments from us at the corresponding borrowing rate in order to settle the borrowed funds with the borrowers. Therefore, the lending terms applicable to us will correspond to those under the financing agreements of the related parties with the lending banks and financial institutions.

For further details, please also refer to the sections headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders" and "Connected Transactions – Non-exempt Continuing Connected Transactions" in this prospectus.

As at 31 December 2019 and 2020 and 2021, the aggregate balance of loan from related parties was approximately RMB1,000.0 million, RMB3,585.0 million and RMB854.0 million, respectively. The table below sets forth the average and range of the annual interest rates for loans from related parties during the Track Record Period:

	For the years ended 31 December		
	2019	2020	2021
Average interest rate	4.8%	3.8%	3.4%
Range of interest rate	4.4% – 5.1%	3.1% – 5.1%	3.1% – 4.4%

Other Borrowings from Other Financial Institutions

During the Track Record Period, we secured financing from other financial institutions, with effective interest rates ranging from approximately 2.1% to 6.8%. Such other financial institutions primarily include various financial leasing companies engaging in the investment and transfer of financial leasing assets which are licenced and regulated by the CBIRC and have strong connections with various commercial banks in China. The relevant outstanding balance amounted to RMB1,128.3 million, RMB750.0 million and RMB2,498.4 million as at 31 December 2019, 2020 and 2021, respectively. For further information, please also refer to the section headed "Financial Information — Liquidity Capital Resources — Other Receivables" in this prospectus.

The key terms of the transfer arrangement of the loan receivables with funding providers include the following:

Term:	Typically one to three years
Effective interest rate:	Ranging from 2.1% to 6.8%
Security/guarantee:	Guarantee and/or pledge of accounts receivable
Transferability:	Transferable

Details of the major financial institutions to which our Group has transferred its financial leasing assets for financing during the Track Record Period are set out in the following table:

Financial institution	**Registered share capital**	**Duration of business relationship with our Group**	**Business profile**
Financial Institution A	RMB14.5 billion	March 2017 – present	Financial leasing company providing integrated leasing services
Bank of Beijing Financial Leasing Co., Ltd.* (北銀金融租賃有限公司)	RMB3.1 billion	May 2019 – present	Financial leasing company providing services to real economy industries such as equipment manufacturing, health care, education services, public infrastructure industries, and rail transportation

Financial institution	Registered share capital	Duration of business relationship with our Group	Business profile
Everbright Financial Leasing Co., Ltd.* (光大金融租賃股份有限公司)	RMB5.9 billion	December 2019 – present	Financial leasing company with principal businesses in transportation, energy, medical and health care, culture and tourism, public utilities, infrastructure construction and new energy
China Development Bank Financial Leasing Co., Ltd.* (國銀金融租賃股份有限公司)	RMB12.6 billion	July 2020 – present	Financial leasing company listed in Hong Kong specialising in the business of aviation, infrastructure, shipping, financial inclusion, new energy and high-end equipment
Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司)	RMB5.1 billion	March 2021 – present	Financial leasing company specialising in aviation and shipping business
Cinda Financial Leasing Co., Ltd.* (信達金融租賃有限公司)	RMB3.5 billion	April 2021 to present	Financial leasing company specialising in leasing of aviation, ships, vehicles and new energy
Financial Institution G	RMB3.0 billion	April 2021 – present	Financial leasing company specialising in the fields of aerospace products, high-end equipment manufacturing, transportation tools, information services, new materials and new energy, and infrastructure projects

Financial institution	Registered share capital	Duration of business relationship with our Group	Business profile
Shenzhen Qianhai Yuexiu Commercial Factoring Co., Ltd.* (深圳前海越秀商業保理有限公司)	RMB0.5 billion	July 2021 – present	Financial services company engaged in factoring, guarantee, financial advisory and provision of financial intermediary services

Asset-backed Notes/Securities

In September 2019, November 2020, June 2021, September 2021 and March 2022, Deewin Financial Leasing issued four batches of asset-backed securities and one batch of asset-backed notes with an aggregate principal amount of approximately RMB323.0 million, RMB500.1 million, RMB800.0 million, RMB900.0 million and RMB500.0 million, respectively, which had maturity dates on 25 January 2021, 28 May 2023, 30 November 2022, 28 April 2023 and 28 February 2023, respectively. The asset-backed notes/securities carried effective interest rate ranging from 3.5% to 5.9%. As at 31 December 2019, 2020 and 2021, the outstanding balance of the asset-backed notes/securities (excluding the tranches held by Deewin Financial Leasing) amounted to approximately RMB85.3 million, RMB323.0 million and RMB939.9 million, respectively. In addition, Deewin Financial Leasing might issue additional asset-backed securities, depending on the operating results.

The key terms of the asset-backed notes/securities agreement with funding provides include the following:

Term:	Typically one to three years
Effective interest rate:	Ranging from 3.5% to 5.9%
Underlying assets:	Lease payments under the financial leasing agreements, associated guarantee right and all the underlying rights of our customers (lessees) in respect of the subject commercial automobiles (other than ownership) under the relevant financial leasing agreements
Credit ratings:	AA to AAA

Pursuant to the Several Opinions on Further Promoting the Well-regulated and Sound Development of Three Types of Institutions in the City Including Finance Lease Companies, Commercial Factoring Companies and Pawnbrokers and Strengthening Interim and Ex-post Regulation (No. 1 [2019] of Shanghai Municipal Financial Regulatory Bureau)* (《關於進一步促進本市融資租賃公司、商業保理公司、典當行等三類機構規範健康發展強化事中事後監管的若干意見》 (滬金規[2019]1號)) issued by the Shanghai Municipal Financial Regulatory Bureau in May 2019, the filing and reporting of the asset-backed securities of Deewin Financial Leasing to Shanghai Municipal Financial Regulatory Bureau have been properly carried out.

Our Debt Management

We have strictly complied, and will continue to comply with the applicable law and regulations to ensure that the level of our risk assets is maintained at a reasonable level and is compliant with the requirements of the relevant PRC laws and regulations. Please refer to the section headed "Regulatory Overview — Regulations regarding the Supply Chain Finance Service" in this prospectus for further details.

We have employed the following strategies to manage our level of debt:

- Determining a reasonable level of debt on an annual basis;
- Arranging and prioritising the appropriate means of funding;
- Planning proportional debt repayment structure; and
- Diversifying our funding sources.

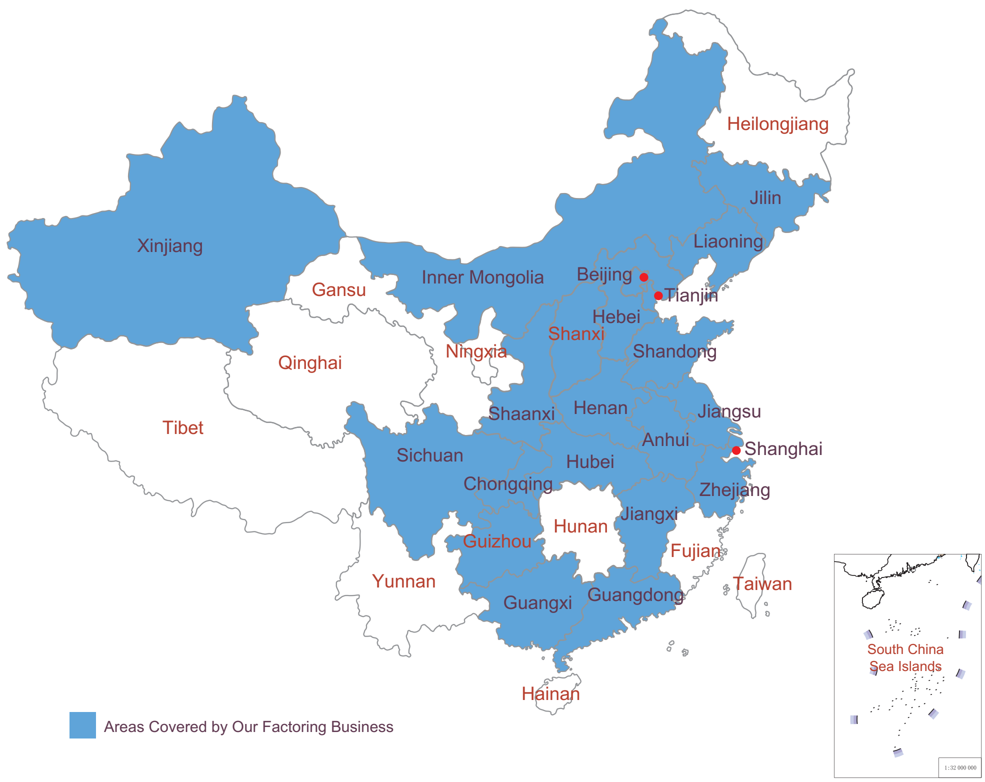
We have implemented systematic internal procedures to approve the financing proposals. First, the finance department formulates financing proposals based on the annual business and financial budgets, and details regarding financing transaction structure, legal framework, estimated cost of capital and feasibility plan are included. The financing proposals will be assessed internally and approved by the general manager. Upon settlement of the terms of the financing agreements and level of credit with the fund providers, the board of Deewin Financial Leasing will review and approve the financing proposals.

Going forward, we expect Deewin Financial Leasing to rely less on the provision of funds from related parties, and to increase the proportion of financing from other independent third parties.

After Listing, we intend to continue to maintain the aforementioned measures to manage our level of debt going forward.

Factoring Business

We conduct our factoring business through our wholly-owned subsidiary, Deewin Factoring, which focuses on serving the industry chain of commercial automobiles in China. As at 31 December 2021, our factoring business serves customers located in about 21 provinces, municipalities and autonomous regions in the PRC. The map below illustrates the location of our factoring business presence as at 31 December 2021:



In 2019, the China Banking and Insurance Regulatory Commission published the Notice of Strengthening the Supervision and Administration of General Factoring Enterprises* (《關於加強商業保理企業監督管理的通知》), which sets out a comprehensive list of requirements in terms of operation and compliance, market entry, regulatory responsibility and optimisation of business environment for the commercial factoring companies to comply in order to operate their business in the PRC. According to the Frost & Sullivan Report, from 2017 to 2021 the market size of commercial factoring in the PRC increased from RMB514.1 billion to RMB701.4 billion with a CAGR of 8.1%. Please refer to the section headed "Industry Overview" in this prospectus for further details.

As at 31 December 2021, loan receivables of our factoring business amounted to RMB715.8 million. During the Track Record Period, the financing amount provided for each factoring transaction ranged from RMB17.0 thousand to RMB78.0 million.

According to the Frost & Sullivan Report, the commercial factoring market in the PRC is highly competitive and fragmented, with a large number of participants but no leading companies enjoying predominant economies of scale. We are able to acquire stable customers and business resources in the commercial automobile factoring market, with its strong connection with the commercial automobile manufacturers, to maintain competitiveness in the market, according to the Frost & Sullivan Report.

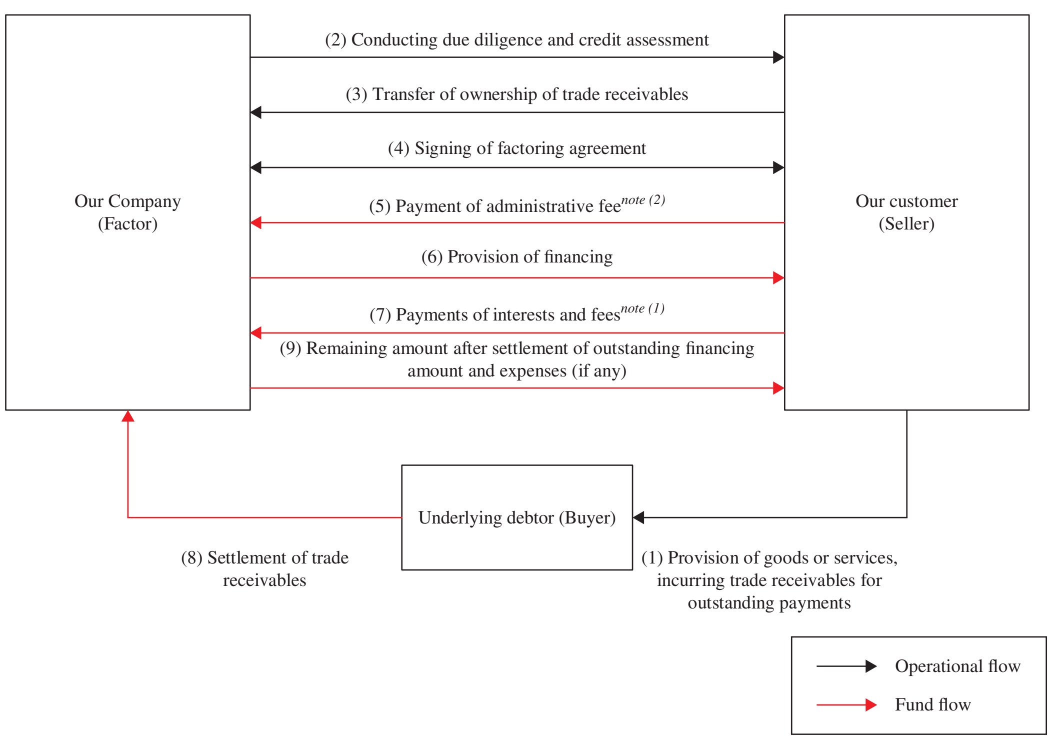
Factoring Services

Under a typical factoring transaction, we, through accepting the transfer of the ownership of trade receivables owed by the underlying debtor (as buyer) from our customer (as seller) and offering financing with an amount discounted by a certain financing ratio, facilitate our customer's fund recovery in advance. We are entitled to receive the outstanding sum of the trade receivables in full directly from the underlying debtor of the trade receivables, or indirectly through our customer.

Under a factoring transaction, our factoring income is primarily derived from the interest and administrative fee payable by our customer. Before the advancement of financing sum, we collect administrative fee from our customer in accordance with the terms of the factoring financial agreement accounting for costs incurred in confirming the rights associated with the trade receivables with the buyer, whereas we receive regular interest payments from our customer as income for provision of our factoring service.

All of our factoring transactions are with recourse (which means that under certain circumstances (such as a default by the buyer to pay the trade receivables), we have the right to demand our customers to repay the outstanding balance of the financing provided to such customers, together with any unpaid interest and related fees owed to us, according to the terms of the factoring agreements) and without entrusted loan.

The following diagram illustrates typical factoring transaction among our Company, our factoring customer (as seller) and the buyer:



Notes:

(1) Please refer to the paragraphs headed "— Factoring Business — Pricing Policy" for further details on our pricing policy of factoring business.

(2) Customers will pay an administrative fee to us upon entering into factoring agreements.

Factoring Business Streams

We principally engage in two streams of factoring business, which are (i) front-end factoring for automobile manufacturing supply chain of our Group (the "**Supply Chain Factoring**"), and (ii) back-end factoring for logistics companies (the "**Logistics Factoring**"), respectively. The following table sets forth a breakdown of revenue from these two streams of factoring transactions during the Track Record Period:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Supply Chain Factoring	39,021	66.0	34,963	90.6	28,438	80.7
Logistics Factoring	20,089	34.0	3,626	9.4	6,783	19.3
Total	59,110	100.0	38,589	100.0	35,221	100.0

Supply Chain Factoring

As at the Latest Practicable date, our Supply Chain Factoring business accounted for relatively higher portion of revenue generation for our factoring business, serving customers located in about 16 provinces, municipalities and autonomous regions in the PRC. Under the Supply Chain Factoring business, we benefit from the connections we have with commercial automobile manufacturing industry, and currently target the small and medium components suppliers and assembly factories along the automobile manufacturing supply chain as our major customers, which typically possess trade receivables owed by the commercial automobile manufacturers or their component subsidiaries for supplying components or providing assembly services with a term of about one to three months.

In addition, the following table sets forth the movement in the number of components suppliers served by our supply chain factoring business during the periods and as at the dates indicated:

	For the Year Ended and As at 31 December			For the Period From 31 December 2021 Ended and As at the Latest Practicable Date
	2019	2020	2021	
Number of components suppliers at the beginning of the period	89	90	98	101
Number of new components suppliers engaged during the period	42*Note (1)*	54*Note (1)*	45*Note (1)*	19
Number of existing components suppliers ceased to be engaged during the period	(41)*Note (2)*	(46)*Note (3)*	(42)*Note (4)*	(28)
Number of components suppliers at the end of the period	90	98	101	92

Notes:

(1) There was a material change in the number of new components suppliers engaged for the years ended 31 December 2019, 2020, and 2021, which were primarily due to our continuing active marketing campaigns during the relevant year as a result of our adoption of proactive client development strategies.

(2) There was a material change in the number of existing components suppliers ceasing to be engaged for the year ended 31 December 2019, which were primarily due to the decrease of business transactions between our components supplier customers and a leading supply chain manufacturing company as a result of the adjustment of such company's business operations. As such, the need of supply chain factoring service from our existing components supplier customers experienced a material change.

(3) There was a material change in the number of existing components suppliers ceasing to be engaged for the year ended 31 December 2020, which were primarily due to the further decrease of business transactions between our components supplier customers and a leading supply chain manufacturing company as a result of the adjustment of such company's business operations. As such, the need of supply chain factoring service from our existing components supplier customers experienced a further material change.

(4) There was a material change in the number of existing components suppliers ceasing to be engaged for the year ended 31 December 2021, which were primarily due to the strategic change of our resource allocation where we put additional resources in and gave priority to develop and expand the customer base of our logistics factoring business in 2021. As such, during the year ended 31 December 2021, our existing components supplier customers experienced a material decrease.

Logistics Factoring

Under the Logistics Factoring business, we provide factoring services to customers in the logistics industry (including without limitation, logistics platform companies, small and medium logistics enterprises, enterprises running supply chain projects and contract logistic projects), which typically possess accounts receivables owed by the contracting shippers for the provision of third party logistics services. In addition, the customers of our logistics factoring service did not include any commercial automobile manufacturers and/or components suppliers during the Track Record Period.

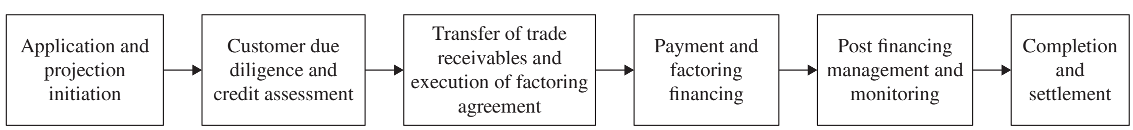
Although the Logistics Factoring business does not account for a significant portion of our factoring business revenue and has a greater business uncertainty due to the competitiveness in the market, it is strategically important to serve the industry chain of our Group. For example, Deewin Factoring has close collaboration with Fargo to support its business development by providing factoring services to the downstream third party carriers engaged by Fargo in conducting our supply chain business. Anticipating the increasing overall demand from the logistics sector in the PRC, we expect that our revenue generated from the Logistics Factoring business will continue to grow in the future.

Customers of Our Factoring Business

In relation to the customers of our factoring business (including supply chain factoring and logistics factoring), no single customer contributed (a) more than 5.0% of the total revenue of our factoring business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. As such, the customers of our factoring business were dispersed and no single customer was regarded as a major customer of our factoring business during the Track Record Period.

Operational Workflow

The chart below shows the typical process workflow of our factoring business operation:



Stage 1: Application and project initiation

During the Track Record Period, a number of potential customers were self-developed from the commercial automobile manufacturers' suppliers, amongst which we have done our own risk evaluation and customer selection before project initiation. The remaining customers are mostly sourced by ourselves. The project managers from the business departments will approach potential customers through phone calls and other marketing channels. For potential customers who express interest to apply for factoring service, we will first obtain their basic corporate information and understand their potential need for factoring. The project managers will then assist our potential customer in lodging an application and a factoring project will be initiated subject to a preliminary assessment of the potential transaction in consideration of the early-stage review results.

Stage 2: Customer due diligence and credit assessment

We will conduct a due diligence and credit assessment on our customer. Further operational and financial information of our customer and the buyer will be collected to assess their operation quality, business authenticity and credit level. We will also obtain credit assessment reports from independent third parties when assessing Logistics Factoring projects. Upon completion of the investigation against our customer and the buyer, the factoring application will then be processed internally for final assessment and approval and a credit limit to be granted to our customer will be determined. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business — Stage 2: Customer due diligence and credit assessment" in this section for further details regarding our assessment procedure.

We are dedicated to expand the base of quality customers. For the years ended 31 December 2019, 2020 and 2021, the credit review passing rates of our new factoring applications were approximately 97.3%, 99.2% and 96.8%, respectively. The following table sets forth the number of rejected applications and the relevant rejection rate during the Track Record Period:

	Years ended 31 December		
	2019	**2020**	**2021**
Number of rejected applications	4	1	1
Rejection rate*Note (1)*	2.7%	0.8%	2.2%

Note:

(1) The rejection rate each year is calculated by the number of new factoring applications rejected by us divided by the number of new customers who passed our review plus the number of existing customers that we continued to serve during the same period. The existing customers who had passed our review would be allowed to enjoy the financing amount that did not exceed the credit limit we had already granted them without the need to seek further approval from us.

Stage 3: Transfer of trade receivables and execution of factoring agreement

Upon the approval of the factoring project and granting of credit, we will prepare relevant factoring financing materials, including factoring trade receivables confirmation letter, trade receivables transfer notice, relevant business records (including but not limited to copies of value-added tax invoices/waybills, with some specific information required depending on the project plan) for the customer's execution. Depending on the factoring arrangement, guarantees provided by the legal representatives, ultimate beneficial owners or related companies of our customer in our favour may also be required.

Stage 4: Payment and factoring financing

A pre-financing check and registration of the transfer of accounts receivables with the PBOC Credit Reference Centre Movables Financing Registry System* (中國人民銀行徵信中心動產融資統一登記公示系統) will be carried out before the advancement of financing to the customer. Once the finance and accounting department and the senior management have reviewed and approved such financing, we will proceed with paying our customer for factoring's financing pursuant to the factoring agreements accordingly.

Stage 5: Post financing management and monitoring

We regularly check and monitor the status of the trade receivables and remind the customer or the buyer on the repayment for the trade receivables that is overdue. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business — Stage 4: Risk monitoring and enforcement actions" in this section for further details regarding our risk management procedures in managing our portfolio.

Stage 6: Completion and settlement

The factoring transaction is completed upon our receiving of full repayment for the factored trade receivables. The amount so received will be used to offset the outstanding financing amount and any other fees owed to us by our customer, and the remaining portion will be returned to our customer.

Summary of Key Terms of Factoring Agreement

A summary of the key terms of our factoring agreement is set out below:

- *Term*: usually one to twelve months;
- *Subject matter*:
    - the customer transfers the ownership of the trade receivables to us, and we provide the customer with the factoring services;
    - we have the right to demand payment of the trade receivables from the buyer;
    - we have the right to demand the customer to repay the outstanding balance of the financing provided to such customer, together with any unpaid interest and related fees owed to us, according to the conditions set out in the agreement; and
    - for most of our factoring transactions, we have the right to notify the buyer of such factoring arrangement between us and the customer at the outset before we provide the financing to the customer;
- *Ownership of the accounts receivable*: the ownership of the trade receivables will be transferred from the customer to us upon the commencement of the factoring agreements;
- *Factoring financing*: we determine (i) a credit limit (which is subject to review periodically) for each customer, which limit is determined by the risk review committee, (ii) whether the credit limit will be fixed or revolving (typically revolving in nature), and (iii) the availability period of the credit limit for each customer;
- *Factoring fees*: factoring fees comprise interest and administrative fees:
    - ◦ interest is usually paid in instalments, but may also be paid upfront, or at the end of the financing period; and
    - ◦ administrative fees are usually paid in full by the customer to us before we provide the customer with the financing;
- *Default provision*: if the customer or the buyer fails to perform certain obligations specified in the agreement, we shall have the right to demand for default interest and/or unconditional repurchase of the outstanding trade receivables by our customer, and/or to terminate the provision of the financing to the customer;
- *Dispute resolution*: the factoring agreements shall be interpreted in accordance with the laws of the PRC, and if any dispute arises, it shall be subject to the People's Court of the PRC that has jurisdiction over the region where the factoring agreements were signed; and
- *Completion*: upon the end of the term or the termination of the factoring agreements (whichever is earlier).

Operating Statistics

The following table sets forth information about the major operating statistics of our factoring business for the relevant years indicated:

	Year Ended and As at 31 December		
	2019	2020	2021
Total invested funds *(RMB'000)*	2,173,632.5	1,700,174.6	2,294,330.9
Average financing amount *(RMB'000)*	2,921.6	3,025.2	3,018.9
Average term for financing *(in days)*	120.8	99.0	100.3
Interest income *(RMB'000)*	31,722.1	22,308.9	26,588.4
Interest expenses *(RMB'000)*	28,452.2	17,321.3	21,958.1
Average balance of factoring receivables *(RMB'000)*[Note (1)]	545,242	507,420	594,035
Average effective interest rate[Note (2)]	10.2%	9.7%	9.0%
Interest yield[Note (3)]	5.8%	4.7%	4.5%
Net interest spread[Note (4)]	5.1%	5.6%	4.7%
Default ratio[Note (5)]	25.2%	22.9%	16.3%
Value of collateral and guarantee *(RMB'000)*[Note (6)]	–	3,000.0	145,900.0

Notes:

(1) "Average balance of factoring receivables" represents the average of balance of factoring receivables of our factoring business as at the beginning and as at the end of the year.

(2) "Average effective interest rate" represents the average of effective interest rates in respect of the existing factoring transactions during the year.

(3) "Interest yield" is calculated by dividing interest income from our factoring business by the average balance of factoring receivables.

(4) "Net interest spread" represents the difference of effective interest rate on factoring receivables and interest rate paid on borrowed funds for our factoring business.

(5) "Default ratio" is calculated by dividing the balance of overdue and impaired factoring receivables by net amount of factoring receivables. According to the Frost & Sullivan Report, in respect of the commercial automobile industry, the default ratio of a commercial factoring business at between 5.0% to 25.0% is generally in line with the industry taking into account the comparable companies in the market, and the general range for industry default ratio of factoring services during the Track Record Period was approximately 13.0% to 25.0%, 14.0% to 26.0% and 14.0% to 23.0% for the years ended 31 December 2019, 2020 and 2021, respectively. Furthermore, the fluctuation of default ratio in respect of our factoring business is also in line with the industry average. The default ratios decreased from 25.2% as at 31 December 2019 to 22.9% as at 31 December 2020 and further decreased to 16.3% as at 31 December 2021, primarily because (i) we successfully settled approximately RMB28.8 million overdue balance for the year ended 31 December 2020 and approximately RMB2.9 million overdue balance for the year ended 31 December 2021, and (ii) as the invested amount of our financial leasing service had steadily increased during the Track Record Period, the net amount of factoring receivables increased during the Track Record Period. Please refer to the paragraphs headed "— Credit Risk Management — Factoring Business — Stage 4: Risk monitoring and enforcement" for further details of our measures in managing such overdue factoring receivables.

(6) Our factoring transaction with the customer that had provided the collateral in the financial year 2018 was terminated in the financial year 2019, resulting in zero value in collateral for the financial year 2019. The collateral involved in the financial years 2020 and 2021 was provided by other customer. In addition, there was a material increase in the value of collateral and guarantee from RMB3,000.0 thousand as at 31 December 2020 to RMB145,900.0 thousand as at 31 December 2021. Such increase was primarily due to the addition of collateral over different assets, such as properties and trailers, for our factoring projects in 2021.

Asset Quality Information and Accounting Treatment

We evaluate and monitor the asset quality of our factoring assets portfolio throughout the term of the factoring transaction. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business — Stage 4: Risk monitoring and enforcement" in this section for further details regarding our asset quality management measures.

The following table sets forth information about the credit risk exposure of our factoring business's loan receivables as from factoring service at the dates indicated using a provision matrix:

	Stage 1[Note (1)]	Stage 2[Note (2)]	Stage 3[Note (3)]	Total
Loan receivables				
31 December 2019				
Expected loss rate	1.5%	–	46.7%	13.0%
Gross carrying amount (RMB'000)	405,637	–	136,895	542,532
Loss allowance provision (RMB'000)	(6,239)	–	(63,955)	(70,194)
31 December 2020				
Expected loss rate	1.5%	–	84.5%	20.5%
Gross carrying amount (RMB'000)	364,220	–	108,088	472,308
Loss allowance provision (RMB'000)	(5,432)	–	(91,382)	(96,814)
31 December 2021				
Expected loss rate	2.5%	–	96.2%	16.7%
Gross carrying amount (RMB'000)	607,299	–	108,464	715,763
Loss allowance provision (RMB'000)	(14,989)	–	(104,344)	(119,333)

Notes:

(1) If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1, at which only the expected credit loss in the next 12 months needs to be measured.

(2) If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2, at which the lifetime expected credit loss needs to be measured.

(3) If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3, at which the lifetime expected credit loss needs to be measured.

Same accounting treatment applies on loan receivables from factoring service with or without recourse, i.e., loan receivables from factoring service are amounts due from customers in relation to factoring service provided by us, which are subsequently measured at amortised cost using the effective interest method less the provision for impairment.

Pricing Policy

The pricing of our factoring business is dependent on the product type, and the pricing for each product type accounts for a number of factors, including but not limited to (i) factoring term, (ii) the credit assessment on our customer and the buyer, (iii) factoring business stream (e.g. Supply Chain Factoring or Logistics Factoring), and (iv) whether any forms of credit enhancement measures (including personal guarantee from our customer's beneficial owner) are provided. In addition, we are improving the risk assessment system on which we will rely as basis to enhance our pricing mechanism through risk-adjusted pricing models. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business — Stage 3: Transaction management, execution and payment" in this section for further details regarding our risk management and pricing models.

For the years ended 31 December 2019, 2020 and 2021, the income yields on our factoring assets were 10.2%, 9.7% and 9.0%, respectively.

Liquidity management

We closely monitor the liquidity status of our factoring business and proactively manage the relevant potential business operation risks. The following table sets forth the relevant liquidity indicators (calculated based on the financial information of Deewin Factoring) in respect of our factoring business only as at the dates indicated below which are in line with the industry:

	As at 31 December		
	2019	**2020**	**2021**
Current ratio(1)	1.4	1.4	1.2
Risk asset to equity ratio (%)(2)	301.0	304.0	457.8
Gearing ratio (%)(3)	198.0	201.0	351.2
Leverage ratio (%)(4)	212.0	209.0	375.1
Liquidity gap (RMB in million)(5)	176.0	149.0	130.3
Registered capital (RMB in million)	200.0	200.0	200.0

Notes:

(1) Total current assets divided by total current liabilities as at the end of the year.

(2) Total assets (but excluding cash and bank deposits) divided by total equity as at the end of the year.

(3) Net debts (including borrowings, lease liabilities, bond payable and loan payable but excluding restricted bank deposits and cash and cash equivalent) divided by the total equity as at the end of the year end.

(4) Total borrowings divided by total equity as at the end of the year.

(5) Total financial assets minus total financial liabilities as at the end of the year.

Our Lenders and Funding Capabilities

We conduct regular capital planning, reporting and forecasting, and formulate appropriate funding plans which seek to mitigate our exposure to liquidity and interest rate risk. We have established a prudent risk management system to manage our credit risk, liquidity risk and interest rate risk. Please refer to the paragraphs headed "— Risk Management for Financial Leasing and Factoring Business" in this section for further details. We have been able to secure sufficient equity and debt financing to match the growth of our business operations.

We have established diversified funding channels to ensure the sufficiency of working capital for our factoring business. During the Track Record Period, we mainly obtained funding from (i) bank borrowings, and (ii) loan from related parties. We carefully assess various funding options available in the market and select appropriate funding channel by taking into account the cost of capital, the loan terms and the readiness for the approval of funds. Accordingly, we have been able to secure sufficient funding to sustain our business growths.

The following table sets out the breakdown of our balance of funding by sources in respect of the factoring business as at the dates indicated:

	As at 31 December					
	2019		2020		2021	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Bank borrowings	170,000	56.7	15,000	4.2	80,000	100.0
Loan from related parties	130,000	43.3	340,000	95.8	–	0.0
Total	300,000	100.0	355,000	100.0	80,000	100.0

Bank Borrowings

During the Track Record Period, we obtained interest-bearing loans from various banks in the PRC to satisfy the working capital and liquidity demands from our factoring business. As at 31 December 2019, 2020 and 2021, the balance of bank borrowings amounted to RMB170.0 million, RMB15.0 million and RMB80.0 million, respectively.

The key terms of the loan agreements with the banks include the followings:

Term:	Typically one year
Annual interest rate	Ranging from 4.4% to 6.0%
Security/guarantee:	Guarantee provided by Shaanxi Automobile or the Company

Event of default:	(1) any interest payment for financing pursuant to the agreement is in arrears or becomes overdue, or there are any other outstanding debts that are payable, or that the credit lines are not used for the purpose agreed by both parties; (2) violation of any representation, warranty and undertaking made by the borrower; (3) violation of any obligations agreed upon in the agreement; and (4) inaccurate, incomplete, or concealed significant information or materials provided to contracting parties for the signing or performance of the agreement.
Penalties:	(1) freezing or termination of the provision of financing amount that had not been advanced under the agreement; (2) early expiration of the credit line under the agreement, requiring immediate repayment of part or all of the financing principal, interest and relevant expenses, and penalty interest calculated at the penalty interest rate; (3) adjustment of financing amount, term and interest rate, and/or change of payment method; (4) exercise of right to directly deduct money from the bank account of the borrower or its relevant guarantor in order to settle all or part of the outstanding debts without the prior consent of the borrower; and/or (5) enforcement of relevant security rights.
Transferability:	The borrower expressly agrees that the bank can transfer all or part of the rights and obligations under the agreement to bank branches or affiliates or third parties during the performance of the agreement without having to repeatedly solicit the opinions of the borrower. Without the bank's consent, the borrower may not transfer any of its rights and/or obligations under the agreement.

Loan from Related Parties

During the Track Record Period, Deewin Factoring had obtained loans from: (i) Shaanxi Automobile, and (ii) Meixin. As at 31 December 2019, 2020 and 2021, the aggregate balance of loan from related parties was approximately RMB130.0 million, RMB340.0 million and nil, respectively. The table below sets forth the average and range of the annual interest rates for loans from related parties during the Track Record Period:

	For the years ended 31 December		
	2019	**2020**	**2021**
Average interest rate	4.3%	3.4%	3.9%
Range of interest rate	4.1% – 4.9%	3.4% – 3.6%	3.9%

Our Debt Management

We have strictly complied, and will continue to comply the applicable law and regulations to ensure that the level of our risk assets is maintained at a reasonable level and compliant with the requirements of the relevant PRC laws and regulations. Please refer to the section headed "Regulatory Overview — Regulations regarding the Supply Chain Finance Service" in this prospectus for further details.

We have employed the following strategies to manage our level of debt:

- Determining a reasonable level of debt on an annual basis;
- Arranging and prioritising the appropriate means of funding;
- Planning proportional debt repayment structure; and
- Diversifying our funding sources.

We have implemented systematic internal procedures to approve the financing proposals. First, the finance and accounting department formulates financing proposals based on the annual business and financial budgets, and details regarding financing transaction structure, legal framework, estimated cost of capital and feasibility plan are included. The financing proposals will be assessed internally and approved by the general manager. Upon settlement of the terms of the financing agreements and level of credit with the fund providers, the board of Deewin Factoring will review and approve the financing.

Going forward, we expect Deewin Factoring to rely less on the provision of guarantee by the Controlling Shareholders in securing funds, and direct bank financing will constitute a higher proportion in its financing structure. In addition, we will reduce the financing needs of our factoring business by introducing further capital from banks and other financial institutions. For further details, please also refer to the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders" in this prospectus.

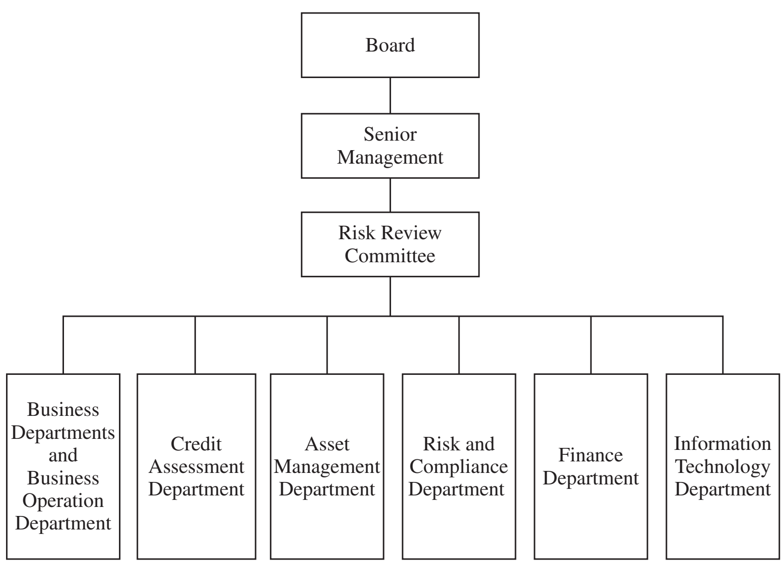
After Listing, we intend to continue to maintain the aforementioned measures to manage our level of debt going forward.

Risk Management for Financial Leasing and Factoring Businesses

Risk Management Structure — Financial Leasing Business

As a financial leasing company, Deewin Financial Leasing faces a variety of risks in its daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and mitigating these risks. Since the establishment of our financial leasing business, our leadership and management team has attached significant importance to risk management practice, and developed an industry-leading practice of parallel construction of risk management system and business operation, with our risk control measures tailored to and integrated with every stage of our financial leasing operations and focused on managing risks through due diligence and multi-level approval and on-going monitoring processes. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to changes in market conditions and regulatory environment.

The following chart sets forth our risk management structure for our financial leasing business:



Board

The board assumes the overall responsibility for the risk management and oversees its risk management functions with the assistance of the senior management.

Senior Management

The senior management is responsible for formulating the risk management strategies and policies for the approval by the board.

Risk Review Committee

The risk review committee is responsible for handling and approving transactions with material risk or of significance. As at the Latest Practicable Date, the risk review committee comprises one general manager, one deputy manager, one chief financing officer, one assistant to general manager and one director of the risk and compliance department.

Business Departments and Business Operation Department

The business departments and the business operation department are responsible for customer engagement and project initiation, as well as the overseeing and administering the process and execution of the financial leasing projects, ranging from initial customer identification and due diligence to negotiation and execution of financial leasing agreements. As at 31 December 2021, the business departments had 36 employees and the business operation department had 15 employees.

Credit Assessment Department

The credit assessment department is responsible for conducting customer due diligence and credit assessment on the potential financial leasing projects recommended by the partnering channels. As at 31 December 2021, the credit assessment department had 11 employees.

Asset Management Department

The asset management department is responsible for the management of the portfolio of the assets underlying our financial leases and the monitoring of activities of our leased commercial automobiles. The asset management department also monitors the potential and actual lease payment default by our customers and work with the partnering channels to follow up with the outstanding payments. The asset management department will also work with the risk and compliance department to take enforcement actions against our defaulting customers as necessary. As at 31 December 2021, the asset management department had six employees.

Risk and Compliance Department

The risk and compliance department is responsible for controlling and monitoring compliance risk, ensuring that all the departments comply with any applicable laws and regulations in the PRC, and handling compliance matters through coordinating with external regulatory authorities. The risk and compliance department also works closely with the asset management department to handle default of obligations by our customers and initiates legal proceedings from time to time in order to repossess leased commercial automobiles in default or to recover financial lease receivables that are overdue. As at 31 December 2021, the risk and compliance department had 17 employees.

Finance Department

The finance department is responsible for managing liquidity and interest rate risks. Upon fulfillment of all conditions precedent as stated in the financial leasing agreement, our finance department will arrange for payment of the automobile purchase price to the customers. Our finance department also works closely with other relevant departments to monitor payments of our receivables so as to mitigate credit and liquidity risks. As at 31 December 2021, the finance department had 20 employees.

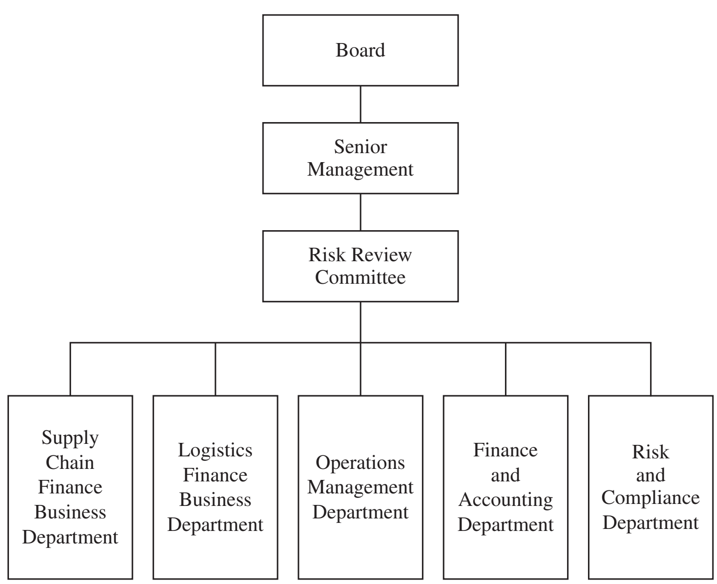
Information Technology Department

The information technology department is mainly responsible for managing the operational risk of its information technology systems to ensure the smooth operation of our financial leasing business. As at 31 December 2021, the information technology department had five employees. In particular, we have adopted a financial leasing business management system which implements process management before entering into, during and after the completion the financial leases through offering services including paperless signing, online approval process and integration with business and finance system.

Risk Management Structure — Factoring Business

As a commercial factoring company, Deewin Factoring faces a variety of risks in its daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and managing these risks. We developed a risk management system tailored to the characteristics of our factoring business operations, with a focus on managing the risks through due diligence and credit assessment on our customer and the underlying debtor, multi-level approval process and on-going monitoring processes. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to changes in market conditions and regulatory environment. As a result of our stringent risk management procedures and our strategic selection of customers, we have not experienced any occurrence of overdue sum from the accounts receivables since January 2020.

The following chart sets forth the risk management structure for our factoring business:



Board

The board assumes the overall responsibility for the risk management and oversees its risk management functions with the assistance of the senior management.

Senior Management

The senior management is responsible for formulating the risk management strategies and policies for the approval by the board.

Risk Review Committee

The risk review committee is responsible for reviewing and approving transactions with material risk or of significance. As at the Latest Practicable Date, the risk review committee comprises one general manager, three deputy managers and one director of operations management department.

Supply Chain Finance Business Department and Logistics Finance Business Department

The supply chain finance business department and logistics finance business department (together, the "**business departments**") are responsible for customer engagement, project initiation and project approval, as well as the process and execution of the factoring projects, ranging from initial customer identification and review to negotiation and execution of factoring agreements. The business departments coordinate with the finance department and the risk and compliance department to engage in portfolio monitoring and enforcement actions. As at 31 December 2021, the supply chain finance business department had ten employees and the logistics finance business department had seven employees.

Operations Management Department

The operations management department is responsible for pre-financing check of both our customer and the buyer and completing the registration of the trade receivables transferred to us at PBOC Credit Reference Centre Movables Financing Registry System* (中國人民銀行徵信中心動產融資統一登記公示系統). As at 31 December 2021, the operations management department had seven employees.

Finance and Accounting Department

The finance and accounting department is responsible for managing liquidity and interest rate risks and cooperating with external regulatory bodies in handling compliance matters. Upon fulfillment of all conditions precedent as stated in the factoring agreements and the satisfaction of the pre-financing check, the finance and accounting department will arrange the financing to our customer. Furthermore, our finance and accounting department works closely with other relevant departments to monitor payments from our customer or the buyer so as to mitigate credit and liquidity risks. As at 31 December 2021, the finance and accounting department had six employees.

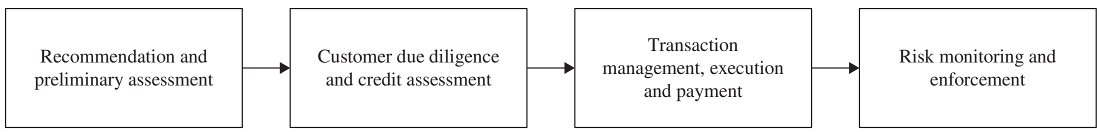
Risk and Compliance Department

The risk and compliance department is responsible for controlling and monitoring compliance risk, ensuring that all the departments comply with any applicable laws and regulations in the PRC. The risk and compliance department also works closely with the business departments and finance department to supervise and manage the signing of factoring agreements, to handle the overdue payments by our customers or the buyer and to initiate legal proceedings from time to time in order to recover the outstanding payments for the trade receivables that are overdue. As at 31 December 2021, the risk and compliance department had five employees comprising legal officers, independent credit assessment officers and the independent risk management vice president.

Credit Risk Management — Financial Leasing Business

Credit risk is the primary risk that we face in our financial leasing business. Credit risk arises from the inability or unwillingness of our customers to make timely payments to us and/or to perform his or its contractual obligations.

The following table illustrates the key processes of the credit risk management system adopted by our financial leasing business:



Stage 1: Recommendation and preliminary assessment

We utilise the referral, preliminary screening, and guaranteeing by our partnering commercial automobile sales dealers and service providers in finding as well as securing the obligations of our potential customers. To manage our business risk since project inception, we have a set of parameters in terms of risk management capability, corporate guaranteeing capability, corporate sales and management capability and reasonableness of operational and financial structure, against which the commercial automobile sales dealers and service providers are evaluated. Subject to the investigation by the credit assessment department and approval by the risk review committee, we will enter into a business partnership agreement with the eligible commercial automobile sales dealers and service providers to establish business relationships.

We also rate the partnering commercial automobile sales dealers and service providers with risk, contribution and development indicators, against which their performance is continuingly assessed and thus our collaboration with some parties may be terminated.

Stage 2: Customer due diligence and credit assessment

As at 31 December 2021, more than 97.0% of our customers are natural persons who are independent third parties of our Company. In conducting our preliminary assessment of our individual customers, we identify a number of important traits, such as age, family background, financial position, industry experience, and credit history of our customers, through the commercial automobile sales dealers and service providers.

Once we have identified a potential customer from our preliminary assessment, the credit assessment department will conduct further due diligence on that customer. For example, we maintain an internal blacklist database, which includes a list of past and existing customers with higher risk or with poor credit record. As at 31 December 2021, the blacklist database had approximately 1,863 natural persons and 57 legal entities. The credit assessment department may also obtain credit rating searches from independent credit rating companies and access external database from other third party service providers in order to retrieve the credit history and litigation record of our customers. For minor customers, we will make use of the risk assessment model in our self-built decision making system for automatic initial screening, followed up by phone calls to assess their authenticity, purpose of financing and relevant project experience. Depending on the circumstances, officers from the credit assessment department may conduct on-site visits for customers with more than ten leased commercial automobiles or a net financing amount more than RMB4.0 million, in order to gain access to key information such as financial data, capital liquidity and involvement in litigatory disputes.

Upon the satisfaction of due diligence and credit assessment result, the credit assessment department will review and approve applications from customers with not more than ten leased commercial automobiles or net financing amount of not less than RMB4.0 million. For applications from corporate customers with 11 to 19 leased commercial automobiles or a net financing amount between RMB4.0 million and RMB8.0 million, other than the approval from the credit assessment department, further review and approval from our general manager is required. For applications from corporate customers with 20 or more leased commercial automobiles or a net financing amount exceeding RMB8.0 million, further review and approval from our risk review committee is required.

Stage 3: Transaction management, execution and payment

Once the terms of the financial lease are finalised, our partnering commercial automobile sales dealers and service providers will submit the financial leasing agreement to the business operation department for vetting and approval. By producing a separate recommendation letter for each customer, the commercial automobile sales dealers and service providers guarantee and thus are responsible for the truthfulness, the information provided, the signatures on the financial leasing agreements and the financial liability of such customer.

The business operation department will then execute the financial leasing agreement with that customer in accordance with our prescribed contract execution policies. Our risk and compliance department will be responsible for conducting spot check on the executed legal documents.

The business operation department will ensure that all the necessary conditions precedent are satisfied and standard business operating procedures are followed, and the financial department will then arrange for the payment of the automobile purchase price to the customer in accordance with the financial leasing agreement. Officers from the asset management department will ensure that the Tianxingjian IoV System or other approved satellite positioning device has been properly installed in the leased commercial automobile.

Stage 4: Risk monitoring and enforcement

The asset management department is responsible for the monitoring and collection of rental payments from our customers. We will also monitor the leased commercial automobiles in real-time through the Tianxingjian IoV System or other satellite positioning device to retrieve the operation statistics, such as operating mileage and driving trajectory, so as to estimate their revenue derived from the leased commercial automobiles and to predict the probability of payment default by our customers in advance. We assess the value of the assets and collaterals underlying the financial leases by a comparison and evaluation based on the manufacturer suggested retail price provided by commercial automobile manufacturer's systems, the price stated on the invoices and the average fair price of the vehicle based on third party data.

For overdue payments, the asset management department will provide payment reminders to our customers by text notifications, phone calls or on-site visits. Our commercial automobile sales dealers and service providers will also assist us to enquire our customers' operational and cash flow conditions and remind them to settle the overdue payments. If we find that our customer has temporary difficulty in settling the overdue payments, we may also require our commercial automobile sales dealers or service providers, who have guaranteed the payment obligations of our customers, to advance payments for our customers. We do not engage any third party agents to facilitate collection of outstanding payments or receivables.

If, however, we observe sustained operating difficulties or malicious payment default by our customers, we may employ the Tianxingjian IoV System to lock up the leased commercial automobiles remotely to limit their use. By increasing the cost of default by our defaulting customers through such lock-up function, our ability to recover overdue payments has improved. As advised by our PRC Legal Advisers, the terms that Deewin Financial Leasing has the right to lock-up if the lessee fundamentally breach the agreement were clearly set out in the standard financial leasing agreement and were signed by the lessee. As confirmed by our PRC Legal Advisers, according to the contract law of the PRC, such agreement is valid and legally binding. Pursuant to the Civil Code of the PRC, Deewin Financial Leasing (i) has the rights to control and dispose the commercial automobile under the financial leasing agreement; (ii) is entitled to take back the rights of occupation, use and earnings upon fundamental breach by the lessee; and (iii) does not breach the regulations in relation to ownership of leased property under the Civil Code of the PRC by adopting lock-up measure. In addition, as confirmed by our PRC Legal Advisers, there is no legal proceeding or arbitration has been commenced in relation to lock-up of leased commercial automobile adopted by Deewin Financial Leasing during the Track Record Period. As such, our PRC Legal Advisers are of the view that such lock-up of leased commercial automobiles complies with all the applicable PRC laws, rules and regulations in all material aspects.

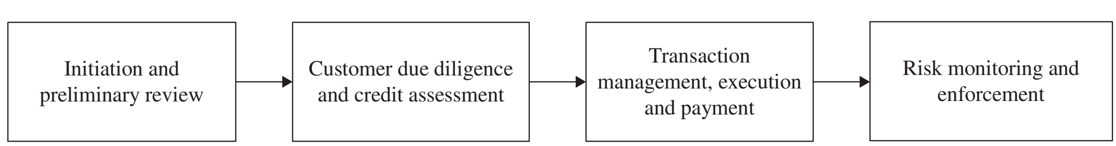
During the Track Record Period, we did not enforce the securities or collaterals of the relevant finance leases or recover the outstanding amount as (i) we have successfully used the Tianxingjian IoV System's remote lock-up function to remind repayment from most customers in case of payment default, who are required to repay the outstanding fees in order to resume usage of their commercial automobiles that have been locked up by the Tianxingjian IoV System, and thus we were not required to enforce the securities or collaterals; and (ii) a number of defaulting cases were disputed through litigatory process, which could lead to a longer time to enforce the relevant collaterals.

Please refer to the paragraphs headed "— IoV and Data Service Sector — Illustrations of Our IoV and Related Technologies Application Solutions — Automobile financial leasing IoV service" in this section for further details regarding the remote automobile lock function offered by Tianxingjian IoV System.

Credit Risk Management — Factoring Business

Credit risk is the primary risk that we face in our factoring business. Credit risk arises from the inability or unwillingness of our customers or the buyers to make timely payments to us and/or to perform his or its contractual obligations.

The following table illustrates the key processes of the credit risk management system adopted by our factoring business:



Stage 1: Initiation and preliminary review

The project manager from the business departments will first commence an initial business contact with our potential customers and conduct a preliminary review of the proposed factoring transaction. We generally require the proposed factoring transaction to meet the following preliminary requirements:

- normally, both our potential customer and the buyer have at least three years' track record of operations and financial records;
- both our potential customer and the buyer have good business qualifications and no major operational risks;
- the buyer demonstrates a record of timely payment to our potential customer (those transactions with buyers that are state-owned enterprises, listed companies or leading companies in their own industry will be prioritised);
- both our potential customer and the buyer have no negative credit history or material litigation involving our potential customer or its controlling shareholders; and
- the trade receivables have not been transferred or registered as a security.

Stage 2: Customer due diligence and credit assessment

After the project initiation, the project managers and credit assessment officers will collect further operational and financial information and documents from our customer and the buyer evidencing the trade receivables (such as sales contracts and invoices) as well as their business operation, financial position and credit history. Public searches, searches for credit rating reports and access to third party database are also carried out where necessary. A due diligence report and a credit rating form will then be prepared and submitted to the risk review committee for final assessment and approval.

For transactions that are inherently riskier in nature, a different set of assessment procedure with more risk management measures will be followed. In addition to the above typical due diligence and credit assessment steps, on-site inspections will also be carried out to further verify the business operation and authenticity, system and financial capabilities, reputation, repayment ability and track record of both our customer and the buyer. An independent credit assessment report will also be prepared by the risk and compliance department upon reviewing the due diligence report and project proposal issued by the business departments, and they are altogether submitted to the risk review committee for review and approval.

We will also determine and approve the credit limit of financing to each customer based on the underlying trade receivables as well as the due diligence and credit assessment result. In order to control our risk exposure to each customer, we typically will not grant a credit limit that exceeds (i) a certain amount based on the degree of project risk and credit ratings of our customer and the buyer, or (ii) 95.0% of the net value of the underlying trade receivables that will be transferred to us.

Our internal assessment and approval process is supported by Deewin Factoring's business management system, which improves our factoring business's operational efficiency.

Stage 3: Transaction management, execution and payment

We are employing both our risk management model and pricing model to analyse and construct the structure for a proposed factoring transaction. Under our risk management model, we assess the aggregate operational and financial strength as well as the creditworthiness of our customer and buyer. We do not normally engage in factoring transactions that involve both weak customer and weak buyer in terms of their respective credit ratings. For the remaining factoring transactions, they will be further analysed with our pricing model, under which an appropriate interest rate will be determined to achieve the required internal rate of return for that factoring project. Typically, the higher the project credit rating, the lower the interest rate will be required, and vice versa.

Upon the approval of the factoring transaction and the confirmation of the terms of the factoring arrangement (including, without limitation, the credit limit, availability period, interest and administrative fees), the financing agreements will first be approved by the risk and compliance department and the senior management, and then executed by the business departments with our customer, the buyer and/or the guarantor (as the case may be) to effectuate the factoring transaction.

Prior to advancing the financing to the customer, notification to the buyer will be issued most of our factoring transactions, and a confirmation from such buyer will be secured. The operation management department and the risk and compliance department will in turn carry out a pre-financing check on the documents received from our customer and the buyer as well as the executed factoring agreements, and then the operations management department will register the factoring of the trade receivables at the PBOC Credit Reference Centre Movables Financing Registry System* (中國人民銀行徵信中心動產融資統一登記公示系統). The financing will also be reviewed and approved by the senior management (and also by the deputy general manager of the Company in particular circumstances). Upon the approval of the senior management and receipt of the administrative fees from our customer, the finance and accounting department will advance the financing to our customer pursuant to the factoring agreements accordingly.

Stage 4: Risk monitoring and enforcement

The finance and accounting department closely monitors the repayments from our customer or the buyer in respect of the outstanding trade receivables, whereas the business departments obtain and check the monthly financial and operational data of our customer and the buyer to assess whether there is any material change in their financial position and operations. The business departments also issue payment reminders to our customer and/or the buyer by text messages or phone calls at least three days before the due date of the payment every month. We assess the value of the assets and collaterals underlying the factoring services (which are mostly real estates and properties) by a comparison and evaluation based on the market price of the accounts receivables recognised by the immovable properties exchange platforms.

In the case of overdue payments, the risk and compliance department will first issue a risk disposal plan to formulate our response actions. The project managers from the business departments may then approach our customer and/or the buyer by phone calls and mails, and on-site visits to the premises of our customer and/or the buyer may also be conducted so to collect the outstanding payments. For customers having overdue payments due to temporary cash flow difficulties, we may agree to grant an extension or adjustment of repayment schedule (subject to any default interests, if applicable) in light of the customer's credit record and financial position. For seriously overdue payments, however, we may reduce or complexly freeze the credit limit granted to our customer, send rounds of demand letters for payment and even take enforcement actions, including acceleration of repayments, initiating claims against our customer, the guarantor(s) and/or the buyer, and application for court orders to seize the assets of our customer and guarantor(s) and freeze their bank accounts. Other than the engagement of PRC law firms, we do not engage any third party agents to facilitate collection of outstanding payments or receivables. We took possession of collaterals in the form of mortgages over property interests from debtors during the Track Record Period.

Liquidity Risk Management

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities.

The relevant finance departments is primarily responsible for managing liquidity risk. To address liquidity risk, we have undertaken the following measures:

- maintaining daily record of balance of cash inflows and outflows from businesses;

- analysing whether we will be able to obtain borrowings at a cost that matches our transactions;

- striving to achieve that the financing amount due from each transaction is sufficient to cover the borrowing sum before the maturity date of the borrowings from financial institutions;

- diversifying our funding channels in addition to traditional bank borrowings, such as issuing asset-backed securities and transferring our financial leasing receivables with different maturity profiles, in order to secure sustainable funding;

- preparing daily, weekly and monthly funding plans for our daily, weekly and monthly operations;

- managing our cash flow through annual operating budget that is monitored and adjusted on a monthly basis. Towards the end of each month, every department is required to submit to the relevant financial departments a capital expenditure forecast for the next month. This allows us to identify and address any potential shortfall in future cash flow; and

- monitoring financial indicators relevant to the assessment of our liquidity risk, as part of the monthly income statement, balance sheet, and statement of cash flows prepared by our finance department.

Interest Rate Risk Management

The interest rate risk that we face is relatively limited because our assets and liabilities are generally based on fixed interest rates. The limited interest rate risk arises from the difference in the duration of our assets and liabilities. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank and other borrowings and trade receivables.

The relevant finance departments are primarily responsible for managing interest rate risk. To better manage our interest rate risk, we have undertaken the following measures:

- tracking and reporting interest rate fluctuations regularly;

- monitoring the sensitivity of projected net interest income under varying interest rate scenarios;

- assessment of potential changes in interest rates using gap analysis; and

- assessment of scope, investment strategy and redemption period of structured deposits and monitoring the daily performance of our structured deposits.

Operational Risk Management

Operational risk arises primarily from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate operational policies and procedures.

We have adopted the following measures to monitor and control our operational risk and to strengthen our operational risk management:

- maintaining a corporate governance structure with clearly defined duties of our Board, senior management, as well as the various committees and departments;

- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;

- formulating and adopting standard commercial contracts for our business operations;

- maintaining the business departments to be responsible for developing, examining and supervising the workflow of various business operations and providing necessary training to business development personnel;

- maintaining the risk and compliance departments to be responsible for monitoring and evaluating the other departments' compliance with the management policies and internal control procedures, thereby improving our corporate governance;

- maintaining and continuously improving our operational procedures and internal control system, and utilising our information technology system to monitor and control the performance of each procedure;

- providing training and ethical education to our employees in order to enhance their awareness and ethics against fraud and other crimes;

- storing the customers' personal information on our firewall protected servers in accordance with the data policy to ensure security and confidentiality;

- adopting a code of conduct with consistent disciplinary measures for employee misconduct; and

- reviewing, assessing and adjusting our established internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as the regulatory requirements.

Legal and Compliance Risk Management

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our business, capital structure, pricing and provisioning policy, which may be subject to changes. Please refer to the section headed "Regulatory Overview" in this prospectus for further details on the applicable laws and regulations in relation to our business operations. If we fail to comply with these laws and regulations, we may be required to rectify and may incur penalties and losses.

The relevant boards, through their respective senior management, supervise the control and management of legal and compliance risk, and monitors various departments to take necessary inspection, estimation, monitoring and measures. The relevant risk and compliance departments of Deewin Financial Leasing and Deewin Factoring are responsible for formulating and coordinating the implementation of measures to manage such risk.

During the Track Record Period, we have not been challenged for any material non-compliance incidents by any governmental authorities. In addition, we have strengthened our legal and compliance risk management by:

- establishing risk-monitoring thresholds (for example, the level of risk assets of Deewin Financial Leasing not exceeding (i) ten times of our total registered capital prior to 27 June 2019, (ii) ten times of its total net assets prior to 26 May 2020, and (iii) eight times of its total net assets since 26 May 2020) in accordance with the relevant legal and regulatory requirements, to monitor and identify and the irregularities and non-compliance incidents in our operations;

- reviewing our management accounts on a monthly basis to monitor the key financial indicators of our operations;

- establishing risk-monitoring thresholds in our system in accordance with the relevant legal and regulatory requirements, to monitor and identify the irregularities and non-compliance incidents in our operations;

- maintaining legal personnel within the risk and compliance department, who perform an in-house legal advisory role;

- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities;

- reiterating the importance of adherence to our operational protocols and procedures to our employees and, in particular, new employees, to ensure effective implementation of our operational protocols and procedures; and

- engaging external legal adviser to provide us with professional legal advice to enhance compliance of our business operations.

Insurance Brokerage Business

We perform our insurance business through Meixin, in which our Company holds 30.00% of shareholding as at the Latest Practicable Date and during the Track Record Period. Meixin launched its insurance brokerage business in 2010, and acts as an intermediary between the insured and the insurers in the PRC through providing the following services: (i) risk evaluation and management consulting, (ii) formulation of insurance plan, selection of insurers and performance of the insuring procedures, (iii) assistance to the insured or beneficiaries in lodging and pursuing insurance claims, (iv) re-insurance, and (v) other businesses approved by the China Banking and Insurance Regulatory Commission. Since 1 July 2019, the operational results of our insurance brokerage business were no longer consolidated into those of our Group.

Meixin generates revenue by collecting either commissions based on a percentage of the premium paid by the insured, or advisory fee based on the nature and extent of services provided in the insurance projects.

Insurance Products

Meixin engages in providing brokerage service in respect of the insurance products in the following business areas:

- large companies business — property and machinery insurance, employee benefits and health insurance, liability insurance and credit insurance for manufacturing and energy companies with massive asset or employee base. These companies include, among others, manufacturer of special steel, and developer and manufacturer of electricity transmission equipment;

- commercial automobile business — ranging from property and personnel insurance for commercial automobile suppliers and commercial automobile manufacturers, to car insurance for commercial automobile end-users. In addition, for the years ended 31 December 2019, 2020 and 2021, Meixin provided commercial automobile insurance brokerage service to Shaanxi Heavy Duty Automobile and its subsidiaries as well as Shaanxi Commercial Automobile only. There was no material fluctuation in terms of the number of commercial automobile manufacturers served by Meixin during the Track Record Period. Further, the relevant customers of Meixin did not include any other commercial automobile manufacturers and/or components suppliers. Our Group entered into agreements with Meixin, the typical terms under which are set forth as follows:

    - *Duration* – The agreements are generally for a term of one year. There are generally no renewal provisions under such agreements;

    - *Service scope* – The insurance brokerage service generally includes, among others, (i) assisting our Group to set up insurance-related system and dedicated team, (ii) assisting our Group with the management of relevant insurance policies, (iii) assisting our Group with insurance claims, and (iv) providing routine insurance consultation and training to our Group;

- ◦ *Advisory fee* – The advisory fee payable by our Group to Meixin in respect of the insurance brokerage service provided by Meixin to our Group, based on their contracts signed annually, is calculated with reference to the number of the commercial automobiles under financial leases that are covered by such insurance brokerage service, and an annual fixed amount per each commercial automobile that is determined by the type and model of such commercial automobiles. Such advisory fee shall be charged into the cost of revenue of our Group when the provision of relevant service by Meixin is completed;

- ◦ *Deposit* – There is generally no deposit requirement;

- ◦ *Settlement* – The advisory fee is generally settled every month. The reconciliation of the advisory fee normally occurs in the following month from the provision of the service; and

- ◦ *Termination* – The agreements generally can be terminated by our Group upon delivery of written notice to Meixin.

We expect that our Group will continue to develop a closer business collaboration with Meixin in this aspect;

- life science business — clinical trial insurance, drug product liability insurance, professional liability insurance and cyber security insurance for life science business. These companies include, among others, professional contract research organisation which provides clinical research solutions for new drugs, and pharmaceutical company which specialises in the research and production of chemical medicine, biological medicine and medical equipment; and

- health and medical business — child and female maternity insurance and urban customised medical insurance (which insures against diseases that are not covered by typical medical insurance policies) for individuals.

Pricing Policy

Meixin generally collects the commission or advisory fees based on a percentage of the premium paid by insurance policy purchasers (typically around 15.0%), which may vary for different project types, different insurance companies engaged and different regions in which the insurance products are sold.

During the Track Record Period, the commission or advisory fee rate of Meixin ranged from 5.0% to 25.0%.

IOV AND DATA SERVICE SECTOR

Our IoV and Data Service Sector

We conduct our IoV and data service business through our wholly-owned subsidiary, Tianxingjian, which is a prominent information technology solution service provider covering the commercial automobile industry chain. Since the launch of the predecessor of Tianxingjian IoV Service System* (天行健車聯網服務系統) in 2011 which is the first of its kind in China, we, as the first-mover in the commercial automobile IoV industry, maintain a leading position in the IoV industry in China, according to the Frost & Sullivan Report. During the Track Record Period, the typical IoV and related technologies application solutions provided by our IoV platform include:

	Type of IoV and Related Technologies Application Solutions	Functions
1.	Automobile financial leasing IoV service	Enabling various external and internal financial leasing companies and the commercial automobile sales dealers involved in sales of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile to remotely monitor the real-time operational statistics of the relevant automobiles and execute remote automobile locking when necessary.
2.	Beidou System landing access IoV service	Enabling all the collected data in relation to the automobiles as required by the relevant PRC laws to be transmitted to the relevant accredited provincial supervision service platforms for record.
3.	Big data application IoV service	Provision of medium and heavy commercial automobile IoV big data support to various enterprises, including (i) commercial automobile manufacturers and core components suppliers, (ii) supply chain and logistics companies, and (iii) third party service providers.
4.	Dump truck supervision IoV service	Enabling municipal authorities and dump truck companies to develop intelligent management platforms in order to supervise the operation of relevant dump trucks in the relevant cities.
5.	Environmental protection supervision IoV service	Provision of environmental protection supervision-related services to facilitate the implementation of the relevant requirements under Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018) (《重型柴油汽車污染物排放限值及測量方法(中國第六階段)》(GB 17691-2018).

	Type of IoV and Related Technologies Application Solutions	Functions
6.	Transportation fleet management IoV service	Provision of transportation fleet management-related services to supply chain and logistics company and owner or chief of transportation fleet in order to monitor the real-time operational conditions of all the automobiles in the transportation fleet.

We operated the largest commercial automobile manufacturer-connected IoV platform for heavy commercial automobiles in China with a market share of 23.3% in 2021, according to the Frost & Sullivan Report. In addition, we ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021, according to the same source. As at the Latest Practicable Date, the number of heavy commercial automobiles accessing our IoV platform was approximately 978.5 thousand. For the three years ended 31 December 2021, the aggregated commercial automobiles of our IoV and data service amounted to approximately 607.3 thousand automobiles, 803.7 thousand automobiles and 1,025.1 thousand automobiles, respectively, representing a CAGR of 19.1% between 2019 and 2021.

According to the Frost & Sullivan Report, as (i) the first developer of MD5 remote automobile locking technology and the three-level embedded software for automobile-carried terminal products in China, and (ii) the first adopter of truck-dedicated navigation technology in China, Tianxingjian has constantly demonstrated its leadership in the research and development of the IoV technologies in China. Capitalising its strong technology capabilities, Tianxingjian has been accredited as a National High and New Technology Enterprise* (國家高新技術企業) by the Science and Technology Department of the People's Government of Shaanxi Province since 2014 and as a Software Enterprise* (軟件企業) by Shaanxi Software Industry Association* (陝西省軟件行業協會) since 2014. As at 31 December 2021, the intellectual property rights owned by Tianxingjian included 13 patents and 69 copy rights and Tianxingjian was in the process of applying for 19 patents. Tianxingjian had also adopted both the quality management system of ISO 9001:2015 and the environment management system of ISO 14001:2015 in 2018, both of which are internationally accredited management systems. Through implementing well-developed operation protocols and control mechanism, we are able to strengthen our capability to deliver quality services to the customers.

Our IoV and data service covers the commercial automobile industry chain. We maintain a close and cooperative business relationship with Shaanxi Heavy Duty Automobile, Shaanxi Commercial Automobile and other commercial automobile manufacturers, including Shandong Automobile Manufacturing Company Limited* (山東汽車製造有限公司), and our intelligent IoV products can be directly installed on the commercial automobiles during the manufacturing process. Our in-depth collaboration with such prominent commercial automobile manufacturers enables us to secure a large customer base within a short period of time and continue to drive the growth of our IoV and data service business. In addition, we provide our IoV and related technologies application solutions to a wide range of participants of the commercial automobile industry chain. As at 31 December 2021, our IoV and data service has been provided to various participants of the commercial automobile industry chain and are available in all 31 provincial administrative divisions in Mainland China. We are also actively exploring overseas business which covers 33 countries at present.

The Business Streams of Our IoV and Data Service Sector

Under our IoV and data service sector, we provide a wide range of IoV and data services to our customers. The following table sets forth a breakdown of revenue by our two IoV and data business offerings for the years indicated:

	Year Ended 31 December					
	2019		2020		2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Intelligent IoV Products Sales Business	182,101	75.4	253,646	75.7	229,498	67.8
IoV and Related Technologies Application Solution Business	59,481	24.6	81,592	24.3	108,814	32.2
Total	241,582	100.0	335,238	100.0	338,312	100.0

As shown in the table above, our IoV and data service sector expanded rapidly during the Track Record Period. Our revenue increased, from approximately RMB241.6 million for the year ended 31 December 2019 to approximately RMB335.2 million for the year ended 31 December 2020, and further to approximately RMB338.3 million for the year ended 31 December 2021, representing a CAGR of 18.3%. In addition, our profit before income tax increased from approximately RMB55.4 million for the year ended 31 December 2019 to approximately RMB87.4 million for the year ended 31 December 2020, and further to approximately RMB110.2 million for the year ended 31 December 2021, representing on CAGR of 41.0%.

According to the Frost & Sullivan Report, the application of IoV will become a standardised practice in terms of mainstream commercial automobiles manufactured in China. The commercial automobile IoV market penetration rate is estimated to further increase from 66.9% in 2021 to 97.5% in 2026 and by 2026, the size of commercial automobile IoV market will reach RMB76.1 billion from RMB23.1 billion in 2021, representing a CAGR of 26.9%, according to the Frost & Sullivan Report. We believe that our IoV and data service sector, supported by favourable government policies and fast expanding market, will provide a large number of business opportunities for our sustainable development.

The following table sets forth a breakdown of the revenue by customer and derived from our IoV and data service sector for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
IoV and data service sector									
Intelligent IoV Products Sales Business									
Shaanxi Holding Group	173,790	95.4	6.0	250,423	98.7	7.7	202,666	88.3	6.5
Overlapping IoV Customers	172	0.1	0.0	1,910	0.8	0.1	2,047	0.9	0.1
Independent IoV Customers	8,139	4.5	0.3	1,313	0.5	0.0	24,785	10.8	0.7
Sub-total	182,101	100.0	6.3	253,646	100.0	7.8	229,498	100.0	7.3
IoV and Related Technologies Application Solution Business									
Shaanxi Holding Group	2,447	4.1	0.1	488	0.6	0.0	1,757	1.6	0.1
Overlapping IoV Customers	29,862	50.2	1.0	46,539	57.0	1.4	58,383	53.7	1.9
Independent IoV Customers	27,172	45.7	1.0	34,565	42.4	1.1	48,674	44.7	1.5
Sub-total	59,481	100.0	2.1	81,592	100.0	2.5	108,814	100.0	3.5
Total revenue of the sector	241,582	100.0	8.4	335,238	100.0	10.3	338,312	100.0	10.8

The IoV Architecture and Operation Mechanism

IoV is the application of IoT in the area of automobile, specifically using sensing technology to collect data in relation to automobiles, including the data of automobile operation, driving behaviour of drivers and driving location, in order to enable us to comply with the applicable laws and regulations in relation to automobile dynamic supervision and meanwhile provide data service and information service to various market participants of automobile ecosphere.

The IoV Architecture

The IoV architecture mainly includes four layers, namely perception layer, network layer, platform layer and application layer, and we provide a wide range of IoV and data services to customers permeating through the IoV architecture.

- *Perception layer*. It is the base layer functioning to collect various data via terminal products equipped with the supporting software, such as our intelligent IoV terminal products. The data will then be transmitted through wireless network to the next layer.

- *Network layer*. It is the layer functioning to transmit the collected data, both inwards and outwards, through information communication network. Network layer can be classified into connection network and core network. The former connects automobile to the base station and the latter connects the base station to the platform layer.

- *Platform layer*. It is the layer functioning to receive, store, compress, clean and calculate the transmitted data in a centralised manner. Platform layer is also known as PaaS (Platform as a Service) layer.

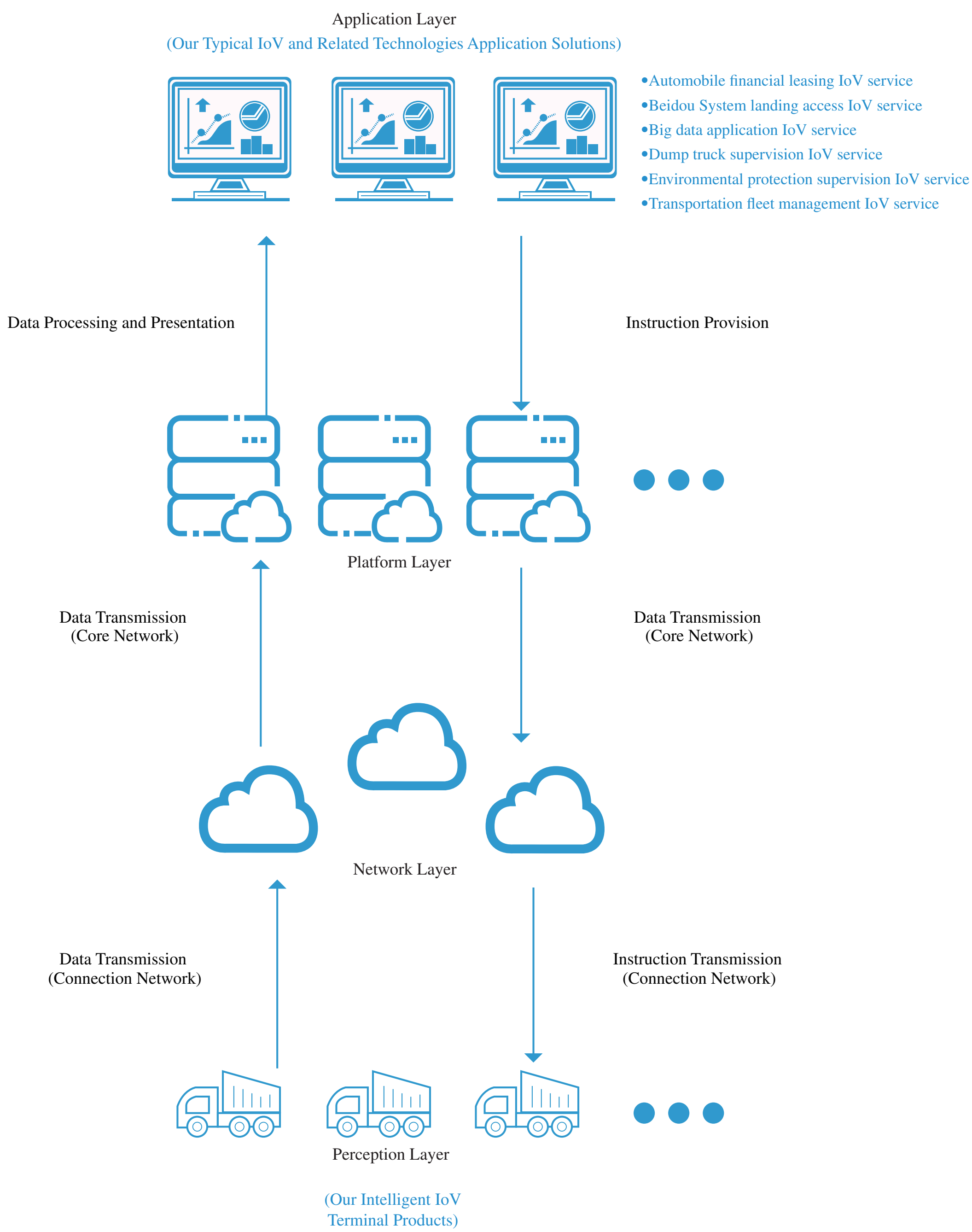
- *Application layer*. It is the highest layer functioning to present the processed data in the form of visualised solutions to the client. Application layer is the driving force of IoV technology innovation and provides solutions to our customers.

The Operation Mechanism

Typically our intelligent IoV terminal products installed in the automobiles are supported by the embedded software developed by us in order to collect the various data in relation to the automobiles. Such data will be transmitted into our server, which comprises both physical server and cloud storage server, via the SIM card installed in the intelligent IoV terminal products through the mobile wireless network. The stored data will then go through the stages of compression and cleaning and be ready for further processing and calculations in order to prepare and generate visualised solutions for our customers or end users. Based on such visualised solutions, our customers or end users may provide further instructions, which will then be transmitted through the internet or mobile wireless network back to our intelligent IoV terminal products. The terminal products will follow the relevant instructions and perform certain functions in relation to the automobiles and the drivers in order to coordinate the operation of automobiles. As such, the relevant automobiles will be subject to real-time monitoring and control under our IoV and data services.

The IoV architecture and the operation mechanism are demonstrated in the following diagram:

The IoV Architecture and Operation Mechanism



Our Intelligent IoV Products Sales Business

We sell a wide range of intelligent IoV products to our customers based on their specific needs, which include (i) intelligent IoV terminal products, (ii) intelligent display screens, and (iii) intelligent IoV accessories. Our intelligent IoV products also include supporting software that we develop.

The intelligent IoV terminal products we provide are equipped with: (i) GPS/Beidou System compatible supervision terminals, which collect geographical location data of the automobiles, and (ii) environmental protection supervision terminals, which collect environmental protection data in relation to the automobiles, such as the data of automobile emission. Pursuant to Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》) promulgated in January 2014, from July 2014, all newly manufactured heavy-loaded cargo-carriage automobiles and semi-trailer towing automobiles in China are required to pre-install satellite positioning devices, such as Beidou System supervision terminals or similar equipment, and all the collected data are required by law to be transmitted to the cargo transportation platform of Ministry of Transportation for record. In addition, pursuant to Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018) (《重型柴油汽車污染物排放限值及測量方法(中國第六階段)》) (GB 17691-2018) promulgated in June 2018, from July 2021 all newly manufactured, imported, sold and registered commercial automobiles with loading capacity of 3.5 tonnes or above in China are required to pre-install environmental protection supervision terminals or similar equipment and all the collected data in relation to exhaust emission are required to be transmitted to Ministry of Environment Protection for record. Our intelligent IoV terminal products are designed and developed by us independently with proprietary intellectual property rights. Such products also receive China Compulsory Certification from State Administration for Market Regulation and are accredited by the Ministry of Public Security.

Illustration of Our GPS/Beidou System Compatible Supervision Terminals

Illustration of Our Environmental Protection Supervision Terminals

The intelligent display screens we provide mainly include automobile-carried centralised-control touch screens with functions such as positioning, dedicated navigation, multi-functional steering wheel, audio and video play, Bluetooth communication, driving behaviour analysis, intelligent audio control and automobile reversing video. All the intelligent display screens we sell are also designed and developed by us independently with proprietary intellectual property rights.

Illustration of Our Intelligent Display Screen

The intelligent IoV accessories we provide mainly include automobile-carried cameras, fuel sensors, IoT cards and commercial automobile dedicated navigation software. The data collected by our intelligent IoV products is mainly transmitted through mobile wireless network. With the modernisation of the mobile wireless network by the telecommunication operators, we expect that 5G mobile wireless network will be widely used in the foreseeable future.

To facilitate our intelligent IoV product sales business, we also develop software for the intelligent IoV products we sell to our customers. We are the first developer of the three-level embedded software for automobile-carried terminal products in China, according to the Frost & Sullivan Report. The three-level structure includes (i) base operating system, (ii) the intermediate transfer port, and (iii) the upper application. In addition, we are the leader in terms of setting the technology standards and the intermediate connection port industry standards. We provide the upper application developed by us to our suppliers in order to embed such application into the relevant intelligent IoV products during the manufacturing process.

For the years ended 31 December 2019, 2020 and 2021, the number of commercial automobiles equipped with our intelligent IoV products increased by approximately 152.6 thousand, 208.4 thousand and 167.5 thousand, respectively. In addition, for the years ended 31 December 2019, 2020 and 2021, our revenue generated from our intelligent IoV products sales business was RMB182.1 million, RMB253.6 million and RMB229.5 million, respectively, representing a CAGR of 12.3% between 2019 and 2021, and accounting for approximately 75.4%, 75.7% and 67.8% of our total revenue of our IoV and data service sector in the corresponding period, respectively.

Our Suppliers and Key Terms of Our Agreements with Suppliers

During the Track Record Period, we outsourced the manufacturing of our intelligent IoV products to certain reputable independent third party suppliers in the industry, including Hangzhou Hopechart IoT Technology Co., Ltd.* (杭州鴻泉物聯網技術股份有限公司), who utilise the design, intellectual property rights and brand provided by us during the manufacturing process. During the Track Record Period, we entered into agreements with our suppliers, the typical terms under which are set forth as follows:

- *Duration* — The agreements are generally for a term of one year or more. There are generally no renewal provisions under such agreements;

- *Delivery and inspection* — The supplier shall ensure timely delivery of products according to the agreements. When the products are delivered to the destination, the supplier shall, together with us, inspect such products according to the standards set forth by us;

- *Key technology indicators* — The products provided by the supplier will have to satisfy the technology indicators set by us, details of which are set out in the agreements;

- *Quality standards of products* — The products provided by the supplier will have to satisfy the quality standards set by us, details of which are set out in the agreements, and we need to provide quality guarantee; and

- *Termination* — The agreements can be terminated by us upon certain events, including but not limited to (i) failure to perform obligations under the agreements within a reasonable time period after claims from us, or (ii) express representation of non-performance of aforementioned obligations.

Our Customers and Key Terms of the Agreements with Customers

During the Track Record Period, the major customers of our intelligent IoV products sales business included Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, for which we were the sole supplier of intelligent IoV products, and Shandong Automobile Manufacturing Company Limited* (山東汽車製造有限公司) ("**Shandong Automobile**"), which was an independent third party commercial automobile manufacturer. Shandong Automobile is a state-owned commercial automobile manufacturer located in Shandong Province, which specialises in the manufacturing of light commercial automobile, medium commercial automobile and new energy commercial automobile. For details on our intelligent IoV products sales business undertaken with our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — Industry norm and mutually beneficial and complementary relationship — IoV and data service sector" in this prospectus.

For the years ended 31 December 2019, 2020 and 2021, we provided intelligent IoV products sales service to three commercial automobile manufacturers, namely (i) Shaanxi Heavy Duty Automobile, (ii) Shaanxi Commercial Automobile and (iii) Shandong Automobile, only. There was no material fluctuation in terms of the number of commercial automobile manufacturers served by our intelligent IoV products sales service during the Track Record Period. In addition, the customers of our intelligent IoV products sales business did not include any component suppliers during the Track Record Period.

The major customers of our intelligent IoV products sales business which contributed (a) more than 5.0% of the total revenue of this business segment, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively, included:

(i) Shaanxi Heavy Duty Automobile, who is our connected person and contributed revenue in the sum of RMB172,819.4 thousand, RMB149,595.3 thousand and RMB88,872.4 thousand in 2019, 2020 and 2021, respectively, accounting for 94.9%, 59.0% and 38.7% of the total revenue of our intelligent IoV products sales business, and 6.0%, 4.6% and 2.8% of the total revenue of the Group, and

(ii) Shaanxi Commercial Automobile, who is our connected person and contributed revenue in the sum of RMB935.8 thousand, RMB100,827.6 thousand and RMB113,703.0 thousand, in 2019, 2020 and 2021, respectively, accounting for 0.5%, 39.8% and 49.5% of the total revenue of our intelligent IoV products sales business, and 0.03%, 3.1% and 3.6% of the total revenue of the Group.

The total revenue contributed by the aforementioned major customers amounted to RMB173,755.2 thousand, RMB250,422.9 thousand and RMB202,575.4 thousand in 2019, 2020 and 2021, respectively, accounting for 95.4%, 98.8% and 88.2% of the total revenue of our intelligent IoV product sales business, and 6.0%, 7.7% and 6.4% of the total revenue of the Group.

Except for the customers disclosed above, no other customer contributed (a) more than 5.0% of the total revenue of our intelligent IoV product sales business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. In addition, other than Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, we also provided intelligent IoV products to Shandong Automobile, which was not regarded as major customer of our intelligent IoV product sales business during the Track Record Period.

In addition, for further details of our transaction with connected persons Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

During the Track Record Period, we entered into agreements with our customers, the typical terms under which are set forth as follows:

- *Duration* — The agreements are generally for a term of one year. There are generally no renewal provisions under such agreements;

- *Minimum purchase commitment* — The minimum purchase commitment is generally set out in the separate purchasing orders;

- *Key technology indicators* — The products provided by us will have to satisfy the technology indicators set by the customers, which is generally set out in the separate technology agreements entered into between the parties;

- *Quality standards of products* — The products provided by us will have to satisfy the quality standards set by the customers and we need to provide quality guarantee, details of which are generally set out in the separate quality and service guarantee agreement entered into between the parties; and

- *Quality guarantee deposit* — The customers may require us to pay quality guarantee deposit at certain percentage of the outstanding payment amount on a rolling basis which will be recorded as accounts receivable from the customers if no quality deficiency is claimed by the customers upon the expiration of the quality guarantee period.

Performance of Our Intelligent IoV Terminal Products

Our IoV terminal products deliver great performance. Compared with similar products provided by our competitors, our intelligent IoV terminal products have strong capability to collect a wide range of data in relation to the automobiles, the driving behaviour and the location. We are able to collect more than 1.4 thousand types of data relating to automobiles, the specific scope of which will depend on the type and model of the relevant automobile. Such data could be generally classified into seven categories, namely automobile motion profile, geographical location, engine performance, axle, tyre, exhaust emission and driver's behaviour. In addition, the data collected by our intelligent IoV terminal products had exceeded 2.9 petabytes as at 31 December 2021 with an average daily new data increase of approximately 1.9 terabytes. In terms of data collection frequency, the shortest data collection time cycle is ten milliseconds. The basic data is uploaded every five seconds, which is faster than the industry average performance of 30 seconds. All the data we collect is subject to real-time transmission. All the data we collect will be sent to our server through synchronous transmission with average time less than one second. In addition, when commercial automobiles pass through regions with weak network signal, which is impossible for data transmission, the relevant data will be stored in our intelligent IoV terminal product for timely transmission within seven days depending on the conditions of the network.

The performance of our intelligent IoV terminal products has also placed us at the forefront in the operation data appraisal conducted by industry regulator. Pursuant to the Road Transportation Automobile Terminal Product Quality Statistics Table in December 2021* (2021年12月道路貨運車輛車載終端品質統計表) issued by China Transport Telecommunications and Information Centre* (中國交通通信信息中心) in January 2022, among the producers with more than 100 thousand online automobiles, the latitude and longitude acceptability rate of our intelligent IoV terminal product was 99.98%, the positioning time acceptability rate 99.65%, the speed acceptability rate 99.92%, the direction acceptability rate 100.00% and the terminal product overall rating 99.60%, making us one of the top performers in the table. As at the Latest Practicable Date, all of our intelligent IoV terminal products and our management website are both accredited by the relevant regulatory authorities in China.

For details on legal requirements relating to data collection and privacy protection in China, please refer to the section headed "Regulatory Overview — Regulations regarding Information Security and Personal Information Protection" in this prospectus.

Our IoV and Related Technologies Application Solution Business

We provide a wide range of solutions applying our IoV and related technologies by processing and analysing the data we collect at the perception level through our intelligent IoV products. The IoV application software we develop enables us to devise various applications to process the extensive data we possess and forms the basis for provision of our IoV and related technologies application solution service. During the Track Record Period, our typical IoV and related technologies application solutions include: (i) automobile financial leasing IoV service, (ii) Beidou System landing access IoV service, (iii) big data application IoV service, (iv) dump truck supervision IoV service, (v) environmental protection supervision IoV service, and (vi) transportation fleet management IoV service.

As at 31 December 2021, (i) the usage rate of our automobile financial leasing IoV service had covered approximately 199.3 thousand automobiles, (ii) the usage rate of our Beidou System landing access IoV service had covered approximately 605.8 thousand automobiles, (iii) our big data application IoV service had covered approximately 266.0 thousand automobiles, (iv) our dump truck supervision IoV service had covered approximately 15.9 thousand automobiles, and (v) the environmental protection supervision IoV service covered approximately 28.0 thousand automobiles. The number of automobiles covered by the above application scenarios enables us to be one of the top performers among IoV applications of the same kind in China.

Our IoV and related technologies application solutions can be categorised as (i) industry solutions, and (ii) data service solutions.

- Industry solutions, including (i) automobile financial leasing IoV service, (ii) Beidou System landing access IoV service, (iii) dump truck supervision IoV service, and (iv) transportation fleet management IoV service, are provided through our dedicated business support system. To receive the relevant service, the user is required to pay deposit into our system in advance and then shall apply in our system for service activation. Each commercial automobile has a designated account in our dedicated support business support system and the relevant user can access all the available information in relation to the specific commercial automobile by browsing the designated account.

- Data service solutions, including (i) our big data application IoV service, and (ii) environmental protection supervision IoV service, are provided in a more flexible manner and could be performed in the designated way pursuant to the specific requirements of the relevant customers.

For the years ended 31 December 2019, 2020 and 2021, our revenue generated from our IoV and related technologies application solution business was approximately RMB59.5 million, RMB81.6 million and RMB108.8 million, respectively, representing a CAGR of 35.3% between 2019 and 2021, and accounting for approximately 24.6%, 24.3% and 32.2% of our total revenue of our IoV and data service sector in the corresponding period, respectively.

Our Customers and Key Terms of the Agreements with Customers

During the Track Record Period, the major customers of our IoV and related technologies application solution business included:

- (i) commercial automobile manufacturer, namely Shaanxi Heavy Duty Automobile, and (ii) components suppliers, including Xi'an Cummins Engine Company Limited* (西安康明斯發動機有限公司), Cummins (China) Investment Co., Ltd. (康明斯(中國)投資有限公司) and Shaanxi Hande Axle Co., Ltd* (陝西漢德車橋有限公司). For further details of the relevant components suppliers, please refer to the paragraph headed "— IoV and Data Service Sector — Our IoV and Related Technologies Application Solution Business — Illustrations of Our IoV and Related Technologies Application Solutions — Big Data Application IoV Service" in this section.

  For the years ended 31 December 2019 and 2020, we provided IoV and related technologies application solution service to one commercial automobile manufacturer, namely Shaanxi Heavy Duty Automobile who is our connect person, only, as a result of collective market development strategy of Shaanxi Heavy Duty Automobile and us. Such service was no longer provided to Shaanxi Heavy Duty Automobile after 2020 due to the change of the relevant collaboration strategy.

In addition, for the years ended 31 December 2019, 2020 and 2021, we provided IoV and related technologies application solution service to three components suppliers, namely (i) Xi'an Cummins Engine Company Limited*(西安康明斯發動機有限公司) who is an independent third party, (ii) Cummins (China) Investment Co., Ltd. (康明斯(中國)投資有限公司), and (iii) Shaanxi Hande Axle Co., Ltd* (陜西漢德車橋有限公司) who is our connected person, only. There was no material fluctuation in terms of the number of components suppliers served by our IoV and related technologies application solution service during the Track Record Period.

- commercial automobile finance companies, commercial automobile sales dealers, IoV technology and electronic companies, supply chain and logistics companies, transportation fleets and drivers, as well as other types of entities and individuals along the commercial automobile industry chain.

- governmental or industry regulatory bodies, including waste supervision entities and environmental protection entities. For further details of these waste supervision entities and environmental protection entities, please refer to the paragraph headed "— IoV and Data Service Sector — Our IoV and Related Technologies Application Solution Business — Illustrations of Our IoV and Related Technologies Application Solutions — Dump Truck Supervision IoV Service".

In addition, we also provide software development service to certain components suppliers, including Xi'an Cummins Engine Company Limited* (西安康明斯發動機有限公司) and Shaanxi Hande Axle Co., Ltd* (陜西漢德車橋有限公司).

In relation to the customers of our IoV and related technologies application solution business, no single customer contributed (a) more than 5.0% of the total revenue of our IoV and related technologies application solution business, and (b) more than 1.0% of the total revenue of the Group, for one or more relevant year during the Track Record Period, respectively. As such, the customers of our IoV and related technologies application solution business were dispersed and no single customer was regarded as major customers of our IoV and related technologies application solution business during the Track Record Period.

For further details of our transactions with our connected persons, please refer to the section headed "Connected Transactions — Non-exempt Continuing Commercial Transactions — Supply of Products and Services Framework Agreement" in this prospectus.

During the Track Record Period, we entered into agreements with our customers, the typical terms under which are set forth as follows:

- *Duration* — The agreements are generally for a term of one year. There are generally no renewal provisions under such agreements;

- *Payment commitment* — The agreements generally set out the total service fees to be paid by the customers which must be fully settled on or before the date mutually agreed;

- *Key functions indicators* — We will carry out the key functions prescribed by the customers under different solutions; and

- *Standards of services* — The agreements will provide for specifications of the services to be provided, including without limitation to commencement of service, adjustment of intelligent IoV terminal products, provision of trainings on system and functions, quality guarantee and after-sales services.

Illustrations of Our IoV and Related Technologies Application Solutions

The typical solutions applying our IoV and related technologies during the Track Record Period include:

Automobile Financial Leasing IoV Service

We are a service provider and a key market player in the provision of automobile financial leasing IoV service in China and we are the first provider of remote automobile locking function in China, according to the Frost & Sullivan Report. In particular, we have adopted self-developed MD5 core algorithm for our remote automobile lock function, which enables automobile engines to randomly generate data and proceed with encrypted calculations with the unique numbering of our intelligent IoV terminal products in order to facilitate bilateral binding and checking. Through our MD5 core algorithm, data disassembly is prohibited and the secured interchange between automobile engine and our intelligent IoV terminal product could be ensured. Moreover, our remote automobile locking function is pre-installed at the bottom of engine control unit which enhances the overall working efficiency. For the years ended 31 December 2019, 2020 and 2021, the number of commercial automobiles covered by our automobile financial leasing IoV service increased by approximately 51.3 thousand, 74.8 thousand and 63.4 thousand, respectively.

Our automobile financial leasing IoV service mainly targets various external and internal financial leasing companies, including our Deewin Financial Leasing, and the commercial automobile sales dealers involved in sales of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile. By using our automobile financial leasing IoV service:

- the user of this service can remotely monitor the real-time operational statistics of the relevant automobiles, which in turn assists the user to reduce and control the risks stemming from the actual operations of the relevant automobiles;

- our automobile financial leasing IoV service provides default risk grading and analysis function, where our system can advise the user if an operator of a specific automobile can meet his repayment obligation under financial leasing based on analysing the operational statistics, in particular the running mileage and the operating time of engine, of the relevant automobile; and

- the user, upon reviewing the default grading and analysis we provide, can execute remote automobile locking, which prohibits the automobile user from using the specific automobile. As our intelligent IoV terminal product installed in the automobile is destruction-proof, the automobile user could only resume using such automobile if the user executes remote automobile unlocking.

In addition, our internal application of automobile financial leasing IoV service well demonstrates the synergy between our financial leasing business and our IoV and data service sector. Our intelligent IoV terminal products have been installed on the underlying commercial commercial automobiles of our financial leasing business undertaken by Deewin Financial Leasing and such commercial automobiles are fully covered by our automobile financial leasing IoV service. During the Track Record Period, our financial leasing business achieved a good risk control with the assistance of IoV technology, while bringing more than 60.4 thousand new automobiles to automobile financial leasing IoV service. By using our automobile financial leasing IoV service, Deewin Financial Leasing can conveniently supervise the actual conditions of such automobiles on 7x24 basis and can timely evaluate and handle any default risk under financial leasing. By utilising automobile financial leasing IoV service, Deewin Financial Leasing has greatly improved its risk control system and maintained financial leasing default rate at a relatively low level. For details of our financial leasing business, please refer to the paragraphs headed "— Supply Chain Financial Service Sector — Financial Leasing Business" in this section.

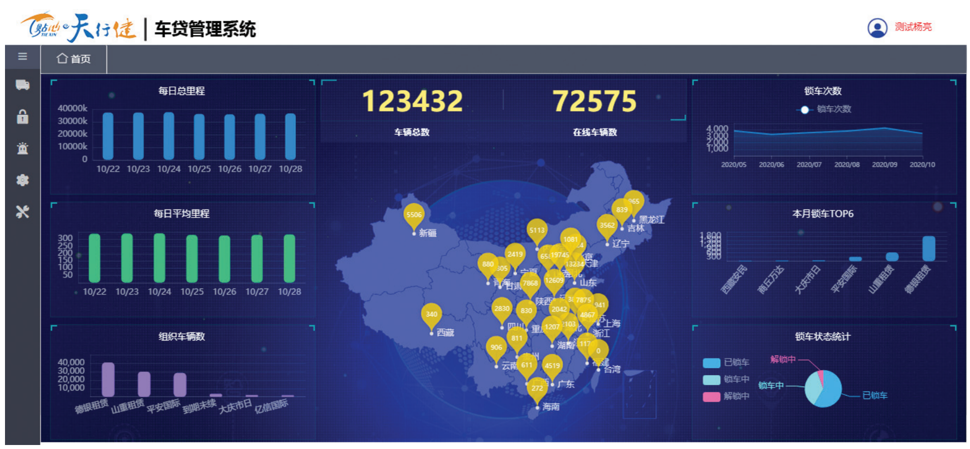


Illustration of Our Automobile Financial Leasing IoV Service

Beidou System Landing Access IoV Service

By following Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》), all commercial automobiles newly manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile have pre-installed GPS/Beidou System compatible supervision terminals or similar equipment and all the collected data as required by law is transmitted to the cargo transportation platform of Ministry of Transportation for record. In addition to that, different provincial transportation supervision authorities may also require that the aforementioned collected data in relation to the automobiles driving in the relevant province, generally including those automobiles needing Road Transport Licence* (道路運輸許可), shall also be transmitted to the accredited provincial supervision service platforms for record. Such platforms will inspect the collected data as required by law and issue Beidou System Inspection Certificates, by obtaining which the automobile owners can proceed to apply for Road Operation Permit and go through annual review. Our Beidou System landing access IoV service assists to transmit the required collected data of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile to the various accredited provincial supervision service platforms and facilitates the issuance of Beidou System Inspection Certificates. We obtained the operator qualification of Road Transportation Automobile Dynamic Supervision in Shaanxi Province* (陝西省道路運輸車輛動態監控) in 2014.

Illustration of Our Beidou System Landing Access IoV Service

Big Data Application IoV Service

Our big data application IoV service is mainly provided to enterprises which need medium and heavy commercial automobile IoV big data support, including:

- commercial automobile manufacturers and core components suppliers, to whom we provide customised systems for data collection, data analysis and data application in order to realise data tracking and analysis covering the cycle of product design, product manufacturing, product sales, product operation and post-sales services in relation to the relevant automobiles and core components, which effectively improves the qualities and competitiveness of these products;

- supply chain and logistics companies, to whom we provide automobile-freight matching, automobile performance analysis, efficiency and consumption analysis, way bill checking and settlement, which assists supply chain and logistics companies to reduce costs and enhance efficiency; and

- third party service providers, such as ETC service providers and natural gas card service providers, to whom we provide data service in relation to automobile parking, operation route, area traffic volume in order to enable such providers to offer services meeting the needs of clients.

During Track Record Period, our big data application IoV service customers mainly comprised of commercial automobile engine manufacturer and axle manufacturer, including (i) Xi'an Cummins Engine Company Limited* (西安康明斯發動機有限公司) and Cummins (China) Investment Co., Ltd. (康明斯(中國)投資有限公司), which are a leading manufacturers of heavy duty diesel-driven engine by utilising the relevant technologies from the leading engine manufacturer Cummins Engine Company, and (ii) Shaanxi Hande Axle Co., Ltd* (陝西漢德車橋有限公司), which is a large-scale automobile axle enterprise specialising in the research and manufacturing of axles for trucks, passenger automobiles and engineering automobiles with an existing annual production capacity of approximately 1.0 million pieces of axles. We provided service in relation to development and daily operations of data analysis platform software for such customers, such as SC-Cloud Data Analysis Platform* (陝康雲數據分析平台) for Xi'an Cummins Engine Company Limited* (西安康明斯發動機有限公司). By utilising such platform software, the commercial automobile engine manufacturer and axle manufacturer can monitor the real-time operations of their products, understand the driving behaviour of their customers, handle the malfunctioning incidents timely. The operational statistics collected through the platform enable the manufacturers to undertake in-depth analysis and optimise its design, manufacturing process and service offerings. The development and operation of such data analysis platform software were fully and independently undertaken by us.

Illustration of Our Big Data Application IoV Service

Dump Truck Supervision IoV Service

We assist certain municipal authorities and dump truck companies to develop intelligent management platforms in order to supervise the operation of relevant dump trucks operating in these cities. After accessing our intelligent management platform, the user of our dump truck supervision IoV service can monitor the real-time operational conditions of the dump trucks and check if such trucks are being operated pursuant to the applicable regulations, in particular those relating to speed limit, waste fall-out and driving on the designated route. The platform will promptly inform the relevant municipal authorities of any violation of applicable laws in relation to operation of a dump truck once detected. As such, our dump truck supervision IoV service has greatly enhanced the efficiency of dump truck supervision and enabled the relevant municipal authorities to take timely action in response to any violation of applicable regulations. For instance, we develop the dump truck 4G video surveillance management platform for Xianyang City in Shaanxi Province, which is the first dump truck 4G video surveillance system adopted in Shaanxi Province. Through utilising this platform, Xianyang municipal authorities are able to conduct real-time supervision over all the dump truck operating in the city area. In addition, it also effectively improves driving safety through blind sport monitoring. This platform enabled Xianyang to be included as an excellent case of Digital Urban Management* (數字化城管).

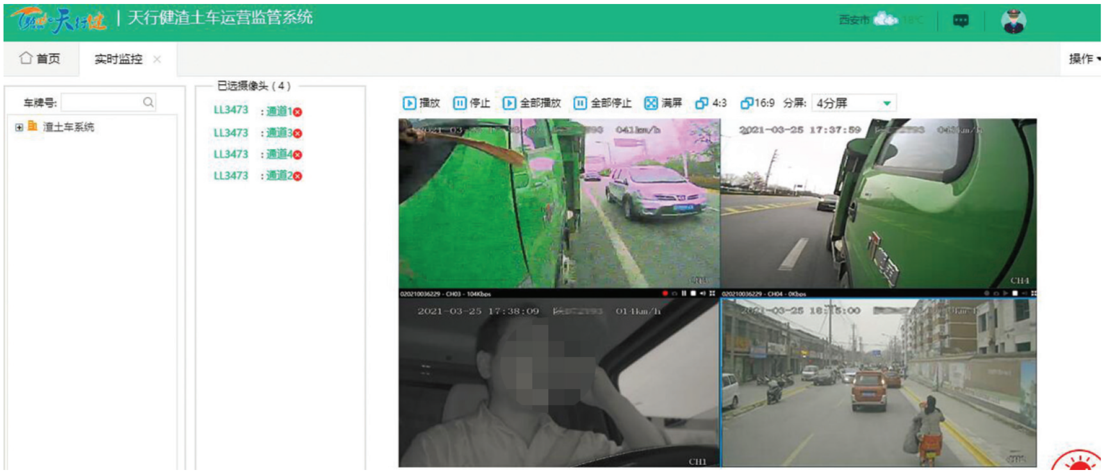
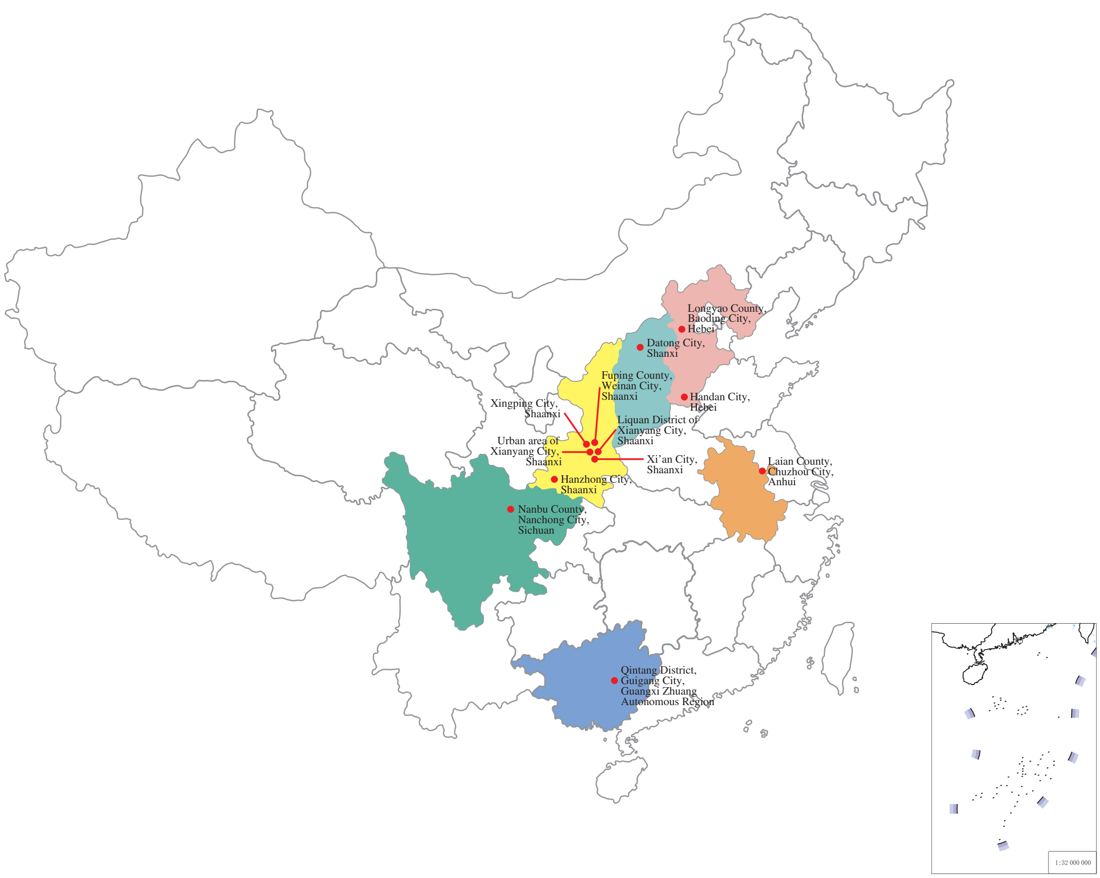


Illustration of Our Dump Truck Supervision IoV Service

Our dump truck supervision IoV service covered 12 areas in China with approximately 15.9 thousand dump trucks under supervision as at 31 December 2021. The map below illustrates the geographic coverage of our dump truck supervision IoV services as at 31 December 2021:



Environmental Protection Supervision IoV Service

To facilitate the implementation of the relevant requirements under Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018) (《重型柴油汽車污染物排放限值及測量方法(中國第六階段)》 (GB 17691-2018), we provide environmental protection supervision IoV service which comprises four main categories with details as follows:

- all the data in relation to exhaust emission collected by pre-installed environmental protection supervision terminals or similar equipment for commercial automobile in operation with loading capacity of 3.5 tonnes or above are transmitted in real-time to certain designated provincial environmental protection platforms of the provinces in which the trucks operate;

- development and operation of environmental protection supervision platforms for municipal authorities, and receipt and storage of the data collected by pre-installed environmental protection supervision terminals or similar equipment for municipal authorities;

- development of enterprise-level environmental protection platform for certain commercial automobile modification factories, such as factories for addition of carrying box or freezer, in order to facilitate the submission of relevant environmental protection information to the supervising authorities for real-time supervision; and

- installation of environmental protection supervision terminals or similar equipment for commercial automobiles manufactured pursuant to the previous automobile emission standards.

As at 31 December 2021, our environmental protection supervision IoV service covered 30 provinces and four municipalities in China.

Illustration of Our Environmental Protection Supervision IoV Service

Transportation Fleet Management IoV Service

We also provide transportation fleet management IoV service to supply chain and logistics company and owner or chief of transportation fleet. The user of our transportation fleet management IoV service can monitor the real-time operational conditions, in particular location, route, mileage and oil consumption conditions, of all the automobiles in the transportation fleet in order to facilitate fleet scheduling, automobile mechanical troubleshooting and automobile maintenance. We can also generate detailed report setting out oil consumption comparison, route comparison, speed comparison, gear position comparison and loading comparison and providing our statistical analysis of the most economical operation range for transportation fleet. Our transportation fleet management IoV service covers commercial automobiles of different brands and models.

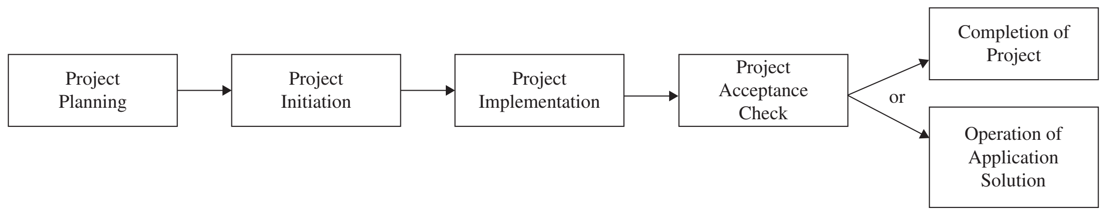
Illustration of Our Transportation Fleet Management IoV Service

Quality Control and ISO Standards

Our Directors believe that our business, financial conditions and operating results depend on our ability to pursue quality excellence. As such, we have adopted both the quality management system of ISO 9001:2015 and the environment management system of ISO 14001:2015 in 2018, both of which are internationally recognised and utilised by institutions in various industries to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements. Through the adoption of the well-regarded quality management system under ISO 9001:2015 and environment management system of ISO 14001:2015, we have established a strong governance structure, working duty allocation, management procedures, operation supervision and quality policies, which have in turn enabled us to formulate highly-quality IoV and data service procedures focusing on the needs of our customers and service outcome.

Workflow of Our IoV and Data Service

The following flowchart illustrates the key stages in the workflow of our IoV and related technologies application solution business:



- *Project planning*. At project planning stage, our customers submit business needs and/or our project planning department and marketing department provide feedback. Then our product manager will conduct analysis on the market needs. Our marketing department will conduct market feasibility study and our research and development team will conduct technical feasibility study. Our marketing department will arrange customers to sign service agreements with us.

- *Project initiation*. At project initiation stage, our project planning department or marketing department will apply for internal project initiation, after which our product management department will review the project initiation. After passing the evaluation, our product management department will instruct to commence project implementation, or it will inform the project initiator of the comments in order to make necessary improvements for re-evaluation.

- *Project implementation*. At project implementation stage, our research and development team will formulate project development plan. We will undertake design of the relevant system and then the subsequent development. Upon completion of the development, our testing engineers will undertake system testing, after passing which we will proceed to bring the application online and enter into online trial operation.

- *Project acceptance check*. At project acceptance check stage, our project managers will arrange project acceptance check. Project managers will then compile customer feedback and draft project check report. If the relevant projects have successfully passed project acceptance check, project managers will proceed with filing, otherwise they will re-arrange project acceptance check after implementation of the necessary rectification work for the projects.

- *Completion of Project* or *Operation of Application Solution*. The relevant application solutions will enter into operation stage upon finishing project acceptance check. We will formulate business operation flow and collect feedback to facilitate timely update and improvement.

Research and Development Capabilities

As (i) the first developer of MD5 automobile remote automobile locking function and the three-level embedded software for automobile-carried terminal products in China, and (ii) the first adopter of truck-dedicated navigation technology in China, according to the Frost & Sullivan Report, we have constantly demonstrated our strong capabilities in the research and development of the IoV technologies in China. In particular, the underlying MD5 core algorithm embedded in our remote automobile lock function is an industry-leading advanced algorithm ensuring the secured interchange between automobile engine and our intelligent IoV terminal product which in turn effectively prevent road traffic accidents and safeguarding the remote automobile locking from being tampered. As at 31 December 2021, the intellectual property rights owned by Tianxingjian included 13 patents and 69 copyrights and Tianxingjian was in the process of applying for 19 patents. The key technologies developed by us include:

- An invention of remote automobile locking based on MD5 core algorithm, which efficiently enhances the security and stability of remote automobile locking and unlocking;
- An invention of IoV big data quality compressed storage method and its system, which efficiently reduce the spending on storage resources; and
- An invention of IoV big data distributed execution framework, which solves the incompatibility between the increase of the amount of IoV data and mainstream technology framework and internal business processing capability.

We have also actively involved in industry-university-research cooperation with leading external research institutes and enterprises in order to enhance our research and development capabilities. Tianxingjian had collaborated with the School of Management of Xi'an Jiaotong University to set up Shaanxi Commercial Automobile IoV Engineering Technology Research Centre* (陝西商用車車聯網工程技術研究中心), which is a professional research centre under Key Laboratories of Ministry of Education and a creative platform for commercial automobile IoV business model innovation, technology development and optimisation of management system. In addition, as at the Latest Practicable Date, Tianxingjian was in cooperation with Chang'an University in relation to certain IoV research and development programmes, including (i) a project on efficient logistics statistics analysis and service under the Belt and Road Initiative, and (ii) a project on adversarial factors' impact on driving reaction and driving safety within the context of heavy commercial automobile transportation, both of which are under Shaanxi Province Key Research Programme. In addition, Tianxingjian was also in cooperation with a third party enterprise on analysis of the action and intention of drivers based on automobile data in order to optimise and upgrade intelligent IoV terminal, which is also under Shaanxi Province Key Research Programme.

As at 31 December 2021, Tianxingjian has a dedicated research and development team which comprises 108 professional, accounting for approximately 71.5% of the total research and development staff of our Group and 56.6% of the total employees of Tianxingjian. During the selection, we consider a wide range of qualities of the candidates, including general background, education background, working experience and professional knowledge. All the members of the research and development team possess IoV, software or automobile-related background. As at 31 December 2021, among all the members, individuals with bachelors' degrees account for 69.3% of all the whole team and those with masters' degree or above account for 10.6% of the whole team. In addition, individuals with work experience of five to ten years account for 43.4% of the whole team and those with work experience for more than ten years account for 34.9% of the whole team.

For the years ended 31 December 2019, 2020 and 2021, Tianxingjian incurred research and development expenses in the sum of approximately RMB20.2 million, RMB25.8 million and RMB30.5 million, respectively, accounting for majority of our total research and development expenses during the relevant periods.

Over the next three year, we will continue to invest in the improvement and advancement of our research and development facilities in order to promote technology innovation. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Pricing Policy

We outsourced the manufacturing of our intelligent IoV products to certain reputable independent third party suppliers in the industry. The prices of the intelligent IoV products we sell to our customers are fixed through arm length's negotiations between the customers and us on annual basis. Such prices are affected by the cost fluctuation of the relevant manufacturing raw materials and the market conditions. We generally settle the sales prices in accordance with the agreements we entered into with the relevant customers. We usually grant a credit term of around 90 days, starting from the receipt of the invoice by our customers. We are generally responsible for the delivery of goods to our customers and bear the risks of damages and losses before the delivery of goods. In general, the lead time required for goods to be delivered to our customers is one day. In addition, the supply prices of intelligent IoV products are generally agreed through our annual arm length's negotiations with the suppliers by considering the prevailing market rates and we generally settle the purchase prices in accordance with the agreements we entered into with the relevant suppliers. Our suppliers usually grant a credit term of around 30 to 90 days, starting from our receipt of the invoice issued by the suppliers. Suppliers are generally responsible for the delivery of goods to us and bear the risks of damages and losses before the delivery of goods. In general, the lead time required for goods to be delivered to us ranges from seven to ten days.

Our pricing for IoV and related technologies application solution business is determined by reference to (i) the prevailing market price, or (ii) the relevant costs with a profit margin, after considering the development strategies, marketing policies and the market competition conditions. For IoV solutions provided as industry solutions, we require our customer to pay deposit in advance, which will be deducted as the customer starts to receive our service. For other IoV solutions which are provided as data service solutions, we will enter into service agreements with the customers, which set out the payment arrangement after arm length's negotiations. We usually grant a credit term of around 30 to 90 days, starting from the receipt of the invoice and acknowledgement of the work performed, to our customers.

SALES AND CUSTOMER RELATIONSHIP MANAGEMENT

We are committed to cultivating long-term customer relationships by providing quality customer service and support, which we believe is the key to enhance adhesiveness of customers. In light of this, we provide routine trainings for our marketing consultants, customer relationship managers and other staff on practicable skills and philosophy of customer relationship. In addition, we have adopted a customer complaint policy which governs complaints received by us. Our customer relationship managers are responsible for handling the relevant complaints from customers. During the Track Record Period, we did not receive any material complaints from our customers.

We also actively formulate different types of marketing plans and direct marketing efforts to reach our targeted customers. We undertake sales and marketing campaigns through personal visits by our marketing consultants to different types of potential customers of our various business sectors. We also actively liaise with these targeted customers by telephone, email communications and event invitations. In addition, we advertise through various media channels, including public information platforms and We-media platforms, and through participating high-profile industry meetings and information exchange meetings. Moreover, we participate in the commercial automobile manufacturer's marketing campaigns, including new model launches and sponsorships events. In relation to our logistics and supply chain service, we have also adopted in-depth customer exploration measures. For details, please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Supply Chain Business — Automobile Manufacturing Supply Chain Service — Our Customers and Key Terms of the Agreements with Customers" in this section.

CUSTOMERS AND SALES

For detailed information of the customer portfolio and key terms of customer agreements of our various businesses, please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector", "— Supply Chain Financial Service Sector" and "— IoV and Data Service Sector" in this section.

During the Track Record Period, we principally made sales of products or provision of services through direct sales to end-customers. All of our product sales and provision of service were undertaken in China during the Track Record Period.

During the Track Record Period, our major customers mainly include participants of the commercial automobile industry chain, such as commercial automobile manufacturers, component suppliers, commercial automobile sales dealers, logistics companies, commercial automobile and aftermarket product end-users and governmental or industry regulatory bodies. Revenue from our five largest customers of our Group in aggregate were approximately RMB1,088.5 million, RMB1,250.5 million and RMB974.8 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 37.7%, 38.4% and 31.2% of our total revenue for the same periods.

Revenue from our largest customer were approximately RMB688.1 million, RMB873.3 million and RMB688.6 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 23.8%, 26.8% and 22.0% of our total revenue for the same periods. The credit terms offered to our five largest customers ranged from nil to three months during the Track Record Period and payment from them were usually made through bank transfer and/or note settlement. We had maintained business relationships with our five largest customers for one year to 16 years during the Track Record Period. The following tables set forth certain information of our five largest customers of our Group during the Track Record Period:

For the Year Ended 31 December 2019

Rank	Customers	Revenue	Percentage of Total Revenue	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	688,090	23.8	Commercial automobile manufacturer
2	Changshan Giantruck Supply Chain Management Co., Ltd. (常山眾卡運力供應鏈管理有限公司)	283,490	9.8	Logistics and transportation service company
3	Henan Juton Vehicle Co., Ltd. (河南駿通車輛有限公司)	53,765	1.9	Manufacturer of trailers and commercial automobile sales dealer
4	Henan Shanqi Heavy Duty Automobile Sales Co., Ltd. (河南陝汽重卡汽車銷售有限公司)	35,348	1.2	Commercial automobile sales dealer
5	Customer B	27,848	1.0	Logistics and transportation service company
	Total:	**1,088,541**	**37.7**	

For the Year Ended 31 December 2020

Rank	Customers	Revenue	Percentage of Total Revenue	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	873,260	26.8	Commercial automobile manufacturer
2	Changshan Giantruck Supply Chain Management Co., Ltd. (常山眾卡運力供應鏈管理有限公司)	172,074	5.3	Logistics and transportation service company
3	Henan Juton Vehicle Co., Ltd. (河南駿通車輛有限公司)	93,914	2.9	Manufacturer of trailers and commercial automobile sales dealer
4	Xinjiang Tiantong Modern Logistics Company Limited (新疆天通現代物流有限責任公司)	61,021	1.9	Commercial automobile sales dealer
5	Suzhou Pengshun Automobile Sales Service Co., Ltd. (蘇州鵬順汽車銷售服務有限公司)	50,206	1.5	Commercial automobile sales business service provider
	Total:	**1,250,475**	**38.4**	

For the Year Ended 31 December 2021

Rank	Customers	Revenue	Percentage of Total Revenue	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	688,557	22.0	Commercial automobile manufacturer
2	Customer A	123,303	3.9	Logistics and transportation service company
3	Artux Jianbao Mine Selection Co., Ltd. (阿圖什建寶選礦有限公司)	75,107	2.4	Logistics and transportation service company
4	Yili Lirong Supply Chain Management Co., Ltd. (伊犁利融供應鏈管理有限公司)	48,711	1.6	Logistics and transportation service company
5	Ningxia Baofeng Energy Group Co., Ltd. and its subsidiaries (寧夏寶豐能源集團股份有限公司及其子公司)	39,152	1.3	Coal mining and washing business operator
	Total:	**974,830**	**31.2**	

Our largest customer during the Track Record Period was our connected persons, namely Shaanxi Automobile Holding and certain of its associates. Save for the aforementioned connected persons, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5.0% of our share capital) has any interest in any of our five largest customers that are required to be disclosed under the Listing Rules. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — Industry norm and mutually beneficial and complementary relationship" in this prospectus for additional information regarding the transactions between us and the aforementioned connected persons.

SUPPLIERS AND PURCHASES

For detailed information of the supplier portfolio and key terms of supplier agreements of our various businesses, please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector", "— Supply Chain Financial Service Sector" and "— IoV and Data Service Sector" in this section. All of our purchases were made in China during the Track Record Period.

During the Track Record Period, our suppliers mainly include commercial automobile manufacturers, carrier and transportation fleet for logistics and supply chain services, aftermarket product suppliers and intelligent IoV product manufacturers. Transaction amount from our five largest suppliers of our Group in aggregate were approximately RMB958.9 million, RMB1,065.0 million and RMB873.4 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 40.7%, 40.7% and 37.1% of our total purchase for the same periods. Transaction amount from our largest supplier were approximately RMB583.5 million, RMB580.1 million and RMB479.2 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing 24.8%, 22.2% and 20.4% of our total purchase for the same periods. The credit terms offered by our five largest suppliers ranged from nil to three months during the Track Record Period and payment to them were usually made through bank transfer and/or note settlement. We had maintained business relationships with our five largest suppliers for one year to eight years during the Track Record Period. The following tables set forth certain information of our five largest suppliers of our Group during the Track Record Period:

For the Year Ended 31 December 2019

Rank	Suppliers	Transaction Amount	Percentage of Total Purchases	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	583,500	24.8	Commercial automobile manufacturer
2	Supplier A	129,805	5.5	Manufacturer of intelligent IoV products
3	Supplier B[Note (1)]	121,030	5.1	Provider of automobile manufacturing supply chain service
4	Supplier C	80,140	3.4	Provider of automobile logistics service
5	Supplier D	44,418	1.9	Provider of automobile logistics service
	Total:	**958,893**	**40.7**	

Note:

(1) Supplier B is an individual who provides automobile manufacturing supply chain service, in particular inbound logistics service, to our Group. Supplier B had acted as the fleet manager of Tonghui, who took charge of the management of the transportation fleet and the relevant drivers, since the incorporation of Tonghui up to September 2020. Supplier B has no longer served as an employee of Tonghui since October 2020.

Supplier B started to provide automobile manufacturing supply chain service to our Group from January 2013. Such arrangement arose out of the following considerations: (i) to reduce personnel costs incurred by us and to improve transportation management efficiency under our automobile manufacturing supply chain business, we explored an operational model of contracting part of the inbound logistics services internally to Supplier B, who would be accountable for and incentivised to provide such services to us for his own profit and loss instead of earning a fixed salary; and (ii) Supplier B has rich experience and satisfactory performance in fleet management, especially in maintaining conditions of transportation fleets, prevention of safety incidents and facilitating smooth operation of commercial automobile manufacturing. The service provided by Supplier B meets our need of stable inbound logistics service and assisted the relevant commercial automobile manufacturers to undertake their manufacturing work. For further details, please refer to the section headed "Business — Logistics and Supply Chain Service Sector — Supply Chain Business — Automobile Manufacturing Supply Chain Service" in this prospectus. As advised by Frost & Sullivan, (i) the engagement of individuals as providers of automobile manufacturing supply chain service is reasonable in the commercial automobile service industry, and (ii) more than 90.0% of carriers in the PRC logistic industry are self-employed individual fleet owners. Although some of the individual fleet owners register a company for their business, such business still operates under a self-employed model. Our engagement of Supplier B as a provider of automobile manufacturing supply chain service was largely due to (i) Supplier B's service capabilities and business resources in terms of automobile manufacturing supply chain service, which were developed by Supplier B through intense market competitions and (ii) the collaborative relationship we established with Supplier B during his past employment with us.

We entered into internal subcontracting agreement with Supplier B, which was on normal commercial terms no less favourable to us than terms available from service providers who are independent third parties, or even better in the sense that our requests for logistics services had been regarded as Supplier B's priority to ensure stable operation of our automobile manufacturing supply chain business, which was in the interests of our Company and the Shareholders as a whole. Whilst there had been no potential or actual conflict of interests of material sense between Supplier B's dual roles as the fleet manager and automobile manufacturing supply chain service provider of Tonghui, we have an internal control policy to prevent any conflict arising from such arrangement, which comprises the following measures: (i) we implement strict control and management system to ensure that the terms of such internal subcontracting arrangement are fair, reasonable and on arm's length basis that are no less favourable than terms available from independent third parties; (ii) any discrepancy between the pricing policy of such subcontracting arrangement with employees and those with independent third parties is legitimate and justified with reasonable basis; and (iii) similar to agreements we entered into with independent third parties, any internal subcontracting agreement shall be reviewed and approved by relevant departments of our Group before execution. As advised by our PRC Legal Advisers, our Directors believe that there had been no potential legal risk, payment, labour and tax issues of material sense arising from such arrangement with Supplier B.

Due to the needs from rapid business expansion, Supplier B established Supplier E under the laws of the PRC and acted as the legal representative of Supplier E, where Supplier E has commenced to provide automobile manufacturing supply chain service since October 2020. As such, Supplier B terminated his provision of service to our Group as an individual and all the relevant service has been provided by Supplier E instead since October 2020.

Save for the disclosure above, Supplier B has no other past or present relationships (including without limitation to family, business, employment, trust, financing or otherwise) with our Group, our shareholders, directors or senior management, or any of their respective associates. In addition, as of the Latest Practicable Date, Supplier B has not held any shares in the Company and/or its subsidiaries.

For the Year Ended 31 December 2020

Rank	Suppliers	Transaction Amount	Percentage of Total Purchases	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	580,113	22.2	Commercial automobile manufacturer
2	Supplier A	173,333	6.6	Manufacturer of intelligent IoV products
3	Supplier B*Note (1)* and Supplier E*Note (2)*	135,752	5.2	Provider of automobile manufacturing supply chain service
4	Supplier C	118,216	4.5	Provider of automobile logistics service
5	Supplier F	57,578	2.2	Provider of automobile logistics service
	Total:	**1,064,992**	**40.7**	

For the Year Ended 31 December 2021

Rank	Suppliers	Transaction Amount	Percentage of Total Purchases	Business Profile
		(RMB'000)	*(%)*	
1	Shaanxi Automobile Holding and its associates	479,187	20.4	Commercial automobile manufacturer
2	Supplier A	137,249	5.8	Manufacturer of intelligent IoV products
3	Supplier E*Note (2)*	115,002	4.9	Provider of automobile manufacturing supply chain service
4	Supplier C	86,945	3.7	Provider of automobile logistics service
5	Supplier G	55,057	2.3	Provider of automobile logistics service
	Total:	**873,440**	**37.1**	

Note:

(2) For further details, please see note (1) to the information of our five largest suppliers of our Group for the year ended 31 December 2019. For the year ended 31 December 2020, the transaction amount of our Group with (i) Supplier B amounted to approximately RMB77.9 million, representing approximately 3.0% of our total purchases, and (ii) Supplier E amounted to approximately RMB57.8 million, representing approximately 2.2% of our total purchases, respectively.

In addition, Supplier E has a registered capital of RMB20.0 million and owns a transportation fleet with approximately 90 commercial automobiles and approximately 150 drivers for provision of automobile manufacturing supply chain service. In addition, Supplier E engages external third party logistics service providers, which enables Supplier E to deploy transportation capacity of approximately 300 additional commercial automobiles. During the Track Record Period, (i) the aggregate purchase amount from Supplier B and Supplier E (where applicable) amounted to approximately RMB314.3 million, RMB329.1 million and RMB304.4 million, respectively, and (ii) based on our knowledge, the revenue derived from our Group accounted for approximately 38.5%, 41.3% and 37.8%, respectively, of the revenue of Supplier B and Supplier E (where applicable) for the corresponding years. At present, Supplier E is actively providing automobile manufacturing supply chain service to a wider scope of customers other than our Group.

Our largest supplier during the Track Record Period was our connected persons, namely Shaanxi Automobile Holding and certain of its associates. Save for the aforementioned connected persons, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5.0% of our share capital) has any interest in any of our five largest suppliers that are required to be disclosed under the Listing Rules. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — Industry norm and mutually beneficial and complementary relationship" in this prospectus for additional information regarding the transactions between us and the aforementioned connected persons. During the Track Record Period, we did not experience any shortage or delay in supply from our suppliers which had material impact to our business.

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, four entities are our major customers and our suppliers, and vice versa (the "**Customer(s)-Supplier(s)**"). The Customers-Suppliers are commercial automobile manufacturers, including Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, manufacturer of intelligent IoV terminal products, logistics and supply chain service provider and commercial automobile sales dealer.

We are a service provider and a key market player in the commercial automobile service industry in China, according to the Frost & Sullivan Report. As such, we provide a broad range of business offerings to, and receive various services and products from, the same major participants of the commercial automobile industry chain in China, including Shaanxi Automobile Holding and certain of its associates, which is our connected person. Certain such transactions would constitute continuing connected transactions upon Listing. For details of the relevant connected transactions, please refer to the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions" in this prospectus.

During the Track Record Period, the number of our Customers-Suppliers that we transacted with amounted to two, three, one and one, respectively. The table below sets forth the total sales and total purchases attributable to our Customers-Suppliers during the Track Record Period:

For the year ended 31 December 2019

	Sales to Customers-Suppliers			Purchase from Customers-Suppliers	
	Revenue	Percentage of our total revenue	Gross profit derived from the relevant transactions[Note (1)]	Transaction Amount	Percentage of our total purchases
	(RMB'000)	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Shaanxi Automobile and its associates[Note (2)]	42,459	1.5	5,408	572,910	24.3
Customer-Supplier A[Note (3)]	3,128	0.1	829	132,958	5.7
Customer-Supplier B[Note (4)]	13,346	0.5	519	6,765	0.3
Total	58,933	2.1	6,756	712,633	30.3

Notes:

(1) Gross profit is calculated based on the gross profit margin of the relevant subsidiary transacting with a Customer-Supplier in the case that the cost cannot be allocated to such Customer-Supplier.

(2) During the Track Record Period, (i) we provided (a) commercial automobile-related goods, (b) supply chain services (including transportation, distribution, logistics and warehousing services), and (c) data-related services to Shaanxi Automobile Holding and/or its associates, and (ii) we procured commercial automobiles, commercial automobile components and others from Shaanxi Automobile Holding and/or its associates. For further details, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" in this prospectus.

(3) Customer-Supplier A is a third party manufacturer of intelligent IoV products located at Hangzhou City in Zhejiang Province.

During the Track Record Period, (i) we were entrusted by Customer-Supplier A to provide certain maintenance services on its behalf, including the services for repair and replacement in relation to the relevant intelligent IoV products provided by Customer-Supplier A. Such service was (a) ancillary in nature, and (b) provided to Customer-Supplier A only, and not to any non-Overlapping Customers/Suppliers, due to the long-term sound business relationship between Customer-Supplier A and the Group, and (ii) we procured intelligent IoV products from Customer-Supplier A. For further details, please refer to the section headed "Business – IoV and Data Service Sector – Our Intelligent IoV Products Sales Business – Our Suppliers and Key Terms of Our Agreements with Suppliers" in this prospectus.

(4) Customer-Supplier B is a supply chain management service company located at Xi'an City in Shaanxi Province.

During the Track Record Period, (i) we provided commercial automobiles to Customer-Supplier B, and (ii) we procured supply chain services from Customer-Supplier B.

For the year ended 31 December 2020

	Sales to Customers-Suppliers			Purchase from Customers-Suppliers	
	Revenue	Percentage of our total revenue	Gross profit derived from the relevant transactions[Note (1)]	Transaction Amount	Percentage of our total purchases
	(RMB'000)	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Shaanxi Automobile Holding and its associates	194,456	6.0	39,494	579,487	22.2

For the year ended 31 December 2021

	Sales to Customers-Suppliers			Purchase from Customers-Suppliers	
	Revenue	Percentage of our total revenue	Gross profit derived from the relevant transactions[Note (1)]	Transaction Amount	Percentage of our total purchases
	(RMB'000)	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Shaanxi Automobile Holding and its associates	478,354	15.3	90,305	462,342	19.7
Customer-Supplier C[Note (5)]	23,696	0.8	276	28,114	1.2
Customer-Supplier D[Note (6)]	37,987	1.2	5,929	17,877	0.8
Total	540,037	17.3	96,510	508,333	21.7

Notes:

(5) Customer-Supplier C is a supply chain management service company located at Kashgar City in Xinjiang.

During the Track Record Period, (i) we provided commercial automobiles to Customer-Supplier C, and (ii) we procured supply chain services from Customer-Supplier C.

(6) Customer-Supplier D is an independent manufacturer of trailers and commercial automobile sales dealer located at Sanmenxia City in Henan Province.

During the Track Record Period, (i) we provide commercial automobiles, aftermarket products and financial leasing service to Customer-Supplier D, and (ii) we procured aftermarket business support service from Customer-Supplier D.

Negotiations of the terms of our sales and purchases from our Customers-Suppliers were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that, during the Track Record Period, the products we purchased from our Customer-Suppliers and/or their related companies were not the same as those products we previously sold to our Customers-Suppliers. The terms of transactions with our Customers-Suppliers are similar to those transactions with our other customers and suppliers.

INVENTORY MANAGEMENT

We actively monitor our inventories of (i) commercial automobiles, (ii) intelligent IoV terminal products, and (iii) components, including tyres and lubricant, sold by our various business sectors to ensure cost efficiency, quality control and timely distribution. Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Inventories" in this prospectus for more information.

Our inventory management staff conduct routine monthly inventory check and our inventory management staff and financial department staff collectively conduct quarterly inventory check. We also arrange inventory check on a more detailed and in-depth basis every six months. In addition, we also utilise our inventories management system and applications to monitor the actual conditions, locations and photos of the inventories and generate real-time management report for review. We try to ensure that our inventories are maintained at an optimised level, being a minimum inventory level to meet our customers' demands for one to three months and a maximum inventory level not exceeding customers' demands for six months. Based on our commercial arrangements with our suppliers, upon we place orders,commercial automobile manufacturers usually can deliver the new automobiles we need within 30 working days, aftermarket product suppliers can deliver the products within three to ten working days and intelligent IoV product manufacturers can deliver the products within five to 15 working days.

INFORMATION TECHNOLOGY

We have invested extensive resources in developing and implementing various information technology systems tailored for our business functions, including the office automation system for internal office usage and management functions, the standardised accounting system for our financial management and the inventory management system for our inventory management. We have also deployed multiple information technology systems allowing us to track and record key operation data and asset information, which allows us to integrate our various business sectors for efficient internal communications and centralised management.

In addition, we periodically upgrade hardware and software components of our information technology systems to cater to the needs of our business. We expect our information technology systems to assume more management functions, including advanced customer data processing and online employee trainings, in the near future, we will continue to collaborate with professional third party information technology service providers to further upgrade and integrate our information technology systems to enhance efficiency of our business functions and achieve real-time information exchange.

For details of certain information technologies adopted by our business sectors and other relevant information, please refer to the paragraphs headed "— Logistics and Supply Chain Service Sector — Supply Chain Business — Automobile Manufacturing Supply Chain Service — Information Technology System of Our Automobile Manufacturing Supply Chain Service" and "— IoV and Data Service Sector — Research and Development Capabilities" in this section.

Data Privacy and Protection

Our Group has established a set of internal controls policy and measures in relation to data security and privacy protection in compliance with the relevant PRC laws and regulations.

We mainly collect automobile data, including drivers' behaviour, geographical location and engine performance, from our end-users to the extent necessary for us to provide our IoV data services. In order to facilitate our official provision of services under our Tianxingjian online mini-program, we also collect customer data, including automobile data, user name and contact details, with relevant consents from such users of the mini-program. As at the Latest Practicable Date, we have approximately 50,000 registered users under our Tianxingjian online mini-program. When signing up and activating their accounts, such registered users would have to enter into a user agreement with us, which allows us to collect and use their personal information in accordance with our privacy policy. Under our privacy policy, we specify the reasons and methods of collecting their information, as well as the scope of information being collected and utilised from our customers to ensure compliance with relevant laws and regulations. We strictly restrict the access to, and usage of, those data with any third party without prior consent of each of such customers.

We have set up various general data management principles to govern the compliance, integrity, security, economies, accuracy, consistency, accessibility and controllability of our data use. We use a four-layered data security system to categorise our data in accordance with its sensitivity and importance, and adopt specific data protection measures to each layer. We have also adopted internal control measures tailored for our various key departments to protect data security and privacy in relation to operational data, including the strict requirement to execute confidentiality and data security agreements with relevant external service providers to ensure protection of our shared data.

With the continuous expansion of our business and growth of our customer base, there can be no assurance that the constantly evolving regulations on the collection and use of personal information in the PRC will have no material adverse effect on us. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — We may be subject to complex and evolving laws and regulations regarding confidentiality, privacy and data protection. Actual or alleged failure to ensure and protect the confidentiality of the data and information of our customers and to comply with privacy and data protection laws and regulations could subject us to penalties, negatively impact our reputation and deter customers from engaging us, and hence significant legal, financial and operational consequences" in this prospectus for the associated risks. We will closely monitor the rule-making process of the relevant regulatory requirement and adjust our data practices in a timely manner to comply with the relevant laws and regulations, if necessary.

INTELLECTUAL PROPERTY RIGHTS

We conduct our business under the trade names of "德銀", "德銀天下", "Deewin" and "DEYIN". We have registered "德银", "德银天下", "DeeWin", "DEYIN", "DEEWIN TIANXIA" and " " as well as other relevant logos as trademarks in the PRC. As at the Latest Practicable Date, we were also applying to register certain trademarks in the PRC. For details in relation to our intellectual property rights, please refer to the section headed "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in this prospectus.

In particular, intellectual property rights play an important role in relation to our provision of IoV and data service. As at 31 December 2021, Tianxingjian owned 13 patents and 69 copyrights. In addition, Tianxingjian is in the process of applying for 19 patents.

On 23 June 2022, we entered into a trademark licensing framework agreement with Shaanxi Automobile, pursuant to which Shaanxi Automobile agreed to, for a term commencing on the Listing Date and ending on 31 December 2024, grant us a non-exclusive licence for the use of the licensed trademarks on a royalty-free basis within the scope specified therein. For details, please refer to the section headed "Connected Transactions — Fully Exempted Continuing Connected Transactions — Trademark Licensing Framework Agreement" in this prospectus.

In order to defend our intellectual property rights and the intellectual rights that we are licensed to use, we monitor whether there is any infringement of our brand by conducting internet searches including the website of the National Intellectual Property Administration, PRC.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material dispute or litigation relating to infringement of trademarks and patents nor, to the best of our knowledge, did we infringe any trademarks and patents belonging to other parties.

LICENCES, PERMITS AND APPROVALS

The table below sets forth the relevant details of our major licences, permits and approvals. We expect no legal impediment to renew these major licences, permits and approvals upon expiration.

Licences/Permits/ Approvals	Holders	Grant Date	Expiration Date
Road Transport Licence* (道路運輸許可)	Shaanxi Tonghui Automobile Logistics Co., Ltd.* (陝西通匯汽車物流有限公司)	8 April 2020	7 April 2024
	Qishan Branch of Shaanxi Tonghui Automobile Logistics Co., Ltd.* (陝西通匯汽車物流有限公司岐山分公司)	17 April 2019	16 April 2023
	Beijing Deewin Fargo Supply Chain Management Co., Ltd.* (北京德銀遠行供應鏈管理有限公司)	26 October 2020	25 October 2024
	Henan Deewin Supply Chain Management Co., Ltd.* (河南德銀供應鏈管理有限公司)	26 January 2022	25 January 2026
	Baotou Branch of Inner Mongolia Fargo Supply Chain Management Co., Ltd.* (內蒙古遠行供應鏈管理有限公司包頭分公司)	10 December 2018	4 January 2023
	Shanxi Deewin Fargo Supply Chain Management Co., Ltd.* (山西德銀遠行供應鏈管理有限公司)	9 February 2022	8 February 2026

Licences/Permits/ Approvals	Holders	Grant Date	Expiration Date
	Shanghai Fargo Logistics Service Co., Ltd.* (上海遠行物流服務有限公司)	8 January 2021	7 January 2025
	Xinjiang Fargo Supply Chain Management Co., Ltd.* (新疆遠行供應鏈管理有限公司)	27 December 2019	20 December 2023
	Shaanxi Zhongfu Internet of Things Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)	8 November 2019	7 November 2023
	Shaanxi Huazhen Logistics Co., Ltd.* (陝西華臻物流有限公司)	23 March 2022	22 March 2026
Road Transport Licence (including online freight* operation) (道路運輸許可(含網絡貨運))	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	10 February 2022	31 December 2023
Value-added Telecommunications Business Licence* (增值電信業務經營許可)	Shaanxi Tianxingjian Internet of Vehicle Information Technology Co., Ltd.* (陝西天行健車聯網信息技術有限公司)	17 December 2020	17 December 2025
	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	2 July 2020	2 July 2025
	Shanghai Fargo Logistics Service Co., Ltd.* (上海遠行物流服務有限公司)	31 July 2020	31 July 2025
High and New Technology Enterprise Certificate* (高新技術企業證書)	Shaanxi Tianxingjian Internet of Vehicle Information Technology Co., Ltd.* (陝西天行健車聯網信息技術有限公司)	1 December 2020	30 November 2023
Customs Declaration Unit Registration* (海關報關單位註冊登記)	Shanghai Fargo Supply Chain Management (Group) Co., Ltd.* (上海遠行供應鏈管理(集團)有限公司)	26 December 2014	–
Registered Road Transport Automobile Dynamic Supervision Socialised Satellite Positioning System Supervision Platform Service Provider* (已備案道路運輸車輛動態監控社會化衛星定位系統監控平台服務商)	Shaanxi Tianxingjian Internet of Vehicle Information Technology Co., Ltd.* (陝西天行健車聯網信息技術有限公司)	22 December 2014	–

Licences/Permits/ Approvals	Holders	Grant Date	Expiration Date
Self-service Inspection Reporting Enterprise Registration* (自理報檢企業備案)	Shanghai Fargo Supply Chain Management (Group) Co., Ltd.* (上海遠行供應鏈管理(集團)有限公司)	9 December 2014	–
Foreign Trade Business Eligibility Registration* (對外貿易經營資格備案)	Shanghai Fargo Supply Chain Management (Group) Co., Ltd.* (上海遠行供應鏈管理(集團)有限公司)	4 December 2014	–
Financial Leasing Trial Enterprise* (融資租賃試點企業)	Deewin Financial Leasing Co., Ltd.* (德銀融資租賃有限公司)	13 December 2011	–
Labour Dispatch Approval* (勞務派遣許可)	Shaanxi Tonghui Automobile Logistics Co., Ltd.* (陝西通匯汽車物流有限公司)	17 November 2021	16 November 2024

Pursuant to the Notice on Issues Relating to Undertaking Financial Leasing Business Issued by MOFCOM and SAT* (Shang Jian Fa [2004] No. 560) (《商務部國家稅務總局關於從事融資租賃業務有關問題的通知》(商建發[2004]560號)) ("**Financial Leasing Notice**"), the registered capital of domestic leasing enterprise established between 1 September 2001 and 31 December 2003 shall be no less than RMB170.0 million. For further details, please refer to the section headed "Regulatory Overview — Regulations regarding the Supply Chain Financial Service" in this prospectus. As advised by our PRC Legal Advisers, (i) the aforementioned minimal registered capital requirement under Financial Leasing Notice applies only to leasing enterprises established between 1 September 2001 and 31 December 2003, and (ii) Deewin Financial Leasing was approved to be established in 2011 and not subject to the aforementioned minimal registered capital requirement under Financial Leasing Notice. However, even in the case that the aforementioned minimal registered capital requirement under Financial Leasing Notice would apply to Deewin Financial leasing, such requirement had been fully complied with upon the establishment of Deewin Financial Leasing. Our Deewin Financial Leasing was established on 24 November 2011 with an initial registered capital of RMB180.0 million and had a registered capital of RMB1,550.0 million as at 31 December 2020.

Further, pursuant to the Notice on Promulgation of the Interim Measures for the Supervision and Administration of Commercial Factoring Companies in Shanghai* (《關於印發<上海商業保理公司監督管理暫行辦法>的通知》) issued by the Shanghai Municipal Financial Regulatory Bureau ("**Shanghai Factoring Measures**"), for application for establishment of a commercial factoring company in Shanghai and launch of commercial factoring business on a pilot basis, the registered capital shall not be less than RMB50.0 million (or equivalent foreign currency) and all capital contributions shall be made in monetary funds. For further details, Please refer to the section headed "Regulatory Overview — Regulations regarding Local Financial Regulation" in this prospectus. As advised by our PRC Legal Advisers, Shanghai Factoring Measures is applicable to factoring companies newly set up after January 2021 and is for reference only in relation to Deewin Factoring. Our Deewin Factoring was established in Shanghai on 17 September 2013 with an initial registered capital of RMB50.0 million and had a registered capital of RMB200.0 million as at 31 December 2020.

In addition, we also proactively undertake stringent liquidity management for both our financial leasing business and factoring business. For details, please refer to the sections headed "Business — Supply Chain Financial Service Sector — Financial Leasing Business — Liquidity Management" and "Business — Supply Chain Financial Service Sector — Factoring Business — Liquidity Management" in this prospectus.

Our Directors, as advised by our PRC Legal Advisers, confirmed that during the Track Record Period and up to the Latest Practicable Date, (i) we have obtained all requisite licences, permits and approvals from the relevant government authorities that are material for our business operations in the PRC, (ii) these licences, permits and approvals were still valid, (iii) there were no material circumstances which would lead to the revocation, cancellation or invalidation of such licences, permits and approvals, (iv) we have complied with all the material minimum capital requirements (where applicable) for our financial leasing business and factoring business, and (v) there were no legal impediments for us carrying on our business operations.

EMPLOYEES

We view our employees as critical to our success and we are committed to recruiting, training and retaining skilled and experienced talents throughout our operations. We intend to achieve this goal by offering competitive remuneration packages as well as focusing on training and career development.

As at 31 December 2021, we had a total of 1,868 full-time employees. The following table sets forth the total number of our full-time employees by functions as at 31 December 2021:

Functions	Number of Employees	% of Total
Sales and Marketing	161	8.6
Accounting and Finance	90	4.8
Administration and Human Resources	71	3.8
General Management	43	2.3
Business Operation	125	6.7
Risk Management and Control	68	3.6
Technology and Development	151	8.1
Frontline Operation	1,159	62.1
Total	1,868	100.0

We believe that we maintain good relations with our employees. In line with customary industry practice in China, our employees were represented by labour union. During the Track Record Period, we did not experience any strikes, work stoppages or significant labour disputes, nor did we experience any significant difficulties in recruiting or retaining qualified personnel. We believe that we have also maintained a stable workforce and high level of employee loyalty.

We offer competitive salary packages to attract talents and also conduct regular review of employee salaries and benefits to make sure our offerings are above market level. We also participate in various employee benefit plans that are organised by municipal and provincial governments and make contributions as required by the relevant PRC laws and regulations. We dedicate significant resources to personnel recruitment, promotion and training. We recruit employees through internal channels, such as internal referrals by our employees, and external channels such as the online platform, headhunter and recruitment process outsourcing. We place significant importance on internal promotion as a means to offer long-term career paths and performance incentives for our employees. We have also fostered our talent development system formulating a talent cultivation plan for mid-level and higher management personnel, which we believe has strongly supported our business development.

WORK SAFETY MATTERS

We have adopted relevant systems in recording and handling accidents during our business operations and provide work safety trainings to our employees on annual basis. If there is an accident, our employees would be required to report to the designated person for further actions. We will also keep proper records of such accidents. In addition, we have adopted the occupational safety measures as required under the PRC laws.

We have obtained all the material work safety approvals permits, approvals and registrations necessary to conduct our business. Our operations are subject to regulations and periodic examinations by local work safety authorities.

We are not subject to significant work safety risks. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, (i) we were in compliance with all applicable work safety laws and regulations in all material respects, (ii) we had not had any material incidents of work-related injuries or casualties, (iii) we had not been subject to any claims for personal or property damages and compensation to our employees which are material to our business operations, and (iv) no material administration sanctions or penalties has been imposed upon us for the violation of work safety laws and regulations. We have not incurred and do not expect to incur material costs in connection with the compliance with work safety laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

ESG-related Matters and Management

Our Directors recognise the importance of our Group's responsibility with regard to environmental, social and governance ("**ESG**") matters and believe that other than being responsible for the interests of our Shareholders and maximising profits, our Company must also assume responsibility for the society in order to achieve a cohesive and sustainable relationship between our Company, the economy and the society. In addition, the establishment and implementation of sound ESG principles and practices will help increase the investment value of our Company and provide long-term returns to our Shareholders. If our Group breaches any ESG-related laws and regulations, it may adversely affect the reputation of our Group and hence our creditability. It may affect our business performances and reduce the competitiveness of our Group to new investors. Our business opportunities may also be negatively impacted.

Our senior management has the overall responsibility to identify and evaluate our Group's ESG-related matters, and establish and review the ESG targets and measures of our Group. In particular, we commit to full compliance with the Stock Exchange's reporting requirements on ESG following the Listing. We will formulate ESG policies following the Listing which set out, among others, (i) the appropriate risk governance on ESG matters, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, and (iv) the identification of key performance indicators ("**KPI(s)**") and the relevant measurements. The ESG policies will be established in accordance with the standards of Appendix 27 to the Listing Rules.

In particular, when setting targets for each KPI, we will take into account the respective historical levels during the Track Record Period, and have considered our future business expansion with a view to balancing business growth and the need of ESG to achieve sustainable development. The relevant material KPIs will be reviewed regularly to ensure that they remain appropriate to the needs of our Group.

Our senior management will also monitor our business activities from the perspective of implementation of the ESG policies. We will conduct regular assessment in relation to the current and potential ESG matters faced by us in our business. We will then adopt specific steps to tackle the potential matters and minimise any risks inherent in our business operations. We will also engage independent third parties to evaluate the risks and review our Group's existing targets and measures for the necessary improvement to be implemented.

Environmental Opportunities and Our Environmental Protection Practice

Protecting the environment is now a priority for companies and governments. Their converging interests, driven by increased global awareness of climate change, technological advances and health concerns, are underpinning a global drive to operation business on a eco-friendly and clean basis. We are committed to environmental protection and strive to carry out our business in an environmental-friendly manner. We implement internal environmental protection policy which targets to monitor the environmental impact of our business operations, demonstrate our commitment to operate our business with no significant and adverse impact on the environment and ensure that our operations are in compliance with the relevant environmental requirements pursuant to the laws of the PRC.

Minimising the consumption of resources of electricity and water is one of the key considerations in our business operations. We advocate the concept of greener office and make constant improvements in order to reduce energy and water consumption. In particular, we encourage our employees to reduce energy consumption, including the use of energy efficient electrical appliances in the office, and comply with electricity-saving initiatives, such as switching off the lights in public areas during non-working hours. In addition, we place great importance to water resource management and minimise water consumption by using water-saving appliances, which improve the efficiency in the use of water and reduce operating costs. In any event that the relevant actual consumption level exceeds the estimated level, we will report to the senior management and take action in order to mitigate any negative environmental-related impact and initiate preventive action. Furthermore, we also actively promote recycling office supplies, reducing travel by using emails and video conferences and prohibiting smoking in the office building.

Upon the Listing, our Board will set targets for each material environmental KPI at the beginning of each financial year in accordance with the disclosure requirement of Appendix 27 to the Listing Rules and other relevant rules and regulations. The relevant ESG targets on material KPIs will be reviewed on an annual basis to ensure that they remain relevant and appropriate to the needs of our operations. Our Board will oversee the performance of our Group in achieving the ESG targets and objectives and investigate the reasons for any deviation. Our Board will revise our ESG strategy as appropriate when significant variance from the target is identified.

Our Environmental Protection Performance

To promote our sustainable development, our environmental protection performances were monitored by us in various aspects, including the efficiency in the use of resources, such as water and energy consumption. During the Track Record Period, we exerted efforts in advocating and implementing water conservation and energy-efficiency policies. The table below sets forth an quantitative analysis of our environmental protection performance during the Track Record Period:

	Year ended 31 December		
	2019	**2020**	**2021**
Water consumption			
Total water consumption (*thousand* m^3)	19.8	18.4	13.9
Water consumption intensity (m^3 *per million RMB revenue*)	6.8	5.6	4.4
Electricity consumption			
Total electricity consumption (*million kilowatt*)	2.7	3.1	2.8
Electricity consumption intensity (*thousand kilowatt per million RMB revenue*)	0.9	0.9	0.9
Natural gas consumption			
Total natural gas consumption (*thousand* m^3)	1.5	1.2	1.6
Natural gas consumption intensity (m^3 *per million RMB revenue*)	0.5	0.4	0.5

Our Environmental Compliance Status

Our business is subject to certain environmental laws and regulations in the PRC. These environmental laws mostly relate to the conformity of our operating procedures with environmental standards.

We have obtained all the material environmental approvals permits, approvals and registrations necessary to conduct our business. Our operations are subject to regulations and periodic examinations by local environmental authorities.

Taking into account of our business model, we believe that (i) we do not generate material environmental hazards and do not otherwise cause significant adverse effect on the environment in the course of conducting our business, and (ii) we are not subject to significant risks relating environment. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, (i) we were in compliance with all applicable environmental laws and regulations in all material respects, (ii) we had not had any material environmental incidents, (iii) we had not been subject to any claims for environmental damages and compensation which are material to our business operations, and (iv) no material administration sanctions or penalties has been imposed upon us for the violation of environmental laws and regulations. We have not incurred and do not expect to incur material costs in connection with the compliance with environmental laws and regulations.

COMPETITION

We are a service provider and a key market player in the commercial automobile service industry in China and one of the few value-added service providers in the industry that can provide solutions covering the commercial automobile industry chain, according to the Frost & Sullivan Report. We believe the key to our success include our strong relationships with the commercial automobile manufacturers, network coverage, service quality, diversification of service offerings, market reputation and financial strength.

The overall commercial automobile logistics and supply chain service industry in China is highly fragmented with approximately 1,000 players in 2020, while most of which are small to medium enterprises. The supply chain service providers compete with each other on their financial strength, business relationships with their customers, scale of the logistics network, operational efficiency and advancement of the technology equipped. In 2021, we accounted for 1.1% and 9.5% market share in China and that in Western China by revenue, respectively, according to the Frost & Sullivan Report. In addition, Tonghui ranked first among the commercial automobile logistics and supply chain service enterprises in Western China in terms of revenue in 2021, the total market size of which amounted to approximately RMB15.3 billion, representing approximately 11.9% of the overall commercial automobile logistics and supply chain service industry in China, according to the Frost & Sullivan Report. For details on the competitive landscape of our logistics and supply chain service sector, please refer to the section headed "Industry Overview — Overview of China's Commercial Automobile Logistics and Supply Chain Service Industry — Competitive Landscape in Commercial Automobile Logistics and Supply Chain Service Industry" in this prospectus.

The market concentration rate of the commercial automobile financial leasing industry is relatively low and the top five commercial automobile financial leasing companies, in terms of the number of newly leased commercial automobiles, account for about 26.8% of the market share in 2021, according to the Frost & Sullivan Report. The commercial automobile financial leasing companies normally compete with each other on commercial automobile dealership network, financial and capital strength, flexibility of leasing service plan and quality of service. According to the Frost & Sullivan Report, Deewin Financial Leasing ranked fourth among all the commercial automobile manufacturer-connected financial leasing enterprises in the PRC in terms of the number of newly leased commercial automobiles in 2021. For details on the competitive landscape of our financial leasing business under supply chain financial service sector, please refer to the section headed "Industry Overview — Overview of China's Commercial Automobile Financial Leasing Industry — Competitive Landscape of the Commercial Automobile Financial Leasing Industry in this prospectus.

The commercial factoring market in China is highly competitive and fragmented with a large number of participants and no prominent leading company, according to the Frost & Sullivan Report. As compared with other third-party commercial factoring companies, Deewin Factoring is able to acquire stable customers and business resources in the commercial automobile factoring market, with its strong connection with the commercial automobile manufacturers, to maintain competitiveness in the market, according to the Frost & Sullivan Report. For details of competitive landscape of our factoring business under supply chain financial services sector, please refer to the section headed "Industry Overview — Overview of Market of Commercial Factoring for Commercial Automobile in China — Commercial Factoring Market Size".

The commercial automobile manufacturer-connected IoV service industry in China is highly concentrated with the top five service providers accounting for 92.3% of the market share in 2021, according to the Frost & Sullivan Report. Among all the major market players, we are the first-mover in the commercial automobile IoV industry, according to the Frost & Sullivan Report. As a result, as measured by the number of heavy commercial automobiles accessing IoV platform, Tianxingjian's business performance stands out from all the aforementioned players with a market share of 23.3% in 2021, which ranked first among all the commercial automobile manufacturer-connected IoV enterprises in China, according to the Frost & Sullivan Report. In addition, we ranked third among the commercial automobile IoV enterprises in China in terms of the number of commercial automobiles accessing IoV platform in 2021, according to the same source. For details on the competitive landscape of our IoV and data service sector, please refer to the section headed "Industry Overview — Overview of China's Commercial Automobile IoV Market — Competitive Landscape of Commercial Automobile IoV Industry" in this prospectus.

PROPERTIES

We occupy certain properties in the PRC for our business operations. As at the Latest Practicable Date, (i) we owned one parcel of land with an aggregate site area of approximately 28.6 thousand square metres in Fuping County, Shaanxi Province, and (ii) we owned four buildings with an aggregate gross floor area ("**GFA**") of approximately 3.3 thousand square metres. In addition, as at the Latest Practicable Date, (i) we had leased five parcels of land with an aggregate site area of approximately 70.5 thousand square metres, and (ii) we had leased an aggregate GFA of approximately 128.7 thousand square metres. We use the properties that we occupy for non-property activities as defined under Rule 5.01(2) of the Listing Rules, and they primarily include the premises of our stores, warehouses and offices.

According to Rule 5.01(A) of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings. This is because as at 31 December 2021, each of our properties had a carrying amount that was less than 15.0% of our consolidated total assets.

Because our operations are not concentrated on one or a small number of properties, our Directors do not consider any of the properties that we occupy to be material. This conclusion is further supported by their belief that none of our properties have any unique qualities or facilities that would prevent us from replacing them at a commercially reasonable cost if we were required to do so. For risks relating to properties, please refer to the section headed "Risk Factors — We may not be able to use certain properties leased by us because of defects affecting our leasehold interests" in this prospectus.

Our Owned Properties

As at the Latest Practicable Date, (i) we had owned one parcel of land with an aggregate site area of approximately 28.6 thousand square metres in Fuping County, Shaanxi Province, and (ii) we had owned four buildings with an aggregate GFA of approximately 3.3 thousand square metres in Xi'an and Shanghai. Our owned properties are primarily used for the daily business operation. We have obtained the relevant land use right certificates and building ownership certificates in relation to all the properties owned by us.

Our Leased Properties

Land

As at the Latest Practicable Date, we had leased five parcels of land with an aggregate site area of approximately 70.5 thousand square metres in Xi'an and Qishan County, Shaanxi Province which are primarily used for warehousing.

For one parcel of land with site area of approximately 3.0 thousand square metres located in Xi'an we leased, the lessor could not provide the relevant land use right certificate. The non-compliance incident was mainly due to the unfamiliarity with the regulatory requirements by our personnel. Our PRC Legal Advisers are of the view that it is not possible to confirm if the interests under the relevant lease would be protected under the PRC laws. If the relevant lease was challenged by any interested third party, we might not be able to lease the relevant parcel of land. However we are entitled to claim against the lessor pursuant to the relevant lease and the relevant PRC laws and regulations.

During the Track Record Period, we had not been involved in any dispute or legal proceeding or been subject to any fine in relation to the aforementioned non-compliance incident. In addition, if the leased land cannot be used by us, we are of the view that we can relocate to other comparable properties, if necessary, without any material adverse effect on our operations and financial conditions.

Buildings

As at the Latest Practicable Date, we had leased 35 buildings with an aggregate GFA of approximately 153.7 thousand square metres in regions including Xi'an, Shanghai, Beijing, Zhengzhou, Wuhan, Taiyuan, Urumqi, Qishan County, Shaanxi Province, Baotou City, Inner Mongolia and Wuhai City, Inner Mongolia which are primarily used for warehousing, commercial purpose and our office. The lease agreements have various terms from one year to ten years.

Details of our leased buildings are set out as below:

- one building we leased with an aggregate GFA of approximately 380 square metres, representing approximately 0.2% of the aggregate GFA of the buildings we leased, had obtained the building ownership certificates and the corresponding land use right certificates (where required), and the usage of these buildings was consistent with the planned usage. Our PRC Legal Advisers are of the view that we can legally use these buildings.

- For the remaining 34 buildings we leased with aggregate GFA of approximately 153.4 thousand square metres, representing approximately 99.8% of the aggregate GFA of the buildings we leased, they are subject to following types of defects:

  (i) three buildings we leased with an aggregate GFA of approximately 1.7 thousand square metres, representing approximately 1.1% of the aggregate GFA of the buildings we leased, the lessors could not provide the relevant building ownership certificates. These buildings were used for our office and warehousing;

(ii) 16 buildings we leased with an aggregate GFA of approximately 102.3 thousand square metres, representing approximately 66.5% of the aggregate GFA of the buildings we leased, the relevant leases have not been registered with the competent governmental authorities. These buildings were used for our office and warehousing; and

(iii) 15 buildings we leased with an aggregate GFA of approximately 49.4 thousand square metres, representing approximately 32.1% of the aggregate GFA of the buildings we leased, the lessors could not provide the relevant building ownership certificates and the relevant leases have not been registered with the competent governmental authorities. These buildings were used for our office and warehousing.

The aforementioned non-compliance incidents were mainly due to the unfamiliarity with the regulatory requirements by our personnel.

According to our PRC Legal Adviser, (i) in relation to lessors' failure to provide the relevant building ownership certificate, it is not possible to confirm if the interests under the relevant leases would be protected under the PRC laws. If the relevant leases were challenged by any interested third party, we might not be able to lease the relevant buildings. However we are entitled to claim against the lessors pursuant to the relevant leases and the relevant PRC laws and regulations, and (ii) in relation to failure to register leases with the relevant competent governmental authorities, the registration is not a mandatory condition for the validity of the lease agreements and the absence of such registration will not affect the legality of the lease agreements or impede our use of the relevant properties. The competent governmental authorities may order parties to the lease agreements to complete the registration within a certain time limit and impose a fine ranging from RMB1.0 thousand to RMB10.0 thousand for each unregistered lease if the relevant parties fail to do so.

During the Track Record Period, we had not been involved in any dispute or legal proceeding or been subject to any fine in relation to the aforementioned non-compliance incident. In addition, if the leased building cannot be used by us, we are of the view that we can relocate to other comparable properties, if necessary, without any material adverse effect on our operations and financial conditions.

During the Track Record Period, we had worked with all the landlords for registration of the relevant leases with the competent governmental authorities and we had not received any notification from the competent governmental authorities or been penalised by any competent governmental authorities. Our Directors confirm that our business, financial condition, results of operations and prospects would not be materially affected by any potential fines or penalties that may be imposed by the competent governmental authorities for non-registration of the lease agreements.

Our Directors also confirmed that the safety conditions of the properties we owned or leased are secured. There is no difference of land cost or rental that we would have to pay in the event that the relevant properties did not have defective titles. We will request our legal advisers to review the lease agreements and advise us on the relevant risks with respect to our leased properties and to ensure that we have adequate rights to claim against the relevant lessors in the event of any defects arising from our leased properties.

INSURANCE

We carry insurance covering risks including loss of and damages to our properties, including various fixed assets and inventories at our warehouses and sales halls. We also carry insurance for (i) our transportation fleet (including the engines of the transportation automobiles) and the goods we deliver during provision of supply chain services, and (ii) commercial automobiles under our supply chain financial service as required by the applicable laws and regulations. In addition, we maintain employer's liability insurance and public liability insurance for our daily business operations. We generally do not carry any business interruptions or litigation insurance. We consider our insurance coverage to be adequate and in line with the industry norm in China. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims. However, should any significant uninsured damages to any of our properties, inventories, goods we deliver, services we provide or other assets or liabilities claims against us occur, our business, financial condition and results of operations may be adversely affected. For details regarding the relevant risks, please refer to the section headed "Risk Factors — Risks Relating to Our Business — Even though we have taken out insurance policy, our insurance coverage may be inadequate to protect us from all potential losses" in this prospectus.

LEGAL PROCEEDINGS

We are not a party to, and we are not aware of any legal, arbitral or administrative proceedings, pending or threatened, which, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Our PRC Legal Advisers have confirmed that during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable PRC laws, regulations and rules in all material respects.

RISK MANAGEMENT

Our management has designed and implemented risk management policies to address various potential risks we have identified in relation to our operations, including financial risks and corporate governance risks. Our risk management policy sets forth procedures to identify, analyse, mitigate and monitor the relevant risks. We are dedicated to establishing a risk management system which operates effectively and is suitable for our long-term business development.

Financial Risk Management

We have adopted financial risk management policies, including internal audit policies and financial analysis policies, in order to closely monitor the financial status of our business and timely locate any potential risks arising from cash flow, capital adequacy and credit default. The financial risk management policies are carried out by our financial department, the members of which have expertise in the areas of accounting and financial management and have received trainings for the implementation of such policies.

Debt Management

In terms of debt management, we have adopted the following measures to monitor and manage the level of debt:

(1) in the fourth quarter of each year, we will make reasonable forecasts and analysis of next year's business volume and financing capabilities of our Group, and formulate annual business and capital budgets as well as planning for financing methods. We also strictly control our level of leverage on risky assets, fully analyse credit risk factors and ensure that our debt level falls within a reasonable range that complies with applicable industry and regulatory requirements;

(2) in carrying out our daily business activities, we aim to achieve refined debt management and control through preparation of monthly funding plans and real-time monitoring of debt maturity profile;

(3) we expand the scale of credit lines granted to our Group through securing multiple funding channels from various financial institutions, so that our Group has sufficient funds to develop our business and to ensure timely repayment of loans. We also adjust our long-term and short-term debt structure through increasing the issuance size of asset-backed securities and asset-backed notes, so that our liquidity level can be maintained by optimising our asset portfolio structure;

(4) our Board reviews and approves the Group's external financing proposals and documents, supervises our Group's various risk control measures, monitors the level of debt exposure and handles any major changes thereof. In particular:

    (i) Mr. Liu Lulu, a member of our senior management team who has extensive financial management experiences, is responsible for supervising our Group's capital risks and ensuring that our working capital is adequate. Please refer to the section headed "Director, Supervisors and Senior Management" in this prospectus for further details of his relevant experience; and

    (ii) we have formulated various internal policies and control measures, including "Measures for the Administration of Funding from Financial Institutions" (金融機構融資管理辦法), "Interim Measures for Borrowing Administration" (資金拆借往來管理暫行辦法), "Interim Measures for the Administration of Unified Borrowing and Repaying" (統借統還暫行管理辦法), "Measures for the Administration of Payment Approval" (資金支付審批管理辦法), "Fund Management System" (資金管理制度) and "Financial Operation Management System" (融資業務管理制度), etc.), to govern the borrowing activities within our Group, following which the responsibilities of relevant departments and the approval, execution and payment processes can be managed effectively.

As our business expands, we will further manage our Group's level of debt and address the potential issue of liquidity mismatch by adopting the following strategies:

(1) conducting business in line with the Group's overall development plan, corporate financing capabilities and market conditions in a targeted manner;

(2) setting up a credit risk prevention team internally in accordance with the needs of our Group. The credit risk prevention team comprises personnel from our finance department, business operation department, accounting department and risk and compliance departments and, through coordinating with these departments, it is primarily responsible for (i) monitoring the financial indebtedness of our Group on

real-time basis, (ii) reviewing investment, budgeting and financing plans across various departments within our Group regularly to improve the accuracy and reasonableness of our overall fund management, (iii) restricting provision of external loans and guarantees and preventing any misappropriation of funds, and (iv) strengthening the recovery of receivables through stringent assessment and enforcement measures;

(3) controlling the level of asset-debt ratio and risk capital leverage strictly;

(4) preparing monthly rolling budget to closely monitor our indebtedness and fully analyse credit risk factors to control the overall debt;

(5) building up financing capabilities that match with business planning, strengthening budget control and supervision, and using special funds for special purposes;

(6) matching our existing debt level with the invested fund in our financial leasing and factoring businesses to ensure that the business scale of our financial services sector remains relatively stable;

(7) strictly implementing internal control processes to ensure that risks arising from our new business are controllable whilst avoiding accumulation of overdue receivables and inventory stocks to facilitate our capital flow;

(8) introducing capital from banks and financial institutions to innovate our financial leasing business; and

(9) accessing the international capital markets and raising equity funds to ensure our capital adequacy and to support our Group's future sustainable growth.

Through the strict implementation of the above debt management measures and strategies, our Directors believe that our level of debt will remain relatively stable or even steadily decline. Please also refer to the paragraphs headed "— Financial Leasing Business — Our Debt Management" and "— Factoring Business — Our Debt Management" in this section for our debt management measures in respect of our financial leasing and factoring businesses.

During the Track Record Period and up to the Latest Practicable Date, our lenders had not claimed default against us and we had not breached any of the relevant lending provisions.

Liquidity Risk Management

In terms of liquidity risk management, we have adopted the following measures:

(i) in respect of our Company, we (i) maintain sufficient cash and sources of funding through committed credit facility and enjoy funding flexibility by maintaining committed credit lines; and (ii) monitor rolling forecasts of our Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flows. Please refer to the section headed "Financial Information — Qualitative and Quantitative Disclosure about Financial Risks — Liquidity Risk" in this prospectus for further details; and

(ii) in respect of our financial leasing business and factoring business, please refer to the paragraphs headed "— Risk Management for Financial Leasing Business and Factoring Business — Liquidity Risk Management" in this section for further details.

Assets Quality and Provisioning Policies

In terms of assets quality, we have adopted the following measures for our non-performing assets that are consistent with the industry practice:

1. On each balance sheet date, we measure the expected credit losses of financial instruments at different stages: (i) if the credit risk of a financial instrument has not increased significantly since its initial recognition, such instrument is included in Stage 1, at which we measure the loss provision based on the expected credit loss in the next 12 months; (ii) if the credit risk of a financial instrument has increased significantly since its initial recognition but such instrument is not yet deemed to be credit-impaired, such instrument is moved to Stage 2, at which the lifetime expected credit loss needs to be measured; and (iii) if a financial instrument is credit-impaired, such instrument is then moved to Stage 3, at which the lifetime expected credit loss needs to be measured.

2. Depending on whether there has been a significant increase in credit risk and whether credit impairment has occurred, we measure provisions for impairment losses of different financial assets either based on the expected credit loss in the next 12 months or through its lifetime. The key parameters of expected credit loss measurement include probability of default, loss given default and exposure at default. Based on the current internal rating system for risk management purposes and the requirements of new financial instrument standards, we will consider various historical data (such as ratings of counterparty, type of collateral and guarantee, repayment methods, etc.) as well as forward-looking statistics and establish models to estimate probability of default, loss given default and exposure at default.

3. In particular, when one or more of the following criteria are satisfied, we determine that the credit risk of such financial instrument has increased significantly: (i) the principal or interest payment is overdue for more than 30 days; (ii) the occurrence of major adverse events, such as litigation, has a negative impact on the debtor's ability to repay. When a financial asset is impaired, we deem it as in default. We considers a financial instrument to be credit-impaired when one or more of the following criteria have been met (i) principal or interest is more than 90 days past due ; (ii) issuer or obligor is in significant financial difficulty, or has already been insolvent; (iii) it is becoming probable that the borrower will enter bankruptcy; (iv) an active market for that financial asset has disappeared because of financial difficulties of issuers; (v) other objective evidence indicating impairment of the financial asset.

The following table sets forth the amount of and movements in non-performing assets (loans receivable at stage 3) during the Track Record Period:

	Amount
	(RMB'000)
Amount as at 1 January 2019	203,839
Increase in the year	146,290
Decrease in the year	(48,869)
Amount as at 31 December 2019	301,260

	Amount
	(RMB'000)
Amount as at 1 January 2020	301,260
Increase in the year	220,594
Decrease in the year	(61,940)
Amount as at 31 December 2020	459,914
Amount as at 1 January 2021	459,914
Increase in the year	224,123
Decrease in the year	(229,288)
Amount as at 31 December 2021	454,749

The following table sets forth the number of the corresponding loans involved in non-performing assets, the original value of non-performing assets, the estimated recoverable amount from non-performing assets and the provision for bad debt during the Track Record Period:

	Year Ended and As at 31 December		
	2019	**2020**	**2021**
Number of the corresponding loans involved in non-performing assets (loans receivable at stage 3)	265	738[(1)]	787[(2)]
Original value of non-performing assets (loans receivable at stage 3) *(RMB in thousand)*	301,260	459,914	454,749
Estimated recoverable amount from non-performing assets (loans receivable at stage 3) *(RMB in thousand)*[(3)]	141,542	223,412	154,214
Provision for bad debts *(RMB in thousand)*	159,718	236,501	300,535

Notes:

(1) The number of customers involved in respect of our non-performing assets for the year of 2020 increased significantly as a result of the sharp increase in domestic price of natural gas by the end of the fourth quarter of 2020 due to the bad weather in Northwest China that was occasional, which led to the rising automobile operating costs incurred by our customers, and further resulted in a short-term increase of 468 customers with overdue payments related to our financial leasing services. Save as disclosed herein, the relevant number of customers remained stable for the year of 2020.

(2) The number of customers involved in respect of our non-performing assets for the year ended 31 December 2021 increased as a result of the lower business operation efficiency caused by the increased price of oil as well as the occurrence of power rationing during the latter half of 2021, which led to the deterioration of the financial and credit conditions of certain lessees of our leased automobiles under our financial leasing business. Save as disclosed herein, the relevant number of customers remained stable during for the year ended 31 December 2021.

(3) The recoverable amounts from non-performing assets were estimated mainly on the basis of the underlying security (including guarantee) relating to such non-performing assets.

We have extended the terms of repayment for several loans in conducting our financial leasing business during the Track Record Period. Due to the COVID-19 outbreak, our financial leasing business had, for the period of 12 February 2020 to 31 March 2020, provided temporary repayment deferment options to our customers, including without limitation to customers located in Hubei Province who were provided with repayment deferment option of not more than three months from due date. For those customers located in places other than Hubei Province, they were provided with repayment deferment option of not more than two months from due date. During the deferment period, our customers were only required to pay the interest and not the principal. In addition, our customer who were enjoying repayment deferment would not be subject to our risk monitoring of overdue payment.

The table below sets forth the number of financial lease agreements and the amount of rents involved in our respective extended periods of deferment offered:

Periods of deferment	Number of financial lease agreements	Approximate percentage in the total number of financial lease agreements	Amount of rents involved	Approximate percentage in the total amount of rent balance
			(RMB'000)	
One month	828	3.73%	21,328.0	5.02%
Two months	144	0.65%	7,736.4	1.82%
Three months	13	0.05%	568.3	0.13%
Total	985	4.44%	29,632.7	6.98%

Upon the expiration of the repayment deferment options, the majority of the relevant customers (which accounted for approximately 99.0% of the total number of such customers) had settled their outstanding deferred payments and resumed their normal repayment schedule in accordance with the financial leasing agreements. Therefore, the provision of the repayment deferment options did not have material adverse effect on our Group's operations.

We did not extend the maturity terms of our loans or disposed of any non-performing assets during the Track Record Period and up to the Latest Practicable Date.

Corporate Governance Measures

We will fully comply with the Listing Rules after the Listing, including but not limited to the corporate governance code set out in Appendix 14 of the Listing Rules. Our audit committee under the Board is responsible for overseeing the overall risk management practice and closely works with the senior management to evaluate the implementation and effectiveness of our risk management policies. We make timely adjustment to our risk management policies in response to the rapid development of our operations. For details of the composition of the audit committee and the professional qualifications and industry experience of its members, please refer to the sections headed "Directors, Supervisors and Senior Management — Board Committees — Audit Committee" and "Directors, Supervisors and Senior Management" in this prospectus.

For details in relation to the risk management systems set up for our business operations, in particular for provision of our financial leasing service and factoring service under supply chain financial service sector, please refer to the paragraphs headed "— Supply Chain Financial Service Sector — Risk Management for Financial Leasing and Factoring Businesses" in this section.

INTERNAL CONTROL MEASURES

In preparation for the Listing, we engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in December 2020 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, inventory management, human resources and remunerations management, fixed assets, cash and treasury management, financial reporting and disclosure controls, general controls of information technology and taxation.

The Internal Control Consultant performed the follow up reviews in February to March 2021 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review.

The Internal Control Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Accordingly, we have modified and adopted new internal control policies and procedures based on the recommendation of the Internal Control Consultant and we will continuously monitor and improve our management procedures to ensure the effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

In order to continuously improve the standards of our internal control, we intend to adopt or have adopted the following measures:

(i) We will engage external legal advisors upon Listing to provide timely legal advices to our Board and other relevant personnel on the applicable laws, rules and regulations concerning our operations;

(ii) We have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser upon the Listing pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to the compliance with the Listing Rules;

(iii) We have appointed three independent non-executive Directors to provide independent view, monitoring and advice to our Group;

(iv) We have established an audit committee, a remuneration committee and a nomination committee primarily consisting of independent non-executive Directors to continuously provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group and oversee the audit process and performs other duties and responsibilities as assigned by the Board; and

(v) Our Directors have attended training conducted by the Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system as recommended by our Internal Control Consultant. As such, our Directors are of the view, that our enhanced internal control measures are adequate and effective. Nothing has come to the attention of the Sole Sponsor to cause the Sole Sponsor to believe that the aforementioned measures are not adequate and effective.

OVERVIEW

As at the Latest Practicable Date, Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile held approximately 92.09%, 7.19% and 0.72% of the total issued share capital of the Company, respectively. Details of each of our foregoing shareholders are set out below:

- **Shaanxi Automobile Holding, Shaanxi Automobile and Shaanxi Commercial Automobile**

Shaanxi Automobile Holding is a state-owned enterprise established in 2012 and its predecessor was founded in 1968. As at the Latest Practicable Date, Shaanxi Automobile Holding was held as to 51.00% by the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province, while the remaining 49.00% is held by one wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province. Shaanxi Automobile Holding is an investment holding company and its business scope mainly covers commercial automobiles industry, industrial investment and investment management consulting. Shaanxi Automobile Holding has more than 100 subsidiaries and associated companies, including its subsidiaries, Shaanxi Automobile and Shaanxi Commercial Automobile, as well as its associated company, Shaanxi Heavy Duty Automobile. It is a large-scale commercial automobile manufacturer in the northwestern region of the PRC. To the best knowledge of our Directors, according to the consolidated financial statements of Shaanxi Automobile Holding for the year ended 31 December 2021 under the PRC GAAP, the total revenue, net profit, total asset and net assets of Shaanxi Automobile Holding were approximately RMB19.3 billion, RMB30.2 million, RMB31.9 billion and RMB8.0 billion, respectively.

Shaanxi Automobile is a limited liability company established in the PRC in 1989 and was converted into a joint stock company with limited liability on 30 March 2021. As at the Latest Practicable Date, Shaanxi Automobile was held as to 67.06% by Shaanxi Automobile Holding. Accordingly, Shaanxi Automobile is a non wholly-owned subsidiary of Shaanxi Automobile Holding. It is primarily engaged in the research and development, production and sales of commercial automobiles, special-purpose vehicles and components of commercial automobiles.

Shaanxi Commercial Automobile is a limited liability company established in the PRC in 2002, with approximately 68.51% of its shareholding held by Shaanxi Automobile. It is primarily engaged in the research and development, production and sales of commercial automobiles, special-purpose vehicles and components of commercial automobiles.

- **Shaanxi Heavy Duty Automobile**

Shaanxi Heavy Duty Automobile is a limited liability company established in the PRC in 2002, which is held as to approximately 49.00% by Shaanxi Automobile and the remaining 51.00% interest of Shaanxi Heavy Duty Automobile is held by Weichai Power Co., Ltd.* (濰柴動力股份有限公司), which is a company listed on both the Main Board of the Stock Exchange (stock code: 2338) and the Main Board of Shenzhen Stock Exchange (stock code: SZ000338). Shaanxi Heavy Duty Automobile is principally engaged in the manufacturing of heavy trucks, such as heavy dump trucks, heavy tractors and heavy cargo trucks. To the best knowledge of our Directors, according to the consolidated financial statements of Shaanxi

Heavy Duty Automobile for the year ended 31 December 2021 under the PRC GAAP, the total revenue, net loss, total asset and net assets of Shaanxi Heavy Duty Automobile were approximately RMB54.1 billion, RMB0.5 billion, RMB46.5 billion and RMB10.1 billion respectively.

The main types of commercial automobile manufactured by Shaanxi Holding Group were commercial automobile such as tractors (牽引車), dump trucks (自卸車), cargo trucks (載貨車), off-road vehicle (越野車) and special-purpose vehicles. Shaanxi Holding Group has over 50 years of experience in the commercial automobile industry. The main competitive advantage of Shaanxi Holding Group is its research, development and innovation capability. It has developed multiple generations of commercial automobile platform, spanning across the entire spectrum of trucks of different sizes, and its products are known in the market for its reliability and adaptability to complex environments. It also has established a marketing and service system. According to the Frost & Sullivan Report, the top five commercial automobile manufacturers in the PRC market in aggregate accounted for approximately 85.7% of the sales of commercial automobiles in 2021 and Shaanxi Holding Group ranked 4th in the PRC commercial automobile industry in terms of sales volume of heavy commercial automobiles in 2021, with a market share of 13.8%. According to the Frost & Sullivan Report, for the years ended 31 December 2019, 2020 and 2021, the total number of commercial automobiles manufactured by Shaanxi Holding Group were 191,392 units, 243,853 units and 200,432 units, respectively, accounting for 4.9%, 5.1%, 4.3% share of China's commercial automobile industry and ranking eighth, eighth, and ninth, respectively.

According to the National Fourteenth Five-Year Plan, future demand and market space for commercial automobiles are expected to be promising, offering a potential opportunity for commercial automobile manufacturers. Driven by national infrastructure construction projects and the development of the trunk logistics transportation industry, the heavy commercial automobile market has witnessed a rapid development in recent years. In 2020, the phasing out of China III vehicles, the phased implementation of the China VI vehicle emission standards, and the construction of new infrastructure, the sales volume of heavy commercial automobiles in China reached 1,395.3 thousand units, maintaining a CAGR of 7.3% from 2017 to 2021. After experiencing high growth in the prior year as a result of phase out of China III vehicles, the phased implementation of China's VI vehicle emission standards and the construction of new infrastructure, the market demand slightly declined in 2021. In the future, it is predicted that the sales volume of heavy commercial automobiles will return to a normal level in the next few years but remain at a relatively high level, and will amount to 1,277.5 thousand units in 2026, representing a CAGR of -1.7% compared with 2021. Please refer to the section headed "Industry Overview – The Commercial Automobile Industry Chain Service in China" in this prospectus for further details.

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile will hold approximately 69.07%, 5.39% and 0.54% of the total issued share capital of our Company, respectively. Accordingly, Shaanxi Automobile, Shaanxi Automobile Holding and Shaanxi Commercial Automobile will be our Controlling Shareholders immediately upon completion of the Listing.

Our business has been developed along the commercial automobile industry chain. Since our establishment in 2005, we provide services to the participants of commercial automobile industry. With our gradual development in the past 17 years, we have become one of the major providers in the commercial automobile service industry in China, with our services covering three main business sectors of the commercial automobile industry chain, including, among other things, logistics and supply chain services, financial leasing and factoring services, sales of intelligent IoV products and provision of solutions applying IoV and related technologies. As such, we provide diverse services to numerous participants along the industry chain, including upstream components suppliers and downstream commercial automobile sales dealers and customers.

During the Track Record Period, approximately 83.1%, 86.9% and 77.3% of the total revenue of the Group was contributed by Shaanxi Holding Group and Associated Customers (the revenue generated from Shaanxi Holding Group and Associated Customers does not include "other" revenue in each business segment). Although a considerable portion of our Group's business was associated with or related to Shaanxi Automobile and its associates (in particular Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile) and the commercial automobiles manufactured by them, our business relationships with Shaanxi Holding Group and independent third party customers (including Shaanxi Holding Group's components suppliers, commercial automobile sales dealers and end customers of Shaanxi Automobile branded commercial automobiles) have been developed based on market-oriented principles, and they are not an integral part of our Controlling Shareholders' business. All of our customers (including our Controlling Shareholders and its associates) have the option to choose whether or not to use our services or purchase our products, and they choose us mainly due to the recognition of our strengths and competitiveness. In the meantime, our Group has a discretion to determine whether to provide services or sell products to such customers. Shaanxi Holding Group will not be involved in, nor have any direct or indirect influence on, such decision making by our customers.

In particular, all the agreements entered into between our Group and Shaanxi Holding Group as set out in the section headed "Connected Transactions" in this prospectus were, or shall be entered into, on arm's length basis and on fair and reasonable terms. Such agreements will be conducted on normal commercial terms in accordance with the pricing policy of our Group. In addition, Our Company has also adopted internal control procedures in relation to continuing connected transactions to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better. Please refer to the "Connected Transactions" section in this prospectus for further details.

The business relationships between our Group and independent third party customers (including Shaanxi Holding Group's components suppliers, commercial automobile sales dealers and end customers of Shaanxi Automobile branded commercial automobiles) were developed based on their independent decision-making process from a commercial perspective, mainly because of our in-depth understanding of the commercial automobile industry and our capabilities to provide quality services. There is no arrangement in place (whether formal or informal) pursuant to which Shaanxi Holding Group refers its customers, its suppliers or other business partners to our Group. The Directors believe that the long-term business relationship with Shaanxi Automobile and its associates is mutually beneficial and complementary, and expect to maintain our current relationship with them in the future. Please refer to the paragraph headed "Independence from our Controlling Shareholders — Operational Independence" in this section for further details. During the Track Record Period, our Group has expanded and will continue to expand our services and diversify our customer base in all our three business sectors by, for example, selling external branded commercial automobiles and aftermarket products, providing financing leasing services to customers of external branded commercial automobiles, and pre-installing our intelligent IoV products on external branded commercial automobiles. For the year ended 31 December 2021, the Group's revenue generated from Independent Customers was approximately RMB690.5 million (the revenue generated from Independent Customer does not include "other" revenue in each business segment). For further details, please refer to the section headed "Relationship with Controlling Shareholders — Continued diversification forms a strong foundation base" in this prospectus.

COMPETING INTERESTS OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Controlling Shareholders and Shaanxi Heavy Duty Automobile and each of their respective associates did not have any interests in any business which competes or is likely to compete (either directly or indirectly) with our Group's business and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

DELINEATION OF BUSINESS

Whilst Shaanxi Holding Group is primarily engaged in the research and development, production and sales of commercial automobiles, special vehicles and commercial automobile components and Shaanxi Automobile is a leading state-owned commercial automobiles manufacturer with headquarters in Xi'an, Shaanxi, PRC, our Group is primarily engaged in the following core businesses (the "**Core Business**"): (i) logistics and supply chain service sector, including supply chain business, automobile sales business and aftermarket product business, (ii) supply chain financial service sector, including financial leasing business, factoring business and insurance brokerage business, and (iii) IoV and data service sector. For further information about the Core Business, please refer to the section headed "Business" in this prospectus. We currently do not manufacture commercial automobile or any vehicles. Therefore, there is a clear delineation between our businesses and those of Shaanxi Holding Group in terms of the principal business and key products and services.

As at the Latest Practicable Date, Shaanxi Automobile held the entire interests of Shaanxi Wanfang and Shaanxi Huazhen.

- **Shaanxi Wanfang**

As at the Latest Practicable Date, Shaanxi Wanfang was a wholly-owned subsidiary of Shaanxi Automobile. Shaanxi Wanfang is principally engaged in manufacture of commercial automobile components and generates the vast majority of its revenue from the sales of commercial automobile components. The commercial automobile components business of Shaanxi Wanfang is different from our aftermarket products business. Our aftermarket products are mainly manufactured by independent third party manufacturers and mainly cover (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. On the other hand, Shaanxi Wanfang's commercial automobile components are manufactured by Shaanxi Wanfang and mainly cover intake and exhaust series products, electronics series products and vehicle mounting system products. As our aftermarket products are different from Shaanxi Wanfang's commercial automobile components as they serve different functions and are non-substitutable products, even though such products can be purchased by the same set of customers in the same geographical locations, the Company is of the view that there is no competition between the Group's aftermarket product business and Shaanxi Wanfang's commercial automobile components business.

To the best knowledge of our Directors, there is no overlap in the directors of Shaanxi Wanfang and those of our Group and Shaanxi Automobile does not intend to inject its interest in Shaanxi Wanfang into our Group.

Shaanxi Huazhen

As at the Latest Practicable Date, Shaanxi Huazhen was a wholly-owned subsidiary of Shaanxi Automobile. Shaanxi Huazhen is principally engaged in manufacture of commercial automobile components and generates most of its revenue from the sales of commercial automobile components. The commercial automobile components business of Shaanxi Huazhen is different from our aftermarket products business. Our aftermarket products are mainly manufactured by independent third party manufacturers and mainly cover (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. On the other hand, Shaanxi Huazhen's commercial automobile components are manufactured by Shaanxi Huazhen and mainly cover drum type brake, engine support, interior, filtration system, antifreezing solution and stamping parts. As our aftermarket products are different from Shaanxi Huazhen's commercial automobile components as they serve different functions and are non-substitutable products, even though such products can be purchased by the same set of customers in the same geographical locations, the Company is of the view that there is no competition between the Group's aftermarket product business and Shaanxi Huazhen's commercial automobile components business.

To the best knowledge of our Directors, there is no overlap in the directors of Shaanxi Huazhen and our Group, and Shaanxi Automobile does not intend to inject its interest in Shaanxi Huazhen into our Group.

In order to further safeguard the interests of the Shareholders, our Company has adopted various corporate governance measures to manage any potential conflict of interest and competition with our Controlling Shareholders. For further details, please refer to the paragraphs headed "Corporate Governance Measures in relation to the Implementation of the Non-competition Undertaking" and "Corporate Governance Measures" in this section of this prospectus.

COMPETING INTERESTS OF DIRECTORS

Other than the positions held by our Directors in Shaanxi Holding Group (which is further disclosed in the paragraph headed "— Management Independence" in this section), our Directors have confirmed that they do not have any interests in any business, which directly or indirectly competes or is likely to compete with our Core Business as at the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

To avoid any actual or potential competition between the business of the Controlling Shareholders and our Company, on 23 June 2022, each of the Controlling Shareholders had undertaken to us (the "**Non-Competition Undertaking**") that, subject to certain exceptions, each of the Controlling Shareholders shall not, and shall procure that their associates (other than members of our Group) will not engage in any business which directly or indirectly competes with our Core Business within the Relevant Period (as defined below).

The Non-Competition Undertaking above does not apply to the following circumstances:

- the Controlling Shareholders having interests in the shares of any member of our Group; and

- the Controlling Shareholders having interests in the shares of a company, other than our Group, provided that:

  (i) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5.00% of the issued shares of that class of that company; and

  (ii) the Controlling Shareholders and their respective associates are not in control of the board of directors of that company or entitled to appoint a majority of the directors of that company. In addition, that company shall at any time have at least one shareholder whose shareholding is more than the shareholding in aggregate owned by our Controlling Shareholders and their associates or that company is controlled by a third party.

Option for New Business Opportunities

Each of our Controlling Shareholders has undertaken in the Non-Competition Undertaking that within the Relevant Period, if any of our Controlling Shareholders and its associates (other than members of our Group) become aware of, are recommended or provided with a new business opportunity which will directly or indirectly compete with the Core Business, including but not limited to the opportunities which are the same with or similar to the Core Business (the "**New Business Opportunities**"), each of our Controlling Shareholders shall and shall procure its associates (other than members of our Group) to refer or recommend the New Business Opportunities to our Group subject to compliance with all relevant laws, regulations or contractual arrangements with third parties:

(i) Each of our Controlling Shareholders and/or its associates shall provide our Group with a written notification which includes all reasonable and necessary information known by the Controlling Shareholders and/or its associates (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Core Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and

(ii) our Group shall respond to the relevant Controlling Shareholders and/or its associates within 30 days upon receipt of the Offer Notice. If our Group fails to reply to the relevant Controlling Shareholders and/or its associates within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, the relevant Controlling Shareholders and/or its associates (other than members of our Group) would be obligated to offer such New Business Opportunities to our Group.

Pre-emptive Rights

Each of our Controlling Shareholders has undertaken that within the Relevant Period, if it and/or its associates (other than members of our Group) intend(s) to transfer, sell, lease or licence to a third party any businesses engaged by Shaanxi Automobile Holding and/or its associates which competes or potentially competes with the Core Business or any other businesses which would cause direct or indirect competition with the Core Business, it shall subject to relevant laws, regulations or contractual arrangements with third parties offer our Group the pre-emptive right of first refusal to take up such opportunity. Such pre-emptive rights shall be exercised in the following manner:

(i) each of our Controlling Shareholders and/or its associates shall provide our Group with written notice no later than the time of any such disposals (the "**Disposal Notice**"). For the avoidance of doubt, the Controlling Shareholders and/or its associates are entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to our Group;

(ii) our Group shall reply to the relevant Controlling Shareholders and/or its associates in writing within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by each of our Controlling Shareholders and/or its associates before exercising its pre-emptive rights;

(iii) if our Group intends to exercise such pre-emptive rights, the terms shall be determined with reference to fair market price; and

(iv) each of our Controlling Shareholders and/or its associates (other than members of our Group) shall not dispose of such businesses and interests to any third parties unless: (a) our Group declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive rights has not been received by the relevant Controlling Shareholders and/or its associates (other than members of our Group) from our Group within, whichever the later of, the 30th day after receipt of the Disposal Notice or expiration of the period offered to third parties for them to reply by each of our Controlling Shareholders and/or its associates (other than members of our Group); or (c) our Group fails to offer the same or more favourable terms of acquisitions than those offered by any third parties to each of our Controlling Shareholders and/or its associates (other than members of our Group).

For the avoidance of doubt, the terms of disposal offered by each of our Controlling Shareholder and/or its associates (other than members of our Group) to any third parties shall not be more favourable than those offered to our Group.

Option for Purchase

Within the Relevant Period, subject to relevant laws, requirements or contractual arrangements with third parties, our Group is entitled to acquire any businesses operated by each of our Controlling Shareholders and/or its associates (other than members of our Group) which compete or potentially compete with the Core Business or any businesses or any interests of Shaanxi Automobile Holding and/or its associates (other than members of our Group) which are gained through the New Business Opportunities (the "**Option for Purchase**"). Our Group is entitled to exercise the Option for Purchase at any time, and each of our Controlling Shareholders and/or its associates (other than members of our Group) shall offer the Option for Purchase to our Group in the following manner:

(i) the commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties in line with the normal commercial practice of our Group and shall be fair, reasonable and in the interests of our Group as a whole; and

(ii) if a third party has any pre-emptive rights prevailing over the relevant Option for Purchase in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Options for Purchase of our Group shall be subject to such third party rights. In such a case, each of our Controlling Shareholders and/or its associates (other than members of our Group) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Controlling Shareholders' Further Undertakings

Each of our Controlling Shareholders has further undertaken in the Non-Competition Undertaking that, subject to relevant laws, requirements or contractual arrangements with third parties:

(i) after the Listing, it shall provide its confirmation on its compliance with the Non-Competition Undertaking to our Company annually before our Company convenes its annual general meeting;

(ii) upon the request of our Group, it shall and shall procure its associates (other than members of our Group) to provide any necessary information for the implementation of the Non-Competition Undertaking;

(iii) it would allow the authorised representatives or auditors of our Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgements of our Group in respect of whether each of our Controlling Shareholders and/or its associates (other than members of our Group) have complied with this Non-Competition Undertaking; and

(iv) it would ensure that within ten business days of receipt of the written request from our Group, provide the necessary confirmations in writing as to each of our Controlling Shareholders' and its associates' (other than members of our Group) performance under the Non-Competition Undertaking and each of our Controlling Shareholders and its associates (other than members of our Group) shall allow such confirmation to be included into the annual reports or other mandatory regulatory disclosures of our Group.

Corporate Governance Measures in relation to the Implementation of the Non-competition Undertaking

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-Competition Undertaking are observed:

(i) *Review by independent non-executive Directors* — our independent non-executive Directors will be responsible for reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by our Controlling Shareholders, and decide whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take such business opportunities, our independent non-executive Directors will consider various factors including the due diligence to be conducted towards the target businesses, the purchase price, the benefits that it will bring to our Group as well as whether we have adequate management and resources to manage and operate the business operations of such businesses. Our independent non-executive Directors will also be responsible for reviewing the annual confirmation from the Controlling Shareholders regarding their compliance with the Non-Competition Undertaking.

(ii) *Increased transparency* — each of our Controlling Shareholders has undertaken to provide all information necessary for the enforcement of the options for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on the New Business Opportunity or pre-emptive rights referred to us by each of our Controlling Shareholders within seven days of receipt, and our independent non-executive Directors would be allowed to propose the exercise of the Option for Purchase at any time.

(iii) *Public disclosure of decisions* — our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance by each of our Controlling Shareholders of the Non-Competition Undertaking and (b) any decision made pursuant to the options and pre-emptive rights granted to our Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up new business opportunities or our pre-emptive rights. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of our Company, in connection with the exercise or non-exercise of the options or pre-emptive rights under the Non-Competition Undertaking.

Termination of the Non-Competition Undertaking

The Non-Competition Undertaking will become effective upon Listing and remain in full force until terminated upon the earlier of (the "**Relevant Period**"):

(i) each of our Controlling Shareholders and its associates (other than members of our Group), individually or in aggregation, directly and/or indirectly hold less than 30.00% of the voting rights or control of the exercise of voting rights in any general meeting of our Company; and

(ii) our H Shares no longer being listed on the Stock Exchange (except for the circumstances under which our H Shares are temporarily suspended from listing in accordance with the Listing Rules).

Based on the obligations of each of our Controlling Shareholders as set out in the Non-Competition Undertaking and the related grant of the option for New Business Opportunities, pre-emptive rights and Option For Purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by each of our Controlling Shareholders, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by each of our Controlling Shareholders with its obligations under the Non-Competition Undertaking.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we can conduct our business independently from our Controlling Shareholders upon Listing:

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licences and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their associates for any such licences and permits. We have established our internal organisational and management structure which includes shareholders' meetings, our Board of Directors and other committees and formulated the terms of reference of each of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Save for certain continuing connected transactions conducted in the ordinary course of business of our Group as set out in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other continuing connected transactions between our Group and our Controlling Shareholders or their respective associates upon, or shortly after, the completion of the Global Offering. Such continuing connected transactions are entered into in the ordinary and usual course of business of our Group and will be conducted on normal commercial terms in accordance with the pricing policy of our Group.

We have a long business relationship with Shaanxi Holding Group. Similar to many other companies in the commercial automobile supply chain and aftermarket service industry, our business was initially structured around the needs of Shaanxi Holding Group, to complement the commercial automobile industry chain business of Shaanxi Holding Group in offering one-stop services to the industry. In order to better develop integrated and solutions covering the commercial automobile industry chain, in 2014, our Controlling Shareholder, Shaanxi Automobile, established our Company. Notwithstanding our Group's gradual development which led us to become one of the leaders in the commercial automobile service industry in China, a substantial part of our business was derived from, associated with, or related to Shaanxi Automobile and its associates, in particular, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the commercial automobiles manufactured by them during the Track Record Period. As stated in the sections headed "Business — Customers and Sales" and "Business — Suppliers and Purchases" of this prospectus, certain of our top customers and suppliers during the Track Record Period were our connected persons. In addition to the connected transactions between our Group and Shaanxi Holding Group, as described in the section headed "Connected Transactions" in this prospectus, a substantial part of our customers, which are independent third parties of our Group, are also customers or suppliers of Shaanxi Holding Group, or have business relationships with Shaanxi Holding Group.

We expect to maintain our current business relationship with Shaanxi Holding Group in the future and our Directors believe that maintenance of our current business relationship with Shaanxi Holding Group does not indicate any undue reliance by our Group on our Controlling Shareholders and is beneficial to our Group and our Shareholders as a whole. Our business relationship with Shaanxi Holding Group is unlikely to materially adversely change or be terminated for the reasons set out below:

Industry norm and mutually beneficial and complementary relationship

Frost & Sullivan is of the view that it is an industry norm for a commercial automobile supply chain service provider to conduct business with only a limited number of major commercial automobile manufacturers on the basis that: (i) Frost & Sullivan has obtained and analysed information from third party experts in the industry as part of its research on the commercial automobile manufacturing industry, including in relation to the usual business model of commercial automobile manufacturers and the characteristics of the overall industry in China. Based on such research, Frost & Sullivan is of the view that the total number of commercial automobile manufacturers in China is around 50, and the industry is highly concentrated with top five manufacturers accounting for more than 80% of the market share in terms of sales volume in 2021; and (ii) Frost & Sullivan also interviewed industry participants, including the Group's peer companies and commercial automobile manufacturers, for its research regarding how commercial automobile supply chain service providers usually cooperate and interact with commercial automobile manufacturers. From such interviews, it is understood that as the commercial automobile supply chain service is highly complicated and requirements (such as time sensitivity) differ between different manufacturers, the commercial automobile supply chain service providers tend to cooperate with a limited number of manufacturers to ensure service quality. The Sole Sponsor concurs with the aforementioned views of Frost & Sullivan after due and careful enquiry. Further, according to the Frost & Sullivan Report, all of top five commercial automobile manufacturers have their own connected supply chain service, financial leasing, factoring and IoV and data service companies. The main reasons for such norms are as follows: (i) the commercial automobile manufacturing industry is dominated by a few top market players, and to provide services for one particular manufacturer or brand requires a significant amount of investment, (ii) a high level of understanding of the customers, in addition to industry knowledge of the general commercial automobile manufacturing industry, is required to be able to provide the relevant services, and (iii) a solid and stable business relationship with the companies engaged in serving the supply chain for a commercial automobile manufacturer is important for the commercial automobile manufacturer to retain long-term customers and maintain efficient operations. In line with the aforementioned industry norms, we have maintained a close relationship with Shaanxi Holding Group. Given that our Controlling Shareholders are state-owned enterprises under the control of the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province, and the controlling ownership of state-owned enterprises are relatively stable, we intend to continue leveraging our long term and stable business relationship with Shaanxi Holding Group and build on our deep understanding of their business and operational needs gained throughout the years of cooperation. Our three main business sectors covers the commercial automobile product lifecycle of Shaanxi Holding Group as set out below:

The following table sets forth a breakdown of the revenue by customer for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Logistics and Supply Chain Service Sector									
Automobile manufacturing supply chain services									
Shaanxi Holding Group	439,110	71.1	15.2	602,165	75.6	18.5	423,257	67.4	13.5
Overlapping Logistics Customers	178,674	28.9	6.2	192,950	24.2	5.8	199,284	31.8	6.4
Independent Logistics Supply Chain Customers	67	0.0	0.0	1,732	0.2	0.1	5,028	0.8	0.2
Sub-total	617,851	100.0	21.4	796,847	100.0	24.4	627,569	100.0	20.1
Automobile logistics services									
Shaanxi Holding Group	30,369	6.9	1.1	14,346	2.9	0.4	58,449	13.4	1.9
Overlapping Logistics Customers	406,643	93.1	14.0	476,666	97.1	14.7	378,784	86.6	12.1
Sub-total	437,012	100.0	15.1	491,012	100.0	15.1	437,233	100.0	14.0
Third party logistics services									
Independent Logistics Supply Chain Customers	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Sub-total	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Automobile sale business									
Shaanxi Holding Group	126	0.0	0.0	231	0.0	0.0	–	0.0	0.0
Overlapping Logistics Customers	651,428	100.0	22.5	665,056	100.0	20.4	433,908	98.3	13.9
Independent Automobile Sale Customers	–	0.0	0.0	–	0.0	0.0	7,329	1.7	0.2
Sub-total	651,554	100.0	22.5	665,287	100.0	20.4	441,237	100.0	14.1
Aftermarket product business									
Shaanxi Holding Group	39,918	56.1	1.4	5,607	6.2	0.2	2,256	2.7	0.1
Independent Aftermarket Product Customers	31,298	43.9	1.1	85,529	93.8	2.6	82,661	97.3	2.6
Sub-total	71,216	100.0	2.5	91,136	100.0	2.8	84,917	100.0	2.7
Sub-total revenue of the sector	2,125,248	100.0	73.5	2,252,652	100.0	69.0	2,004,585	100.0	64.1

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Supply Chain Financial Service Sector									
Financial Leasing Services									
Overlapping Financial Leasing Customers	411,644	90.6	14.2	546,017	86.0	16.7	631,368	84.4	20.2
Independent Financial Leasing Customers	42,520	9.4	1.5	88,568	14.0	2.8	116,425	15.6	3.7
Sub-total	454,164	100.0	15.7	634,585	100.0	19.5	747,793	100.0	23.9
Factoring business									
Shaanxi Holding Group	2,329	3.9	0.1	–	0.0	0.0	–	0.0	0.0
Overlapping Factoring Customers	35,755	60.5	1.2	30,543	79.1	1.0	24,656	70.0	0.8
Independent Factoring Customers	21,026	35.6	0.7	8,046	20.9	0.2	10,565	30.0	0.4
Sub-total	59,110	100.0	2.0	38,589	100.0	1.2	35,221	100.0	1.2
Sub-total revenue of the sector	525,201	100.0	18.1	673,783	100.0	20.7	783,953	100.0	25.1
IoV and data service sector									
Intelligent IoV Products Sales Business									
Shaanxi Holding Group	173,790	95.4	6.0	250,423	98.7	7.7	202,666	88.3	6.5
Overlapping IoV Customers	172	0.1	0.0	1,910	0.8	0.1	2,047	0.9	0.1
Independent IoV Customers	8,139	4.5	0.3	1,313	0.5	0.0	24,785	10.8	0.7
Sub-total	182,101	100.0	6.3	253,646	100.0	7.8	229,498	100.0	7.3
IoV and Related Technologies Application Solution Business									
Shaanxi Holding Group	2,447	4.1	0.1	488	0.6	0.0	1,757	1.6	0.1
Overlapping IoV Customers	29,862	50.2	1.0	46,539	57.0	1.4	58,383	53.7	1.9
Independent IoV Customers	27,172	45.7	1.0	34,565	42.4	1.1	48,674	44.7	1.5
Sub-total	59,481	100.0	2.1	81,592	100.0	2.5	108,814	100.0	3.5
Sub-total revenue of the sector	241,582	100.0	8.4	335,238	100.0	10.3	338,312	100.0	10.8
Total revenue of the Group	2,892,031		100.0	3,261,673		100.0	3,126,850		100.0

Note: Except for the "Sub-total revenue of the sector" and the "Total revenue of the Group", the revenue generated from each customer category and relevant calculations of the percentage do not include "other" revenue in each business segment. For further description about "others" business, please refer to the relevant business section and the section headed "Financial Information — Description of Major Components of Our Results of Operations — Revenue".

To the best knowledge of the Group, "Overlapping Logistics Customers", "Overlapping Financial Leasing Customers", "Overlapping Factoring Customers" and "Overlapping IoV Customers" are independent third parties of the Group, please refer to the section headed "Operational Independence" in this section for further details of the aforementioned defined terms.

- *Logistics and supply chain service sector*

Supply Chain Business — We provide three types of services under the supply chain business, including (i) automobile manufacturing supply chain service; (ii) automobile logistics service; and (iii) third party logistics service. Our customers fall into three main categories, which are (i) Shaanxi Holding Group, for instance, through integration with the manufacturing plans of Shaanxi Holding Group, we provide automobile manufacturing supply chain services to support the manufacturing process of Shaanxi Holding Group; (ii) Overlapping Logistics Customers. For instance, we provide automobile manufacturing supply chain services to components suppliers of Shaanxi Holding Group. We also enter into agreements with commercial automobile sales dealers, who are independent third parties to the Group, to engage in the transportation of commercial automobiles from Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile to designated pick-up points of the commercial automobile sales dealers. For the years ended 31 December 2019, 2020 and 2021, we provided supply chain services to 419, 483 and 661 components suppliers of Shaanxi Holding Group, which accounted for 52.0%, 68.8% and 84.3% of the total number of components suppliers of Shaanxi Holding Group. While the aforementioned components suppliers also supply components to other commercial automobile manufacturers, our Group does not provide automobile manufacturing supply chain services in those circumstances mainly because, according to Frost & Sullivan, all of the top five commercial automobile manufacturers have their own related logistics companies and heavily rely on their related logistics companies as they will have access to various commercially sensitive information, such as unreleased product information and production planning in the process of providing such services; and (iii) Independent Logistics Supply Chain Customers.

The following table sets forth a breakdown of the revenue derived from our supply chain business according to the three types of customers for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Supply chain business									
Automobile manufacturing supply chain services									
Shaanxi Holding Group *(Note 1)*	439,110	71.1	15.2	602,165	75.6	18.5	423,257	67.4	13.5
Shaanxi Heavy Duty Automobile	382,919	62.0	13.2	496,456	62.3	15.3	317,604	50.6	10.2
Shaanxi Commercial Automobile	34,951	5.7	1.2	79,273	9.9	2.4	68,399	10.9	2.2
Other members of Shaanxi Holding Group	21,240	3.4	0.8	26,436	3.4	0.8	37,254	5.9	1.1
Overlapping Logistics Customers	178,674	28.9	6.2	192,950	24.2	5.8	199,284	31.8	6.4
Independent Logistics Supply Chain Customers	67	0.0	0.0	1,732	0.2	0.1	5,028	0.8	0.2
Sub-total	617,851	100.0	21.4	796,847	100.0	24.4	627,569	100.0	20.1

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
***Automobile logistics services** (Note 2)*									
Shaanxi Holding Group	30,369	6.9	1.1	14,346	2.9	0.4	58,449	13.4	1.9
Shaanxi Heavy Duty Automobile (note 3)	24,010	5.5	0.8	–	0.0	0.0	40,907	9.4	1.4
Shaanxi Commercial Automobile	6,359	1.4	0.3	14,346	2.9	0.4	13,933	3.2	0.4
Other members of Shaanxi Holding Group	–	0.0	0.0	–	0.0	0.0	3,609	0.8	0.1
Overlapping Logistics Customers	406,643	93.1	14.0	476,666	97.1	14.7	378,784	86.6	12.1
Sub-total	437,012	100.0	15.1	491,012	100.0	15.1	437,233	100.0	14.0
***Third party logistics services** (Note 4)*									
Independent Logistics Supply Chain Customers	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Sub-total	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Total revenue of the supply chain business	1,387,710		48.0	1,477,549		45.3	1,459,858		46.7

Notes:

(1) The revenue derived from Shaanxi Heavy Duty Automobile increased by 29.7%, or by RMB113.6 million from RMB382.9 million in 2019 to RMB496.5 million in 2020, primarily due to the production volume of commercial automobiles of Shaanxi Heavy Duty Automobiles and its subsidiaries was increased significantly. The revenue derived from Shaanxi Commercial Automobile increased by 126.6%, or by RMB44.3 million to RMB79.3 million in 2020, primarily due to following reasons: (i) sales volume of commercial automobiles driver's cabs of Shaanxi Commercial Automobile was increased significantly and our corresponding transportation services for Shaanxi Commercial Automobile also increased, and (ii) in addition to inbound logistics services and warehousing services, we began to provide sorting and outbound distribution services to Shaanxi Commercial Automobile in 2020 as its new plants started its operation and production. The revenue derived from Shaanxi Heavy Duty Automobile decreased by 36.0%, or by RMB178.9 million from RMB496.5 million in 2020 to RMB317.6 million in 2021, primarily due to the production volume of commercial automobile manufactured by Shaanxi Heavy Duty Automobile was decreased in 2021 and the gradual adjustment of our business structure to expand our business with Independent Logistics Supply Chain Customers.

(2) The revenue generated from automobile logistics service in 2020 was higher than 2019 and 2021 mainly because the market demand of commercial automobile experienced a rapid growth in 2020 and sales volume of commercial automobiles manufactured by Shaanxi Holding Group was also increased in 2020.

(3) Shaanxi Heavy Duty Automobile has its own marketing policy to its major customers, including, among other things, entrusting us to provide automobile logistics services to such customers. In 2020, we did not provide such services to their major customers.

(4) The revenue derived from the Independent Logistics Supply Chain Customers decreased by 43.0%, or by RMB143.1 million from RMB332.8 million in 2019 to RMB189.7 million in 2020, primarily due to the aforementioned major customer ceasing its transportation due to its own business development needs, which affected our revenue of the third-party logistics project. The revenue derived from Independent Logistics Supply Chain Customers increased by 108.3%, or by RMB205.4 million from RMB189.7 million in 2020 to RMB395.1 million in 2021, primarily because the Company has actively developed its third party logistics services in the fourth quarter of 2021, leading to a growth in revenue.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Automobile manufacturing supply chain service *(Note 1)*						
Shaanxi Holding Group	57,382	13.1	92,714	15.4	67,005	15.8
Overlapping Logistics Customers	24,530	13.7	36,679	19.0	50,873	25.5
Independent Logistics Supply Chain Customers (Note 2)	6	9.1	89	5.1	159	3.2
Sub-total *(Note 3)*	81,918	13.3	129,482	16.2	118,037	18.8
Automobile Logistics service *(Note 4)*						
Shaanxi Holding Group	603	2.0	114	0.8	1,052	1.8
Overlapping Logistics Customers	8,068	2.0	3,779	0.8	6,817	1.8
Sub-total	8,671	2.0	3,893	0.8	7,869	1.8
Third party logistics services *(Note 5)*						
Independent Logistics Supply Chain Customers	7,152	2.1	197	0.1	10,224	2.6
Sub-total	7,152	2.1	197	0.1	10,224	2.6
Sub-total of the supply chain business	97,741	7.0	133,572	9.0	136,130	9.3

Notes:

(1) The year-on-year increase in gross profit margin of automobile manufacturing supply chain services was mainly due to cost reductions, increased efficiency, and increased business volume. In particular, since 2019, the Company continued to reduce its staff numbers and increase efficiency to maintain a steady growth in gross profit margin.

(2) Under our automobile manufacturing supply chain services, the gross profit margin for Independent Logistics Supply Chain Customer was lower than that of the gross profit margin for Shaanxi Holding Group and Overlapping Logistics Customers during the Track Record Period, mainly due to following factors: (i) substantially all the services we provide to Independent Logistics Supply Chain Customer are inbound logistics services and according to Frost & Sullivan report, the inbound logistics services generally has a low gross profit margin ranging from 4% to 17% during the Track Record Period; (ii) the Group has a small number of Independent Logistics Supply Chain Customers and the business volume was small as the business was at an early stage. As a result, a small number of customers have significant impact on our gross profit margin with respect to Independent Logistics Supply Chain Customers and our gross profit margin is subject to large fluctuation; (iii) the Group provided in inbound logistics services to Independent Logistics Supply Chain Customers to expand customer base and to build business relationship with such Independent Logistics Supply Chain Customer, which the Group believes will generate business opportunities for other high-margin services in the future; and (iv) all of our Independent Logistics Supply Chain Customers are small and medium-sized enterprises, which have been hit particularly hard by the COVID-19 pandemic according to Frost & Sullivan report, and therefore created pressure on our gross profit margin with respect to such customers. The Group believes that the impact of COVID-19 pandemic on such customers are temporary and the growth potential of our business with such customers is substantial.

(3) The profit margins for each group of customers differ mainly due to different type of services provided: the inbound logistics services under our automobile manufacturing supply chain services, which has a low gross profit margin ranging from 4% to 17% during the Track Record Period, represents the majority of the services we provide to Shaanxi Holding Group. The warehousing and inventory management, sorting and outbound distribution services under our automobile manufacturing supply chain services, which has a higher gross profit margin ranging from 10% to 27% during the Track Record Period, represents the majority of the services we provide to the Overlapping Logistics Customers.

(4) In 2020, the overall gross profit margin was low primarily due to our long-haul transportation business was hampered by the impact of the COVID-19 pandemic in 2020 as strict control and measures were imposed by the governments in transportation between provinces, and labour costs increased, which lowered the overall gross profit margin. In 2021, the overall gross profit margin recovered to a similar level as in 2019 mainly because our business gradually recovered to the previous level.

(5) The profit margin of our third party logistics services in 2020 was lower than those in 2019 and 2021 mainly due to: the majority of projects with certain customers were completed in 2020 with a lower gross profit margin as the Company considered that this customer could bring in high business potential and volume, as well as prospects for future collaboration.

We have maintained our long term business relationship with Shaanxi Holding Group in relation to the provision of automobile manufacturing supply chain services and automobile logistics services. Our logistics services, especially the automobile manufacturing supply chain services we provide to Shaanxi Holding Group, are highly complex and tailored, as further detailed in the section headed "Business — Logistics and Supply Chain Service Sector — Supply Chain Business — Automobile Manufacturing Supply Chain Service" in this prospectus. We handle commercial automobile components logistics, warehousing and distribution in accordance with the manufacturing and procurement plans of Shaanxi Holding Group and deliver such materials to their designated warehouses or assembly halls. Compared with other third party logistics companies (which specialise solely in providing logistics services), we have our own core advantage of having a unique manufacturing plan, management and control system and a complete resources analysis system to support the supply chain of commercial automobile manufacturers. Furthermore, in the process of inbound logistics organisation, such logistics companies will have access to various commercially sensitive information of Shaanxi Holding Group, such as its manufacturing process, supply chain management, and quality management. As a result, it is unlikely that Shaanxi Holding Group will choose to cooperate with companies that are not highly connected to them. For automobile manufacturing supply chain services, we were the sole services provider for commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and commercial automobiles manufactured by Shaanxi Commercial Automobile during the Track Record Period. For automobile logistics services, we were the sole services provider for commercial automobiles manufactured by Shaanxi Heavy Duty Automobile during the Track Record Period. In 2019, Shaanxi Commercial Automobile engaged five other providers of automobile logistic services and selected us as the sole automobile logistics services provider of its commercial automobiles in 2020 due to our in-depth industry experience and the good track record of our stable and efficient service capabilities. The following table sets out a breakdown of our provision of services in relation to such mutually beneficial relationship for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Units	Percentage against the total shipping volume of the respective companies	Units	Percentage against the total shipping volume of the respective companies	Units	Percentage against the total shipping volume of the respective companies
		(%)		*(%)*		*(%)*
Automobile manufacturing supply chain services						
Shaanxi Heavy Duty Automobile	116,489	100.0	114,524	100.0	96,924	100.0
Shaanxi Commercial Automobile	22,250	100.0	40,023	100.0	38,561	100.0
Automobile logistics services						
Shaanxi Heavy Duty Automobile	134,752	100.0	165,379	100.0	143,435	100.0
Shaanxi Commercial Automobile	1,803	11.6	35,038	100.0	22,721	100.0

According to the Frost & Sullivan Report, a number of other commercial automobile manufacturers have similar business relationships and business arrangements with their associated companies as this type of cooperation is determined by the industry norm. Prior to the establishment of Tonghui, Shaanxi Heavy Duty Automobile and one of the founders of Tonghui entered into a cooperation agreement, pursuant to which, among other matters, Shaanxi Heavy Duty Automobile had committed to a long term cooperation undertaking to select Tonghui as the long term sole contractor for providing logistics, warehousing and supply chain services for Shaanxi Heavy Duty Automobile. Such long term business relationship is also supported by Tonghui's operational capability, which we believe is beneficial to Shaanxi Heavy Duty Automobile. Since its establishment for over 17 years, Tonghui has been committed to continue streamlining redundant processes in the supply chain and improving service quality. According to the Frost & Sullivan Report, Tonghui has focused on the sub-division of commercial automobile inbound logistics and is in a good position in the field. In terms of automobile logistics, we have also established a transportation and warehousing network, and the rapid growth in the scale of our services since we started to provide automobile logistics services for Shaanxi Commercial Automobile in 2018 also demonstrates our positive impact on its business.

Due to the deep-rooted business cooperation with each other, the high replacement cost of business partners, and the need to protect commercially sensitive information, the cooperative relationship between our Group and Shaanxi Holding Group has remained strong and stable, and it is unlikely that there would be any materially adverse changes to, or termination of, such relationship in the foreseeable future.

Automobile sales business — During the Track Record Period, our Group provided automobile sales service that mainly covered the commercial automobiles manufactured by Shaanxi Commercial Automobile and Shaanxi Heavy Duty Automobile (the "**Shaanxi Holding Group Automobiles**"). The following table sets forth a breakdown of the revenue and cost of revenue as follows for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Automobile sale business									
Shaanxi Holding Group	126	0.0	0.0	231	0.0	0.0	–	0.0	0.0
Overlapping Logistics Customers *(Note 1)*	651,428	100.0	22.5	665,056	100.0	20.4	433,908	98.3	13.9
Independent Customer	–	0.0	0.0	–	0.0	0.0	7,329	1.7	0.2
Sub-total	651,554	100.0	22.5	665,287	100.0	20.4	441,237	100.0	14.1

Note:

(1) Due to the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure, our sales of commercial automobiles decreased from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021.

	For the year ended 31 December					
	2019		2020		2021	
	Amount	Percentage to the total cost of revenue for the entire business of the Company	Amount	Percentage to the total cost of revenue for the entire business of the Company	Amount	Percentage to the total cost of revenue for the entire business of the Company
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Cost for purchasing Shaanxi Holding Group Automobiles *(Note 1)*	583,380	29.3	579,883	27.9	468,180	25.5

Note:

(1) The revenue generated from sales of Shaanxi Holding Group Automobiles was increased by RMB13.7 million from RMB651.6 million in 2019 to RMB665.3 million in 2020, whereas the cost of purchase from Shaanxi Holding Group Automobiles was decreased by RMB3.5 million from RMB583.4 million in 2019 to RMB579.9 million in 2020, which was mainly due to a portion of commercial automobiles purchased by the Group in 2019 were sold in 2020 instead of 2019.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Automobile Sale Business						
Shaanxi Holding Group *(Note 1)*	10	8.0	15	6.5	–	0.0
Overlapping Logistics Customers	25,308	3.9	20,208	3.0	14,123	3.3
Independent Automobile Sale Customers	–	0.0	–	0.0	64	0.9
Sub-total	**25,318**	**3.9**	**20,223**	**3.0**	**14,187**	**3.2**

Note:

(1) The profit margins for each group of customers differ mainly due to our sale of commercial automobiles to Shaanxi Holding Group are mostly low frequency sales and such sales are mainly experimental cars, where the gross profit margin fluctuates significantly depending on the actual commercial automobile model sold.

For the years ended 31 December 2019, 2020 and 2021, the average sale price of automobile sales business were RMB260.3 thousand per unit, RMB223.0 thousand per unit and RMB229.9 thousand per unit. During the Track Record Period, the range of sale price of automobile sales business was RMB81.4 to 361.7 thousand per unit. Our sales volumes of Shaanxi Holding Group Automobiles were 2,503 units, 2,984 units and 1,887 units, respectively. In particular, during the Track Record Period, the number of commercial automobiles of Shaanxi Commercial Automobile sold by us was 2,468 units, 2,946 units and 1,853 units, which accounted for approximately 11.7%, 8.1% and 7.6% of the total number of commercial automobiles of Shaanxi Commercial Automobile sold in the same period and accounted for approximately 11.1%, 7.4% and 6.3% of the total number of commercial automobiles manufactured Shaanxi Commercial Automobile in the same period, respectively. During the Track Record Period, we remained in the top two rankings among all the commercial automobile sales dealers of Shaanxi Commercial Automobile, which we believe is an important factor for the sales of commercial automobiles for Shaanxi Commercial Automobile. Further, there is intense competition among commercial automobile sales dealers, and during the Track Record Period, we were the top dealer of the Xuande 3 series tractor (牽引車) and dump truck (自卸車) in the Xinjiang province and the Xuande 9 series truck (載貨車) in the Henan province, which were manufactured by Shaanxi Commercial Automobile. Shaanxi Holding Group generally engages several primary dealers (including but not limited to our Group) who are able to meet their financial and operational requirements from a holistic perspective for the purpose of selling and distributing the commercial automobiles manufactured by them throughout the PRC. Shaanxi Holding Group generally does not engage or establish business relationship with our direct commercial automobile sales dealers (which are relatively smaller in terms of operational scale than those primary dealers engaged by Shaanxi Holding Group) in conducting sales and distribution of commercial automobiles manufactured by them, and hence we are able to manage our own network of dealership channels in the relevant regions that we operate our automobile sales business. The cooperative relationship between our Group and Shaanxi Holding Group has remained strong and stable mainly due to our following capabilities that help boost sales of commercial automobiles manufactured by Shaanxi Holding Group and further promote its brand name in the PRC: (i) we have a wide and extensive sales network system covering mainly Jiangsu, Zhejiang, Shanghai, Beijing, Tianjin, Hebei, Xinjiang, Henan, Inner Mongolia, Shaanxi, Shanxi and other regions in the PRC; (ii) we have built strong connections with downstream end-customers by providing quality services to meet their entire operational life cycle needs, ranging from the purchasing, using to managing of commercial automobiles; and (iii) we have in-depth industry experience and a good track record of our stable and efficient service capabilities.

Due to the high unit price of commercial automobiles, a large number of customers of our commercial automobiles sales business who have financing needs are referred to our Group's financial leasing department so that such purchasers can obtain financing from us. As such, compared with other commercial automobile sales dealers, our supply chain financial service sector provides a unique advantage in terms of expanding our customer base and diversifying our business model. For the years ended 31 December 2019, 2020 and 2021, approximately 25.0%, 29.0% and 35.9% respectively, of the commercial automobiles sold under our automobile sales business also obtained the financial leasing services from us, which reflects our unique advantage in promoting the sales of commercial automobiles manufactured by Shaanxi Holding Group.

- *Supply chain financial service sector*

Financial Leasing Services — All of our customers were commercial automobile end-users, whom we believe are independent third parties. However, a substantial portion of such customers were Overlapping Financial Leasing Customers. The remaining financial leasing customers were Independent Financial Leasing Customers. All commercial automobile end-users have the right to choose whether to use our financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers, and our Group has the discretion to determine whether to provide financial leasing services to any of these customers based on various criteria set by our Group. Shaanxi Holding Group is not involved in, nor has direct or indirect influence, on such decision making. In light of common and accepted industry practice, large scale and reputable commercial automobile financial leasing companies would provide commercial automobile financial leasing services to customers who purchase automobiles manufactured by their respective affiliated related companies. According to the Frost & Sullivan Report, each of the top five players in China commercial automobile market has its own connected financial leasing companies. Therefore, even though a substantial portion of our customer are Overlapping Financial Leasing Customers, we believe such customers should still be regarded as independent customers on the following basis:

- such customers have the full right and are able to choose whether to use the Group's financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers. Such customers have the discretion to choose to use the financial leasing services provided by the Group's competitor's even if they purchase the commercial automobiles manufactured by Shaanxi Holding Group;

- the Group has the discretion to determine whether to provide financial leasing services to any of these customers based on various criteria independently set by the Group. Shaanxi Holding Group is not involved in, nor has direct or indirect influence, on such decision making;

- the commercial automobile sales dealers and service providers that the Group works with on financial leasing projects sell commercial automobiles with brands from Shaanxi Holding Group as well as other automobile brands;

- the Group provides financial leasing services to customers who purchase commercial automobiles with brands from Shaanxi Holding Group as well as other automobile brands; and

- according to the Frost & Sullivan Report, with the steady development of the commercial automobile financial leasing market, more and more financial leasing companies have ventured into the commercial automobile sector, which has driven the increasingly fierce competition in such market segment. In view of such overall competitive landscape of such market segment, the Company believes that the market is highly fragmented and competitive and, as explained above, commercial automobiles end-users have the full right and are able to choose financial leasing service providers. As such, commercial automobile manufacturers are not able to exert influence over the commercial automobiles end-users' choice of financial leasing service providers.

The following table sets forth a breakdown of the revenue derived from our financial leasing business according to the two types of customers for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Overlapping Financial Leasing Customers *(Note 1)*	411,644	90.6	14.2	546,017	86.0	16.7	631,368	84.4	20.2
Independent Financial Leasing Customers *(Note 2)*	42,520	9.4	1.5	88,568	14.0	2.8	116,425	15.6	3.7
Sub-total	454,164	100.0	15.7	634,585	100.0	19.5	747,793	100.0	23.9

Notes:

(1) Overlapping Financial Leasing Customers have the right to choose whether to use our financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers. We believe the revenue derived from Overlapping Financial Leasing Customers increased during the Track Record Period primarily due to our in-depth understanding of the commercial automobile sector and our capability in exploring the various financial needs in different scenarios and providing customers with a full range of financial services. Such increase is also in line with our overall expansion of the operational scale of our financial leasing business. Pursuant to the PRC regulations, the risk assets of financial leasing companies shall not exceed eight times of their net asset, which means all the financial leasing companies' development and growth will be restricted by the actual value of its total net assets. As such, in light of the said restriction on the amount of risk assets, we tend to provide financial leasing services to Overlapping Financial Leasing Customers as this will enable us to utilise the in-depth synergy between our IoV business and supply chain financial services. For the commercial automobiles manufactured by Shaanxi Holding Group which have our Tianxingjian IoV System installed, we can conduct real-time collection of their operational data. Through the analysis of automobile operational data, we can calculate the risk of default in advance based on the vehicle mileage and driving record. For the collection and disposal of overdue assets, we can rely on the industry-leading MD5 remote automobile locking technology to lock automobiles of defaulting customers remotely pursuant to the service agreements.

(2) The revenue derived from Independent Financial Leasing Customers increased by 108.5%, or by RMB46.1 million from RMB42.5 million in 2019 to RMB88.6 million in 2020, further increased by 31.4%, or by RMB27.8 million from RMB88.6 million to RMB116.4 million in 2021 as we continue to develop business with Independent Financial Leasing Customers which is in line with the business strategy of our Group.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Overlapping Financial Leasing Customers (*Note 1*)	194,905	47.3	283,290	51.9	334,013	52.9
Independent Financial Leasing Customers (*Note 1*)	25,126	59.1	53,076	59.9	70,687	60.7
Sub-total *(Note 2)*	220,031	48.4	336,366	53.0	404,700	54.1

Notes:

(1) The profit margin of our financial leasing services in 2019 was lower than other years mainly due to the enhanced marketing activities undertaken by our financial leasing business in response to increased market competition in 2019, in particular our adoption of a series of promotion policies, which lowered internal rate of return and correspondingly the gross profit margin.

(2) The profit margins for each group of customers differ primarily because the financial leasing business has been concentrating on the Shaanxi Holding Group brand from its establishment. As we develop business with non-Shaanxi Holding Group brands, we will charge higher fees based on our risk assessment. The risk of Shaanxi Holding Group brand is lower than that of the non-Shaanxi Holding Group mainly due to the installation of the locking system that developed by our Group on the commercial automobiles of Shaanxi Holding Group brand.

Our financial leasing business can be divided into two categories in accordance with automobile brands subject to our financial leases, namely (i) brands from Shaanxi Holding Group, and (ii) other automobile brands. The other automobile brands generally consist of the mainstream domestic commercial automobile brands other than those from Shaanxi Holding Group, which include external brands, trailers and second hand commercial automobiles. For details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Models and Sales Channels" of this prospectus. The following table, which is also disclosed in the section headed "Business — Supply Chain Financial Service Sector — Models and Sales Channels" of this prospectus, sets forth the breakdown of the units of newly leased and invested amount of the respective main business streams for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
	Units of newly leased automobiles	Invested amount	Percentage of invested amount	Units of newly leased automobiles	Invested amount	Percentage of invested amount	Units of newly leased automobiles	Invested amount	Percentage of invested amount
		(RMB'000)	*(%)*		*(RMB'000)*	*(%)*		*(RMB'000)*	*(%)*
Brands from Shaanxi Holding Group	17,023	5,350,554	89.3	24,808	7,665,149	88.8	19,156	5,735,392	94.9
Other automobile brands	2,327	642,173	10.7	3,216	963,217	11.2	1,150	309,546	5.1
Total	19,350	5,992,727	100.0	28,024	8,628,366	100	20,306	6,044,939	100.0

By providing timely and flexible financing services to its customers, we have strengthened the loyalty and satisfaction of the customers of Shaanxi Holding Group. According to the Frost & Sullivan Report, financial leasing services for the purchase of commercial automobiles can be offered by both commercial automobile manufacturers' connected financial leasing companies and other independent financial leasing companies. However, most of the end-users of commercial automobiles will choose connected financial leasing companies for such services. One of the main reasons for this is the connected financial leasing companies' in-depth understanding of the commercial automobile financing leasing business and the knowledge of the types of automobiles manufactured by connected commercial automobile manufacturers. In addition, we are able to provide one-stop services to the customers, including but not limited to, insurance and logistics services and IoV data related services. The following table sets forth a breakdown of the units of leased commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in relation to our financial leasing business for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Units	Percentage of total number of commercial automobile sold by the respective companies	Units	Percentage of total number of commercial automobile sold by the respective companies	Units	Percentage of total number of commercial automobile sold by the respective companies
		(%)		(%)		(%)
Shaanxi Heavy Duty Automobile	15,165	11.2	18,661	11.7	13,657	10.8
Shaanxi Commercial Automobile	1,858	12.2	6,147	21.9	5,499	22.7

We maintained a leading position among all the automobile financial leasing providers for both Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile during the Track Record Period. This reflects our positive impact on the business of Shaanxi Holding Group and our stable business streams in relation to the commercial automobiles manufactured by Shaanxi Holding Group. Given our consistent track record of stable supply of quality services to our customers, in-depth knowledge of the commercial automobile industry and our business relationship with our customers (who selected us independently based on our offerings), it is not economical for our customers to replace us with other financial leasing service providers, and therefore, our customer relationships tend to be very stable.

Factoring Services — During the Track Record Period, we provided factoring services to Shaanxi Holding Group. However, the vast majority of our factoring service customers were independent commercial automobile components suppliers and logistics companies along the manufacturing supply chain. A substantial number of the aforementioned factoring customers were also Overlapping Factoring Customers and the rest of our factoring customers were Independent Factoring Customers. All of our customers have the right to choose whether to use our factoring services or not, and our Group has the discretion to determine whether to provide factoring services to any of these customers based on various criteria set by our Group as well as our risk assessment. Shaanxi Holding Group will not be involved in, nor has direct or indirect influence, on such decision making.

The following table sets forth a breakdown of the revenue derived from our factoring business according to the three types of customers for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Shaanxi Holding Group *(Note 1)*	2,329	3.9	0.1	–	0.0	0.0	–	0.0	0.0
Overlapping Factoring Customers	35,755	60.5	1.2	30,543	79.1	1.0	24,656	70.0	0.8
Independent Factoring Customers *(Note 2)*	21,026	35.6	0.7	8,046	20.9	0.2	10,565	30.0	0.4
Sub-total	59,110	100.0	2.0	38,589	100.0	1.2	35,221	100.0	1.2

Notes:

(1) The Company will cease providing factoring services to Shaanxi Holding Group and will (as set out in its development plan) focus on Independent Factoring Customers.

(2) The revenue generated from Independent Factoring Customers decreased by RMB13.0 million from RMB21.0 million in 2019 to RMB8.0 million in 2020 primarily because we started to upgrade our risk management system with stricter customer screening criteria since January 2020. As a result, we slowed down our business expansion in relation to Independent Factoring Customers in 2020. The increase of RMB2.6 million to RMB10.6 million in 2021 was mainly due to the generation of revenue pursuant to the conducting of a high volume of factoring business in order to complement the increased needs from Independent Third Party Logistics Customers due to development of independent logistics business in the fourth quarter of 2021.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Shaanxi Holding Group	1,072	46.0	–	0.0	–	0.0
Overlapping Factoring Customers	14,244	39.8	12,850	42.1	13,782	55.9
Independent Factoring Customers *(Note 1)*	9,581	45.6	5,331	66.3	6,463	61.2
Sub-total *(Note 2)*	24,897	42.1	18,181	47.1	20,245	57.5

Notes:

(1) The profit margin in 2020 and 2021 was higher than 2019 mainly because the Group has strengthened the risk control of our factoring business since 2020 to reduce the default ratio for the new factoring transactions. In particular, the profit margin in 2020 was slightly higher than 2021 mainly because the Company had successfully collected the penalty interest from certain overdue projects resulting in a relatively high gross profit for such period in the fourth quarter of 2020.

(2) The gross profit margin for Independent Factoring Customers is generally higher than that of Shaanxi Holding Group and Overlapping Factoring Customers mainly because the fees charged for the former are higher because the risk associated with Independent Factoring Customers is typically higher.

The following table sets forth the breakdown of the amount invested into the provision of factoring services for the two types of customers and the percentage to the total amount invested into the provision of factoring services for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Investment amount	Percentage of investment amount	Investment amount	Percentage of investment amount	Investment amount	Percentage of investment amount
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Overlapping Factoring Customers	1,282,366	67.2	1,260,851	88.0	1,105,391	48.2
Independent Factoring Customers	624,789	32.8	172,090	12.0	1,188,939	51.8
Total	1,907,155	100.0	1,432,941	100.0	2,294,330	100.0

Compared with the independent factoring services provided by financial institutions, due to our close relationship with Shaanxi Holding Group and in-depth knowledge of the commercial automobile industry, we understand various challenges in the production process and are able to provide factoring services to the production process. According to the Frost & Sullivan Report, each of the top five players in China's commercial automobile market has its own connected factoring companies. Although both connected factoring companies and other independent factoring companies are able to provide factoring services to commercial automobile components suppliers or logistics companies, most of the customers tend to choose connected factoring companies for factoring services as they are familiar with the commercial automobile industry. Our factoring business also plays a synergistic role with our other business sectors to provide one-stop services for our customers.

The following table sets forth a breakdown of the total amount invested into provision of our factoring services to the components suppliers of Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the percentage of the total amount spent by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile on procuring components for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components	The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components	The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Shaanxi Heavy Duty Automobile	395,340	1.2	481,964	1.0	345,181	0.9
Shaanxi Commercial Automobile	633,230	10.5	559,580	6.1	405,645	4.4

We ranked first among all the factoring providers for both Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in 2020 in terms of the volume of factoring services we provided to them. This reflects our positive impact on the business of Shaanxi Holding Group and our stable business relationship in relation to the commercial automobiles manufactured by Shaanxi Holding Group. Given our consistent track record of stable supply of quality services to our customers, in-depth knowledge of the commercial automobile industry and our business relationship with our customers (who selected us independently based on our offerings), it is not economical for our customers to replace us with other factoring service providers, and therefore our customer relationships tend to be very stable.

• *IoV and data service sector*

In relation to our IoV and data service sector, we provide two types of services: (i) sales of intelligent IoV products and (ii) provision of solutions applying IoV and related technologies. Our customers consist of two main categories, namely (i) Shaanxi Holding Group. For instance, our IoV products, which are purchased by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, can be directly installed onto the commercial automobiles manufactured by them in the manufacturing process. We also provide our IoV and related technologies application solutions to Shaanxi Holding Group; and (ii) other small and medium commercial automobile manufacturers which purchase our IoV products for direct installation onto their commercial automobiles and other participants of the commercial automobile industry, including commercial automobile finance companies, supply chain and logistics companies and governmental or industry regulatory bodies which use our IoV and related technologies application solutions. Some of the aforementioned customers also have business relationships with Shaanxi Holding Group are the Overlapping IoV Customers and the rest of such customers which do not deal with Shaanxi Holding Group are the Independent IoV Customers.

The following table sets forth a breakdown of the revenue derived from Shaanxi Holding Group according to the two businesses of our IoV and data service sector for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
IoV and data service sector									
Intelligent IoV Products Sales Business									
Shaanxi Holding Group *(Note 1)*	173,790	95.4	6.0	250,423	98.7	7.7	202,666	88.3	6.5
Shaanxi Heavy Duty Automobile	172,819	94.9	6.0	149,595	59.0	4.6	88,944	38.8	2.8
Shaanxi Commercial Automobile	936	0.5	0.0	100,828	39.7	3.1	113,703	49.5	3.7
Other members of Shaanxi Holding Group	35	0.0	0.0	–	0.0	0.0	19	0.0	0.0
Overlapping IoV Customers	172	0.1	0.0	1,910	0.8	0.1	2,047	0.9	0.1
Independent IoV Customers	8,139	4.5	0.3	1,313	0.5	0.0	24,785	10.8	0.7
Sub-total	182,101	100.0	6.3	253,646	100.0	7.8	229,498	100.0	7.3

	For the year ended 31 December								
	2019			2020			2021		
Revenue derived from	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**	**Amount**	**Percentage of the total revenue of the relevant sub-business sectors**	**Percentage of the total revenue of the Group**
	(RMB'000)	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*	*(RMB'000)*	*(%)*	*(%)*
IoV and Related Technologies Application Solution Business									
Shaanxi Holding Group *(Note 2)*	2,447	4.1	0.1	488	0.6	0.0	1,757	1.6	0.1
Shaanxi Heavy Duty Automobile	1,357	2.3	0.1	16	0.0	0.0	238	0.2	0.0
Shaanxi Commercial Automobile	–	0.0	0.0	–	0.0	0.0	–	0.0	0.0
Other members of Shaanxi Holding Group	1,090	1.8	0.0	472	0.6	0.0	1,519	1.4	0.1
Overlapping IoV Customers *(Note 3)*	29,862	50.2	1.0	46,539	57.0	1.4	58,383	53.7	1.9
Independent IoV Customers	27,172	45.7	1.0	34,565	42.4	1.1	48,674	44.7	1.5
Sub-total	59,481	100.0	2.1	81,592	100.0	2.5	108,814	100.0	3.5
Total revenue of the sector	241,582	100.0	8.4	335,238	100.0	10.3	338,312	100.0	10.8

Notes:

(1) The revenue derived from our intelligent IoV products sales business with Shaanxi Holding Group increased by 44.1%, or by RMB76.6 million from RMB173.8 million in 2019 to RMB250.4 million in 2020 primarily due to the increase in sales of intelligent IoV terminal products to Shaanxi Holding Group driven by its increased production of commercial automobiles. During the Track Record Period, under our intelligent IoV products sales business, the revenue derived from Shaanxi Heavy Duty Automobile decreased whereas the revenue derived from Shaanxi Commercial Automobile increased primarily due to the production model of certain commercial automobiles manufactured Shaanxi Heavy Duty Automobile has changed since 2020. Instead of purchasing intelligent IoV products from our Group directly, Shaanxi Heavy Duty Automobile purchases driver's cab with installed intelligent IoV products from Shaanxi Commercial Automobile.

(2) The revenue derived from our IoV and related technologies application solution business with Shaanxi Holding Group decreased by 79.2%, or by RMB1.9 million from RMB2.4 million in 2019 to RMB0.5 million in 2020, primarily due to the Shaanxi Holding Group did not engage us to provide such services in 2020. Therefore, the revenue in 2019 and 2021 were higher than that in 2020.

(3) The revenue derived from our IoV and related technologies application solution business with Shaanxi Holding Group Overlapping Customers increased by 55.5%, or by RMB16.6 million from RMB29.9 million in 2019 to RMB46.5 million in 2020, and further increased by 25.6%, or by RMB11.9 million from RMB46.5 million in 2020 to RMB58.4 million in 2021 primarily due to following reasons: the introduction of our environmental protection supervision IoV service and the expansion of service areas covered by our dump truck supervision IoV service in 2020.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Intelligent IoV Products Sales Business						
Shaanxi Holding Group	43,167	24.8	64,443	25.7	53,463	26.4
Overlapping IoV Customers	86	49.9	1,086	56.9	611	29.8
Independent IoV Customers	5,014	61.6	472	35.9	5,326	21.5
Sub-total *(Note 1)*	48,267	26.5	66,001	26.0	59,400	25.9
IoV and Related Technologies Application Solution Business						
Shaanxi Holding Group	1,607	65.7	360	73.7	1,318	75.0
Overlapping IoV Customers	19,608	65.7	34,303	73.7	43,802	75.0
Independent IoV Customers	17,843	65.7	25,476	73.7	36,503	75.0
Sub-total *(Note 2)*	39,058	65.7	60,139	73.7	81,623	75.0
Sub-total of the IoV and Data services sector	87,325	36.1	126,140	37.6	141,023	41.7

Notes:

(1) The profit margins for each group of customers differ mainly due to the volume discount pricing we offer. During the Track Record Period, Shaanxi Holding Group purchased a considerable volume of our products whereas the purchases made by Overlapping IoV Customers and Independent IoV Customers are more occasional. As the purchases made by Independent IoV Customers are occasional,the profit margin of the products purchased by them may affect the gross profit margin of the relevant period substantially. For 2020 and 2021, the products occasionally purchased by Independent IoV Customers are mainly products with a lower profit margin.

(2) The main cost of the services we provided under our IoV and related technologies application solutions business is network bandwidth, which is shared by all types of customers and therefore the profit margins for each group of customers are the same.

Our IoV and data services cover the commercial automobile industry chain. According to the Frost & Sullivan Report, each of the top five players in China's commercial automobile market gradually began to establish its own IoV and data service companies, and the commercial automobiles manufacturers tend to choose their connected companies as their primary intelligent IoV products and data service provider, taking into account factors such as the stable business relationship and the knowledge of the types of automobiles manufactured by connected commercial automobile manufacturers. Given our strong research and development and leading technological capability as well as our cooperative business relationship with Shaanxi Holding Group, we have been selected as the sole supplier of intelligent IoV products for Shaanxi Holding Group since 2014. Our intelligent IoV products can be directly installed onto the particular commercial automobiles manufactured by them. As such, our IoV and data services can realise in-depth integration with the manufacturing process of Shaanxi Holding Group, which in return enables us to promptly expand and secure a solid customer base. Shaanxi Holding Group remains compliant with relevant regulations in China, including the requirements to install certain intelligent IoV products in some commercial automobiles. For the years ended 31 December 2019, 2020 and 2021, the total number of commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile which were subject to the relevant regulations in China to pre-install IoV products accounted for approximately 81.6%, 86.8%, and 71.4% respectively, of the total number of commercial automobiles sold by them, among which all IoV products were installed by our Group. The percentage of the commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile that are subject to pre-installed IoV products decreased primarily due to the increase in the sales of special purpose vehicles and off-road vehicles which are not required by the relevant regulations in China to be pre-installed with IoV products sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in the third quarter of 2021.

Pursuant to the Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》) promulgated in China in January 2014, by no later than July 2014, all newly manufactured heavy-loaded cargo-carriage automobiles and semi-trailer towing automobiles in China are required to pre-install the satellite positioning devices, such as Beidou System supervision terminals or similar equipment, and all the collected data are required by law to be transmitted to the cargo transportation platform of Ministry of Transportation for its records. In addition, pursuant to the Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018) (《重型柴油汽車污染物排放限值及測量方法(中國第六階段)》) (GB 17691-2018) promulgated in June 2018, from July 2021, all newly manufactured, imported, sold and registered commercial automobiles with loading capacity of 3.5 tonnes or above in China are required to pre-install environmental protection supervision terminals or similar equipment and all the collected data are required by law to be transmitted to Ministry of Environment Protection for its records. As only a portion of the commercial automobiles manufactured by Shaanxi Holding Group falls into the above-mentioned category, the above requirements are applicable to certain type of commercial automobiles. Our IoV products pre-installed on the commercial automobiles manufactured by Shaanxi Holding Group will ensure compliance with such regulations.

With the development of our business, we have worked with Shaanxi Holding Group to understand its business needs and design tailor-made solutions. As a result, we have provided more IoV and related technologies application solutions to Shaanxi Holding Group to satisfy its diverse business needs. Given our established sole supplier business relationship with Shaanxi Holding Group, our consistent track record of providing a stable supply of quality products and data services, and the need for compliance with the mandatory industry access requirements, it will be difficult and not commercially beneficial for Shaanxi Holding Group to replace us with another supplier.

The following table sets forth a breakdown of the number of commercial automobiles manufactured by Shaanxi Holding Group which benefited from our provision of IoV services for the years indicated:

	For the years ended 31 December					
	2019		2020		2021	
	Units	Percentage of the total number of commercial automobiles sold by the respective companies	Units	Percentage of the total number of commercial automobiles sold by the respective companies	Units	Percentage of the total number of commercial automobiles sold by the respective companies
Intelligent IoV products sales business						
Shaanxi Heavy Duty Automobile	150,041	91.1	183,719	92.5	122,684	69.7
Shaanxi Commercial Automobile *(Note 1)*	1,567	7.4	20,352	55.8	20,392	83.9
IoV and related technologies application solution business						
Shaanxi Heavy Duty Automobile	48,980	29.7	68,195	34.3	56,541	32.1
Shaanxi Commercial Automobile	2,279	10.8	6,642	18.2	6,859	28.3

Note:

(1) Due to Shaanxi Commercial Automobile's internal manufacturer lines restructuring and upgrading, several commercial automobile manufacturer lines ceased to operate in 2019.

Overall, given (i) our established and stable business relationship with Shaanxi Holding Group, (ii) our stable track record of supply of quality products and services to Shaanxi Holding Group, and (iii) our customised services provided to Shaanxi Holding Group, the Directors believe that we are an important strategic business partner and a trusted services provider for Shaanxi Holding Group. The long-term business relationship with Shaanxi Holding Group, which we believe is mutually beneficial and complementary for the reasons set out above, is unlikely to materially adversely change or be terminated. As disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Supply of Product and Services Framework Agreements", we have entered into the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement and the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement with Shaanxi Automobile Holding and Shaanxi Heavy Duty Automobile, respectively. The Shaanxi Automobile Holding Supply of Products and Services Framework Agreement covers the supply of our products and services to Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile) whereas the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement covers the supply of our products and services to Shaanxi Heavy Duty Automobile and/or its subsidiaries. Each of these agreements shall be automatically renewed for a further term of three years from time to time, subject to compliance with the Listing Rules and applicable laws and regulations, unless the Company provides a written notice to terminate the agreement during its term. There is no termination ground under such agreements that allows Shaanxi Automobile Holding or Shaanxi Heavy Duty Automobile to unilaterally terminate the agreement. In addition, Shaanxi Automobile Holding and Shaanxi Heavy Duty Automobile may only engage alternative suppliers after consulting with us and receiving our written consent in the event we are unable to meet the amount of products and/or services required. We believe these provisions serve as safeguards in maintaining the continuous long-term cooperation between Shaanxi Holding Group and us. Furthermore, after completion of the Global Offering (assuming the Over-allotment Option is not exercised), Shaanxi Automobile will hold approximately 69.07% of our Company and our financial results will be consolidated in the financial results of Shaanxi Automobile. The continuation of the operations and performance of our Group is therefore in line with the interests of Shaanxi Holding Group.

Normal commercial terms and customers' independent selection

Our Directors have confirmed that all agreements entered into between the Group and Shaanxi Holding Group and set out in the section headed "Connected Transactions" of this prospectus were, or shall be entered into, on arm's length basis and on fair and reasonable terms. Our Company has also adopted internal control procedures in relation to continuing connected transactions to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better. Please refer to the "Connected Transactions" section in this prospectus for further details.

Our Directors have confirmed that there is no arrangement in place (whether formal or informal) pursuant to which Shaanxi Holding Group refers its customers or its suppliers or other business partners to the Group. Our Director have further confirmed that all of our customers have the right to choose whether to use our services or purchase our products or not, and our Group has the discretion to determine whether to provide services or sell products to such customers. Shaanxi Holding Group will not be involved in, nor have direct or indirect influence, on such decision making.

The Group may enter into cooperation agreements with commercial automobile sales dealers pursuant to which the commercial automobile sales dealers may refer their customers to our Group from time to time for financial leasing services; however Shaanxi Holding Group is not a party to such cooperation agreements and has no direct or indirect influence on the commercial automobile sales dealers or other end customers in relation to their decision to establish a business relation with our Group.

Continued diversification forms a strong foundation base

During the Track Record Period, our Group has expanded and will continue to expand our services and diversify our customer base in all three main business sectors.

Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
Logistics and supply chain service sector	**Supply chain business**	**Automobile manufacturing supply chain service**	• Developing cooperation relationship with small to medium commercial automobile manufacturers and actively promoting our automobile manufacturing supply chain service • For further details on the Company's concrete business initiatives, please refer to the section headed "— Logistics and Supply Chain Service Sector — Automobile Manufacturing Supply Chain Service and Automobile Logistics Service" below.
		Automobile logistics service	• Exploring business opportunities with independent third-party customers in the future, including but not limited to, (i) providing automobile logistics services to small to medium commercial automobile manufacturers; and (ii) collaborating with large commercial automobile manufacturers and other automobile logistics service providers for resource-sharing arrangements in relation to the drivers involved in automobile logistics service, for example, upon the driver delivering the commercial automobiles to its destination, such driver can be assigned to new tasks from other automobile logistics service providers and thus bring in new stream of revenue • For further details on the Company's concrete business initiatives, please refer to the section headed "— Logistics and Supply Chain Service Sector — Automobile Manufacturing Supply Chain Service and Automobile Logistics Service" below.

Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
		Third party logistics service	• Vigorously developing third party logistics service for independent third parties in relation to raw materials (such as coal and ore), commodities and express couriers • Developing return logistics business, for example, our currently transports automobiles from Xi'an to Xinjiang, and on its return trip from Xinjiang to Xi'an, it will explore further business with independent third party customers to transport merchandise on such return trip • Leveraging on the synergy with other business sectors of the Group, improving the logistics information system and optimising transportation routes to enhance the services quality and expand customer base • For further details on the Company's concrete business initiatives, please refer to the section headed "— Logistics and Supply Chain Service Sector — Third Party Logistics" below.
	Automobile sales business		• Entering into cooperation agreements with commercial automobile dealers to sell external branded commercial automobiles • For further details on the Company's concrete business initiatives, please refer to the section headed "— Logistics and Supply Chain Service Sector — Automobile Sales Business" below
	Automobile aftermarket products business		• Entering into cooperation agreements with various participants in the commercial automobile industry to promote Company's aftermarket products • Promoting Company's aftermarket products to some of the key logistics customers by leveraging the established sales and logistics network of commercial automobiles • Cooperating with insurance companies to supply aftermarket products to the insurance companies' designated repair centres • Developing a unified online service platform and launching new projects on such unified platform • For further details on the Company's concrete business initiatives, please refer to the section headed "— Logistics and Supply Chain Service Sector — Automobile Aftermarket Product Business" below

Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
Supply chain financial service sector	**Financial leasing business**		• Developed Company's own sales channel and provided financial leasing services to commercial automobiles, including the mainstream domestic commercial automobile brands in the PRC (other than Shaanxi Holding Group) • Actively exploring financial leasing services to other participants in the commercial automobile industry, such as, special-purpose automobiles, cold chain transportation equipment and second-hand commercial automobiles • Leveraging on the synergy with other business sectors of the Group to expand customer base, such as providing financial leasing services to the Group's automobile sale business clients with financing needs in external branded automobile sale, and providing financial leasing services to logistics companies • For further details on the Company's concrete business initiatives, please refer to the section headed "— Supply Chain Financial Service Sector — Financial Leasing Services" below
	Factoring business		• Providing factoring services to companies/participants from upstream and downstream of the logistics industry chain, including but not limited to, the suppliers of commercial automobile components companies, suppliers of other brands of commercial automobile manufacturers, and third-party logistics downstream carriers • Engaging agents to source companies from the logistics and supply chain industry chain • Leveraging on the connections of Tonghui and Fargo in the industry, to expand and develop factoring business with Tonghui and Fargo being the core businesses, and develop certain factoring products to support our logistics services • For further details on the Company's concrete business initiatives, please refer to the section headed "— Supply Chain Financial Service Sector — Factoring Services" below

Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
IoV and data service sector	**Sales of intelligent IoV products business**		• Developing customer relationships with various small to medium commercial automobile manufacturers (other than Shaanxi Holding Group) and pre-installed the intelligent IoV products on their commercial automobiles • Expanding business and diversifying customer base from various participants in the commercial automobile industry • For further details on the Company's concrete business initiatives, please refer to the section headed "— IoV and Data Service Sector — Intelligent IoV Product Sales Business" below
	IoV and related technologies application solution business		• Actively promoting (i) environmental protection supervision IoV services and (ii) dump truck supervision IoV services to different governmental and industry regulatory bodies as well as companies • Cooperating with financial institutions and actively promoting automobile financial leasing supervision IoV services • Cooperating with supply chain and logistic services provider as well as its downstream carriers and actively promoting transportation fleet management IoV services • Improving R&D capacity and enriching services • For further details on the Company's concrete business initiatives, please refer to the section headed "— IoV and Data Service Sector — IoV and Related Technologies Application Solution Business" below

- *Logistics and supply chain service sector*

  Automobile Manufacturing Supply Chain Service and Automobile Logistics Service —

  - In relation to automobile manufacturer supply chain service, our Company will utilize its strengths and experiences in integrated logistics services and expands its cooperation with small to medium commercial automobile manufacturers. As of the Latest Practicable Date, the Company had discussed cooperation intentions with several of these commercial automobile manufacturers and had signed the letter of intent with one of them. Our Company will also continue to explore the business opportunities with independent third party customers in relation to our automobile logistics service in the future, including but not limited to, by (1) providing automobile logistics service to small to medium commercial automobile manufacturers; and (2) cooperating with large commercial automobile manufacturers and other automobile logistics service providers and sharing the manpower resources (i.e. drivers) involved in automobile logistics service on the return trip to bring new stream of revenue from independent third parties.

  Third Party Logistics —

  - We have expanded our customer base in relation to independent third party shippers and our provision of third party logistics services. During the Track Record Period, the goods being subject to third party logistics mainly included coal, ore, commodities and commercial automobile components, and the majority of our customers under such business stream are independent from Shaanxi Holding Group. Please refer to the paragraph headed "*Automobile Logistics Service and Third Party Logistics Service*" under the Business section in this prospectus for further details. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from third party logistics services to the shippers who are independent from Shaanxi Holding Group amounted to approximately RMB332.9 million, RMB189.7 million and RMB395.1 million, respectively, accounting for approximately 11.5%, 5.8% and 12.6% of our total revenue and approximately 15.7%, 8.4% and 19.7% of our total revenue from the logistics and supply chain service sector, respectively. The fluctuation of such revenue was mainly due to one of our major customers ceasing their transportation business in 2020 and therefore, our revenue stream from the same ceased. In 2020 and 2021, our third party logistics services completed a total of 54.7 thousand and 267.9 thousand units of waybills, respectively.

  - For logistic business related to raw materials and commodities, our Group takes advantages of its subsidiaries in regions rich in raw materials resources (such as Xinjiang and Inner Mongolia), and has large corporate clients in the energy, steel and chemicals industries for actively expanding its third party logistics service. For express courier related logistics business, we focus on densely populated regions (such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta), utilizes the express courier logistics customers accumulated under the automobile sale business and supply chain business of the Group to expand its customer base. In addition, as the Vice President of China Communications and Transportation Association's Express Transportation Branch* (中國交通運輸協會快運分會) and Logistics Investment and Financing Branch* (中國交通運輸協會物流投融資分會), our Company will leverage its industry influence and networks to actively develop its third party logistics. As at the Latest Practicable Date, there were 16 ongoing projects in relation to third party logistics services who are independent from Shaanxi Holding Group including:

	Region	Counterparty	Main services	Services provided by our Group	Contract period
1.	Shanghai	Cable special material company	Plastic materials	Third party logistic	From January 2022 to December 2022
2.	Nanjing	Municipal Engineering company	Muck	Third party logistic	From January 2022 to December 2024
3.	Hebei	Logistics company	Express packages	Third party logistic	From January 2022 to December 2024
4.	Shanghai	Logistics company	Commodities	Third party logistic	From October 2021 to October 2024
5.	Shanghai	Logistics company	Commodities	Third party logistic	From May 2021 to May 2024
6.	Zhengzhou	Logistics company	Commodities beverage and building materials	Third party logistic	From June 2021 to June 2023
7.	Ningxia	Coal Coking company	Coal	Third party logistic	From May 2022 to May 2023
8.	Xinjiang, Yili	Supply Chain Management company	Coal	Third party logistic	From June 2020 to December 2024
9.	Guizhou	Infrastructure Company	Coal	Third party logistic	From March 2021 to pending
10.	Suzhou	Logistics company	Commodities	Third party logistic	From September 2021 to December 2022
11.	Xinjiang	Logistics company	Raw material	Third party logistic	From January 2022 to December 2022
12.	Xinjiang	Energy industrial chain company	Coal	Third party logistic	From February 2022 to December 2022
13.	Shanghai	Freight forwarder company	Postal parcels	Third party logistic	From January 2022 to December 2024
14.	Chongqing	Commerce and trade company	Cement	Third party logistic	From November 2021 to October 2022
15.	Xinjiang	Logistics company	Coal	Third party logistics	From January 2022 to December 2024
16.	Suzhou	Logistics company	Express packages	Third party logistics	From January 2022 to December 2022

In addition, six pipeline projects have been successfully approved and are currently under negotiation, including one coal transportation related project, one commodities related project. This increase in the number of ongoing or potential projects with independent third parties is an indication of our continued diversification and further independence from Shaanxi Holding Group.

- We are actively exploring a return logistics business to expand our independent third party customer base. Leveraging our extensive logistics network and warehousing facilities, we will continue developing our services to cover a wider range of supply of goods and materials for independent third party customers within the reach of our current logistics network and to fully utilise our warehousing services. For example, we aim to utilise the designated route by which we currently transport automobiles from Xi'an to Xinjiang and on its return trip from Xinjiang to Xi'an, it will explore further business with independent third party customers to transport merchandise on such return trip. As of the Latest Practicable Date, we have won a tender to transport merchandise via the said route — from Xinjiang to Xi'an — to our independent third party customers. Going forward, we plan to actively seek out and engage in such activities to strengthen our return logistics business.

- Our Company will continue to expand our customer base (especially independent third party customers) and diversify the provision of services through setting up a digitalised warehousing and distribution system for commercial automobile components together with a repair and service network, including but not limited to the establishment of an offline accessories centre and return logistics system. We will also improve our logistics information system and optimize the transportation routes to enhance our services quality. For further details, please refer to the section headed "Business — Business Strategies" in this prospectus.

- In addition, our Company will leverage our accumulated experience in the supply chain services industry, our capabilities (such as our ownership of a substantial number of commercial automobiles) as well as our status as a 5A logistical enterprise, to participate more actively in the public tendering process in relation to public procurement projects.

Automobile sales business

- Leveraging our well-established sales networks and in-depth understanding of the markets, we are actively expanding the customer base of our automobile sales service by selling external branded commercial automobiles. In 2021, the Company has entered into three agreements with commercial automobile dealers in relation to sales of external branded automobile and started such sale since the fourth quarter of 2021. As of 31 December 2021, we generated revenue from selling external branded commercial automobiles amounted to approximately RMB7.3 million. Our Company will continue to seek the opportunities to establish business relationship with more external branded commercial automobiles dealers. As of the Latest Practicable Date, the Company has entered into five new agreements in relation to sales of external branded automobiles.

Automobile aftermarket product business —

- Our customers of automobile aftermarket product business are independent third parties ("**Independent Third Party Aftermarket Product Customers**"). We will further expand the automobile aftermarket product business as one of the key areas for potential rapid business growth of the Company in the foreseeable future and only focus on the Independent Third Party Aftermarket Product Customers as part our plan to expand our customer bases. Please refer to the section headed "Business — Logistics and Supply Chain Service Sector — Aftermarket Product Business" of this prospectus for further details. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from Independent Third Party Aftermarket Product Customers under our sales of automobile aftermarket product business amounted to approximately RMB31.3 million, RMB85.5 million and RMB82.7 million, respectively, accounting for approximately 1.1%, 2.6% and 2.6% of our total revenue, respectively.

- Since the beginning of 2021, leveraging on our established sales and logistics network of commercial automobiles, we have successfully promoted our aftermarket products to some of our key logistics customers. Our Company plans to take selected provinces as key market, such as Shaanxi and Xingjiang to gradually develop the sales channels of our aftermarket products business. We will also continue to spend more efforts on marketing and promotion. Since 1 January 2021 until the Latest Practicable Date, our sales personnel has visited 173 customers and obtained 349 orders. We also plan to create synergy with other business sectors of the Group to expand the sales channel of our aftermarket products. For example, we will utilize the IoV big data capacity of the Group to analyze regions of high commercial automobile density and regions with high maintenance frequency, and to develop business cooperation with components or maintenance service providers in such areas and precisely allocate our aftermarket products. In addition, we are also seeking the opportunities to cooperate with insurance companies and supply our aftermarket products to a designated repair centre of the insurance company and further expand our sales channel. As of the Latest Practicable Date, our Company has entered into the strategic cooperation agreement with one insurance company. Our diversified products and base of suppliers, along with our business growth and increased revenue generated from our after-market business demonstrates our continued diversification and independence from Shaanxi Holding Group.

- In addition, as disclosed in the sections headed "*Business — Business Strategies*" and "*Future Plans and Use of Proceeds*" in the Prospectus, our Company will adopt online measures to improve the commercial automobile aftermarket service offerings. In particular, based on our existing CLGG Online Platform, we will develop a unified online service platform and launch new projects on such unified platform. Such new projects include (i) service platform for aftermarket business, (ii) online digital warehousing system for components centralised warehouses, (iii) online service and franchise management platform, and (iv) intelligent repair and training platform. For further details in relation to the aforementioned new projects, please refer to the section headed "Future Plans and Use of Proceeds — Online Business Development" in the Prospectus.

- *Supply chain financial service sector*

  Financial Leasing Services —

  - Since 2018, our Company has developed our own sales channel through the service providers and provided financial leasing services to commercial automobiles, including the mainstream domestic commercial automobile brands in the PRC (other than Shaanxi Holding Group) ("**other automobile brands**"). In addition, we also provide such services to trailers and second-hand commercial automobiles. From 2018 to 2021, the number of service providers we engaged increased from 4 to 22. To better develop our sales channel through the service providers, we plan to recruit more business personnel and provide training to develop their knowledge of, among others, how to expand to providing services in relation to vehicles from other automobile brands. Please refer to the section headed "Business — Financial Leasing Business — Models and Sales Channels" in this prospectus for further details.

- Based on our in-depth understanding of the commercial automobile industry and through our well-established business connections, our Company is actively exploring financial leasing services to other participants in the commercial automobile industry, such as the end-customers of special-purpose automobiles or cold chain transportation equipments, plant and warehouse. In terms of special-purpose vehicle financial leasing business, our Company has developed business relationship with a number of concrete mixer truck sales companies, truck-mounted crane manufacturers and special-purpose vehicle manufacturers to provide financial leasing services to their end-users. During the Track Record Period, the total amount we invested into the special-purpose vehicle subject to our financial leasing services has accumulated to RMB429.2 million. We will continue to explore the segment of special purpose vehicles and analyze the characteristics of different special purpose vehicles, such as refrigerated trucks, agricultural and livestock transport vehicles, in order to develop integrated policies that will better serve the needs of such customers. In terms of cold chain transportation equipments financial leasing business, our Company has developed business relationship with a number of cold chain logistics companies to provide financial leasing services to their end-users. During the Track Record Period, the total amount we invested into the cold chain transportation equipments that were subject to our financial leasing services has accumulated to approximate RMB98.8 million.

- For the years ended 31 December 2019, 2020 and 2021, the investments in financial leasing services for the above mentioned commercial automobiles of other automobile brands and other participants in the commercial automobile industry were RMB602.0 million, RMB967.3 million and RMB838.9 million, accounting for 13.0%, 11.2% and 12.8%, respectively, of our total investment made into the provision of commercial automobile financial leasing services. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from Independent Financial Leasing Customers was approximately RMB42.5 million, RMB88.6 million and RMB116.4 million, respectively. The year-on-year increase in such revenue shows our continued diversification and further independence from Shaanxi Holding Group. From 1 January 2022 to the Latest Practicable Date, we have entered into 15 cooperation agreements with a number of external branded automobile dealers and we will continue to increase the newly invested funds in independent financial leasing business in term of both amount and percentage of the total investment. Further, we actively expand our customer bases by creating synergy with other business sectors of within our Group. For instance, we plan to (i) utilize the advantage in the automobile sale business of our Group and focus on clients with financing needs in the sale of external branded automobile; and (ii) provide financial leasing services to logistics companies, for example, when downstream carriers purchase new or second hand commercial automobiles.

Factoring Services —

- Under the Logistics Factoring business, we engage in factoring transactions with companies from the logistics industry (including but not limited to logistics platform companies, small and medium logistics enterprises, companies engaged in supply chain projects and/or contract logistics projects), which typically possess accounts receivables stemming from contracting carriers or third party platform logistics businesses. The majority of our customers under such business stream are independent from Shaanxi Holding Group. In January 2021, Deewin Factoring has developed an external agent system under the Logistics Factoring business stream which engage agents to source aforementioned companies as our customer from the logistics industry. As of the Latest Practicable Date, we have engaged 27 agents. Please refer to the paragraph headed "Business — Factoring Business Streams — Logistics Factoring" in this prospectus for further details. As at 31 December 2021, we have a total of 176 customers in relation to Logistics Factoring, which are all independent third parties. For the years ended 31 December 2019, 2020 and 2021, the amount invested into the provision of Logistics Factoring Services for such third party customers who are independent from Shaanxi Holding Group were RMB565.6 million, RMB198.7 million and RMB444.5 million, respectively, which accounted for approximately 26.1%, 11.7% and 19.4% of the total annual investments made by Deewin Factoring, respectively. From 1 January 2022 to of the Latest Practicable Date, we have entered into 22 strategic agreements and letters of intent.

- In addition, by leveraging connections of Tonghui and Fargo in the industry, our Group will expand and develop our factoring business with Tonghui and Fargo as the core businesses and develop certain factoring products to support our logistics services. As of the Latest Practicable Date, Deewin Factoring has entered into 11 factoring services transactions with the downstream third party carriers which engaged with Fargo.

- Our Company will continue to consolidate our industry advantages in supply chain financial services to optimise our business structure. We will continue to develop business relationships with large-scale customers and leading companies in the logistics industry and expand the scope of quality customers, to provide our factoring services to a wider range of participants, such as the suppliers of commercial automobile components companies, suppliers of other brands of commercial automobile manufacturers and the other logistics downstream carriers.

- *IoV and data service sector*

Intelligent IoV Product Sales Business —

- In respect of our intelligent IoV products sales business, our Company has successfully developed various small and medium commercial automobile manufacturers (other than Shaanxi Holding Group) as our customers and pre-installed our intelligent IoV products on their commercial automobiles. For the years ended 31 December 2019, 2020 and the 2021, the revenue generated from sales of goods (such as intelligent IoV products) to such independent third party commercial automobile manufacturers were approximately RMB8.1 million, RMB1.3 million and RMB24.8 million, respectively. For instance, one of our major customers, Shandong Automobile Manufacturing Company Limited* (山東汽車製造有限公司) purchased 8,932 units of our intelligent IoV products during the period from January 2021 to December 2021, which represents an increase of 5,067% of sales volume from the same period in 2020.

With the constant development of Company's IoV and related technologies application solution business, in particular (i) dump truck supervision IoV services, (ii) big data application IoV services and (iii) environmental protection supervision IoV services, all the commercial automobiles using these services are required to install intelligent IoV product of the Group. Our dump truck supervision IoV services covered 12 areas in China as at 31 December 2021. In addition, as at 31 December 2021, our environmental protection supervision IoV services covered 31 provinces and municipalities in China. Considering that non-Shaanxi Automobile brand commercial automobiles, which do not have the Group's intelligent IoV products pre-installed, our intelligent IoV product sales business has the potential to grow and tap into such market share.

To better develop our intelligent IoV products sales business and expand our services to other commercial automobile manufacturers as well as other participants of the commercial automobile industry, the Company has set up a special "automobile enterprise business department" responsible for sourcing and providing one-stop customised services to such customers. For example, the Company will take the advantage of its well-established data network to provide a full suite of customised IoV services for companies, such as refitting automakers, to sell our pre-installed intelligent IoV products and our IoV and related technologies application solution services. As of the Latest Practicable Date, we have completed seven projects with seven automobile remodeling companies who are independent third parties in relation to the potential customised IoV services provided.

- In addition, as disclosed in the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in the Prospectus, the Group will dedicate resources to develop diversified data products. In particular, our will continue to develop and upgrade its IoV products and terminal products in order to be adaptive to 5G telecommunication environment, which will become the new standard in the telecommunication industry.

- From 1 January 2022 to the Latest Practicable Date, our Company has entered into 10 agreements in relation to intelligent IoV product sales services with Independent IoV Customers and most of the agreements are long term agreements. (about 2-3 years).

IoV and Related Technologies Application Solution Business —

- In respect of the IoV and related technologies application solution business, we provide such solutions to a wide range of participants of the commercial automobile industry chain (in addition to commercial automobile manufacturers), including commercial automobile finance companies, commercial automobile sales dealers, transportation fleets, supply chain and logistics companies, insurance companies, commercial automobile-related service providers and drivers, as well as governmental or industry regulatory bodies. In particular, we have focused on and will focus on environmental protection supervision IoV services, dump truck supervision IoV services, big data application IoV services and relevant industry regulatory to supervision IoV services. For example, the Company will provide monitoring services in relation to vehicle safety to public security departments or provide monitoring services for coal transportation fleets of the coal industry. Please refer the section headed "Business — IoV and Data Service Sector — Our IoV and Related Technologies Application Solution Business" in this prospectus for further details.

- As at the Latest Practicable Date, there were various ongoing projects with Independent IoV Customers in relation to environmental protection supervision IoV services, dump truck supervision IoV services, big data application IoV services, automobile Financial Leasing Supervision IoV Services and relevant industry regulatory supervision IoV services, all of which are in effect, including the following:

	Region	Projects*	Services provided by our Group
1.	Shaanxi	Xingping City Law Enforcement Bureau	Dump truck supervision services
2.	Shaanxi	Xi'an Public Security Bureau-Traffic police department	Dump truck supervision services
3.	Shaanxi	Xianyang City Management Supervision and Command Centre	Dump truck supervision services
4.	Shaanxi	Hanzhong City Management Bureau	Dump truck supervision services
5.	Hebei	Handan City Construction Waste Management Office	Dump truck supervision services
6.	Hebei	Longyao County Law Enforcement Bureau	Dump truck supervision services
7.	Anhui	Lai'an County Urban Management Bureau	Dump truck supervision services
8.	Yunnan	IoV technology company	Big Data Application IoV Services
9.	Beijing	Technology company	Big Data Application IoV Services
10.	Chengdu	Technology company	Big Data Application IoV Services
11.	N/A	13 special purpose vehicle companies	Environmental Protection Supervision IoV Services and/or Automobile Financial Leasing IoV Services
12.	Baoding	Petroleum geophysical prospecting machinery manufacturing Company	Environmental Protection Supervision IoV services
13.	Hangzhou	Supply chain Management company	Automobile Financial Leasing IoV Services
14.	Baoding	Automobile sales company	Automobile Financial Leasing IoV Services
15.	Suzhou	Automobile sales company	Automobile Financial Leasing IoV Services
16.	Luanzhou	Automobile sales company	Environmental Protection Supervision IoV services
17.	Wuhai City, Inner Mongolia Autonomous Region	Wuhai City Heavy Duty Diesel Automobile Remote monitoring system	Heavy Duty Diesel Automobile Remote Environmental Protection Monitoring Services
18.	Shandong	Commercial automobile manufacture company	Big Data Application IoV Services
19.	Beijing	Technology company	Big Data Application IoV Services
20.	Xinjiang	Logistics company	Big Data Application IoV Services
21.	Beijing	Financial leasing company	Automobile Financial Leasing IoV Service
22.	Heilongjiang	Financial guarantee company	Automobile Financial Leasing IoV Service
23.	Shaanxi services	Law Enforcement Bureau	Environmental Protection Supervision IoV

* *Some projects have already started before 2021*

From 1 January 2022 to the Latest Practicable Date, the Company has entered into three letters of intent and five cooperation agreements with eight companies with such needs and are in discussion with other companies to explore business opportunities. In relation to dump truck supervision IoV services, such services was stable during the Track Record Period. From 1 January 2022 to the Latest Practicable Date, there are two dump truck supervision IoV services projects under negotiations.

- In respect of the IoV and related technologies application solution business, we also explore the opportunity to cooperate with financial institutions and to provide automobile financial leasing supervision IoV service to them, which will improve the risk management and business operation in such transactions. Leveraging on the synergy with the supply chain business sector, our Company also actively explores the needs of the existing customers under third party logistics business. For instance, our Group can arrange downstream carriers to utilize transportation fleet management IoV services to enhance the business operation of logistics and reduce transportation risk.

- During Track Record Period, our Company has entered into a cooperation agreement with one big data service provider to co-develop the commercialized applications of big data and to diversify our services.

- In addition, the Company will continue to expand our external customer base and diversify our provision of services through enhancing the core technology capabilities and data service capabilities of our IoV and data service sector. In particular, upon Listing, we intend to use the net proceeds of the Global Offering to develop the facility of IoV-based technology and enhance our research and development capabilities such as expansion of our research and development team and upgrading the software and hardware of our research and development system, among others. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

Given (i) the Group's various businesses with independent third parties are expanding, (ii) the Group's particular business sectors and synergy between business sectors which brings about unique market competitiveness, and (iii) the cooperation between the Group and commercial automobile manufacturers, we can leverage our current business model to continue building new business relationships with independent third parties, and establish a services model tailored to such customers. We have also laid a foundation for us to reach out to more commercial automobile manufacturers as well as different suppliers and customers in the commercial automobile industry in the future.

Financial Independence

We have established our own finance department with a team of independent financial staff, which is responsible for financial control, accounting, reporting, group credit and internal control functions of our Company independent from our Controlling Shareholders.

We can make financial decisions independently and our Controlling Shareholders do not interfere with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with Controlling Shareholders or other enterprises under its control.

During the course of our operation, we have been receiving loans and guarantees from Shaanxi Holding Group and the loans from Shaanxi Holding Group will continue to be provided by Shaanxi Holding Group to our Group after Listing under the Financial Services Framework Agreement. Please refer to the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions" in this prospectus for further details. Please also refer to the section headed "Financial Information — Indebtedness" in this prospectus for the historical amount of the loans and guarantee from Shaanxi Holding Group. As at 31 December 2021, we had aggregate outstanding loans from Shaanxi Holding Group and certain financial indebtedness guaranteed by Shaanxi Holding Group (including (i) bank borrowings, (ii) other borrowings from other financial institutions, (iii) asset-backed notes/securities, and (iv) notes payable) of approximately RMB854.0 million and RMB729.2 million, respectively, representing approximately 13.9% and 11.9% of our aggregate financial indebtedness credit amount (including (i) bank borrowings, (ii) loans from related parties, (iii) other borrowings from other financial institutions, (iv) asset-backed notes/securities, and (v) notes payable) of approximately RMB6,132.4 million. For the years ended 31 December 2019, 2020 and 2021, the average of annual interest rate for loans from Shaanxi Holding Group was approximately 4.8%, 3.8% and 3.4%, respectively, and the average of annual interest rate for loans from independent third party lenders was approximately 4.9%, 4.5% and 4.7%, respectively. The range of annual interest rate for loans from Shaanxi Holding Group is from 3.1% to 5.1%, which is in line with for loans from independent third party lenders of 2.1% to 6.8%.

Notwithstanding the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates for the following reasons:

- as at the Latest Practicable Date, except for loans with a two to three years' fixed term amounted to approximately RMB848.5 million (which we will repay when such loans become due), the Group has fully repaid the abovementioned outstanding loans to Shaanxi Holding Group. While we are able to repay all the outstanding loans from Shaanxi Holding Group, the early repayment of the outstanding loans will not be commercially practicable and favourable to our Group as early repayment will result in a penalty payable by us according to the terms of the loan agreements;

- we intend to reduce the amount of loans guaranteed by Shaanxi Holding Group to RMB211.0 million and nil by 31 December 2022 and 31 December 2023, respectively;

- we have sufficient capital to operate our business independently, and we are capable of obtaining enough financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons. In particular, we have obtained the credit facilities commitments of approximately RMB7.5 billion from independent commercial banks without any assistance, guarantee or security of Controlling Shareholders as at the Latest Practicable Date. Such credit facilities commitments from independent commercial banks can be used as working capital and the credit facilities are sufficient to cover our loans from Shaanxi Holding Group as well as the loans guaranteed by Shaanxi Holding Group;

- we have established long-term relationships with relevant independent third party lenders from which we are able to independently obtain financing on comparable terms to fund our business operations;

- the arrangement of financial services within PRC state-owned enterprises is common and the financial services from Shaanxi Automobile to us are and will continue to be on normal commercial terms or better under the Financial Services Framework Agreement as disclosed under the section headed "Connected Transactions" in this prospectus. We also have discretion in selecting financial services from independent commercial banks as we think fit and appropriate for the benefit of the Group; and

- the interest rates will not be higher than the interest rates for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries as the lending terms applicable to our Group will correspond to those under the financing agreements of Shaanxi Automobile with the lending banks and financial institutions under the "unified borrowing and repayment* (統借統還)" model, which is further explained in the section headed "Connected Transactions — Fully Exempt Continuing Connected Transaction — Provision of Financial Services by Shaanxi Automobile Holding" in this prospectus. Therefore, our business operation and financial performance would not be materially and adversely impacted even if we had to obtain all our financing from independent commercial banks and financial institutions.

On the basis of the abovementioned reasons, our Directors are satisfied that we have sufficient capital for our financial needs and are financially independent of our Controlling Shareholders and their respective associates.

Management Independence

Upon Listing, our Board of Directors will consist of nine Directors, two of whom will continue to hold positions within Shaanxi Automobile Holding and/or its subsidiaries after completion of the Listing. Most of our Directors and senior management have broad experience in commercial automobile supply chain service industry. Set forth below is a table summarising the identities of the two Directors who will continue to hold positions within Shaanxi Automobile Holding and its subsidiaries after the Listing and their respective major positions in our Group and Shaanxi Automobile Holding and its subsidiaries:

Name	Major positions in our Group	Major positions within Shaanxi Automobile Holding and its subsidiaries
Mr. Guo Wancai (郭萬才)	• Chairman of our Board and non-executive Director	Chief accountant of Shaanxi Automobile Holding and Shaanxi Automobile
Mr. Wang Jianbin (王建斌)	• Non-executive Director	Deputy general manager of Shaanxi Commercial Automobile Industry Co., Ltd.; general manager of Shaanxi Automobile Commercial; director of Shaanxi Automobile

For the expertise and experience of the overlapping Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for more details. Save as disclosed above, as of Latest Practicable Date, none of the Directors or Senior management held any positions in Shaanxi Automobile Holding and its subsidiaries (excluding the Group). None of our independent non-executive Directors has any relationship with our Controlling Shareholders other than allowed under Rule 3.13 of the Listing Rules. Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to allow the proper functioning of the Board of Directors.

Upon Listing, save for certain positions held by (i) Mr. Zhang Yu'an (張育安) and (ii) Mr. Wang Jing'an (王敬安) as disclosed in the section headed "Director, Supervisors and Senior Management" in the prospectus, none of our Supervisors will serve as a director, supervisor or senior management of our Controlling Shareholders and their respective associates (other than members of our Group).

We believe that our Directors and senior management will be able to perform their roles in our Company independently and that our Company is capable of managing its business independently of Controlling Shareholders after completion of the Listing for the following reasons:

- seven out of nine members of the Board of Directors do not hold any director, supervisor or senior management position in Controlling Shareholders and their respective associates (other than members of our Group), and it is the Board of Directors as a whole, and not any individual Director, that makes decisions for our Company pursuant to the Articles of Association;

- the decision-making mechanism of the Board of Directors set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among other things, that in the event of a conflict of interest, such as a consideration of resolutions in relation to connected transactions with Controlling Shareholders, the relevant Director who is connected with Controlling Shareholders shall abstain from voting and will not be counted in the quorum. Furthermore, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;

- the day-to-day operation of our Company is not only managed by our executive Directors, but also by the senior management of our Company and our subsidiaries;

- none of our Directors, Supervisors or members of senior management have any shareholding interests in our Controlling Shareholders;

- each of our Directors is aware of his fiduciary duties as a director, which requires, among other things, that he acts for the benefit and in the best interests of our Company; and

- we have appointed three independent non-executive Directors, comprising one-third of the total number of Board members, to provide a balance in the number of interested and independent Directors with a view to promote the interests of our Company and our Shareholders as a whole.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interest arising from any future potential competing business of our Controlling Shareholders:

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the Board meeting;

- where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of its close associates (other than members of our Group) has a material interest, such Controlling Shareholders shall not exercise its voting rights on the relevant resolutions;

- the Company has established internal control mechanisms to identify connected transactions. For further details, please refer to the section headed "Connected Transactions – Internal Control Procedures in relation to Continuing Connected Transactions". Upon the Listing, if the Company enters into connected transactions with the Controlling Shareholders or any of its associates (other than members of our Group), the Company will comply with the applicable requirements under the Listing Rules;

- we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;

- in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between the Group on one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of the Company where necessary;

- in December 2020, the Company adopted the "Management System for Conflicts of Interest" policy, which provides for the prevention of conflict of interest by directors, supervisors and senior management of the Company, including defining conflict of interest, setting out specific arrangements for the prevention of conflicts of interest, management of conflicts of interest and sanctions for breach of the conflict of interest policy. Pursuant to the "Management System for Conflict of Interest" policy, among others, the Company will provide regular training to their directors, supervisors and senior management on the prevention of conflicts of interest. Furthermore, the directors, supervisors and senior management of the Company are required to sign a declaration in relation to conflicts of interest within one month of their employment or appointment and to sign additional declarations each subsequent year within one month of the anniversary of the employment or appointment. In addition, employees of the Company have the right to report any conflict of interest, and the operations management department of the Company shall promptly investigate the matter and report the findings to both the employee who reported and the Audit Committee, who shall take appropriate actions based on the findings; and

- we have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Upon Listing, transactions between our Group and our connected persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS OF OUR COMPANY

Upon Listing, the following entities, with whom we have entered into certain transactions in the ordinary and usual course of our business, will become the connected persons of our Company:

Shaanxi Automobile

Shaanxi Automobile is a limited liability company established in the PRC in 1989 and was converted into a joint stock company with limited liability on 30 March 2021. Its principal business activities include research and development, production and sales of commercial automobiles, special purpose automobiles and commercial automobile components. As at the Latest Practicable Date, Shaanxi Automobile held approximately 92.09% of our issued share capital and will continue to be one of our Controlling Shareholders holding approximately 69.07% immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). Shaanxi Automobile is therefore our connected person under Chapter 14A of the Listing Rules.

Shaanxi Automobile Holding

As at the Latest Practicable Date, Shaanxi Automobile Holding held approximately 67.06% of Shaanxi Automobile and is the holding company of Shaanxi Automobile. Shaanxi Automobile Holding is also one of our Controlling Shareholders and our connected person under Chapter 14A of the Listing Rules.

Associates of Shaanxi Automobile (excluding members of our Group)

Associates of Shaanxi Automobile (excluding members of our Group), including but not limited to Shaanxi Commercial Automobile and Shaanxi Heavy Duty Automobile, are our connected persons as defined under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions with Shaanxi Automobile Holding and/or its associates (excluding members of our Group) in the ordinary and usual course of business, which will, upon Listing, constitute continuing connected transactions of our Company that are fully exempt from annual reporting, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

Trademark Licensing Framework Agreement

Background of and Reasons for the Transaction

As our Company is a major subsidiary of Shaanxi Automobile and members of our Group have been using certain registered trademarks owned by Shaanxi Automobile (the "**Licensed Trademarks**") in the course of our business operations, and it is in the best interests of our Group and our Shareholders as a whole for us to continue to use the Licensed Trademarks upon Listing. For details of the Licensed Trademarks, please refer to the section headed "Further Information about our Business — Intellectual Property Rights of Our Group — Trademarks" in Appendix VI to this prospectus.

Principal Terms

On 23 June 2022, we entered into a trademark licensing framework agreement (the "**Trademark Licensing Framework Agreement**") with Shaanxi Automobile, pursuant to which Shaanxi Automobile agreed to grant our Group a non-exclusive licence for the use of the Licensed Trademarks on a royalty-free basis. Our Group will use the Licensed Trademarks within the scope specified in the Trademark Licensing Framework Agreement.

The initial term of the Trademark Licensing Framework Agreement will commence on the Listing Date and end on 31 December 2024. The Trademark Licensing Framework Agreement is subject to renewal through mutual consent by the parties.

Implications under the Listing Rules

The Trademark Licensing Framework Agreement was entered into on normal commercial terms or better and the applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, the transactions contemplated under the Trademark Licensing Framework Agreement are exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of Financial Services by Shaanxi Automobile Holding

Background of and Reasons for the Transaction

To promote funding liquidity and strengthen centralised funds management, Shaanxi Automobile Holding has an "unified borrowing and repaying" (統借統還) model. Under the "unified borrowing and repaying" (統借統還) model, Shaanxi Automobile Holding and/or its subsidiaries (the "**Lending Entity**") may borrow from financial institutions (such as banks) (the "**Borrowing**") and allocate funds obtained from the Borrowing to another intra-group entity (the "**Borrowing Entity**").The Borrowing Entity will repay the principal and interest (on the same terms as agreed between the financial institution and the Lending Entity for the Borrowing) to the Lending Entity. The Lending Entity will in turn use such repayment to repay the relevant financial institution. The lending terms applicable to the Borrowing Entity will correspond to those under the financing agreements entered between the Lending Entity and the lending financial institutions. During the Track Record Period, Shaanxi Automobile Holding and Shaanxi Automobile provided loans under its "unified borrowing and repaying" (統借統還) model to our Group.

While we have sufficient capital to operate our business independently and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons, our Directors believe that the continuation of the loans provided by Shaanxi Automobile Holding to us after the Listing will provide the Group with another fund raising channel as an alternative to borrowing from third parties and therefore benefit our Group and the Shareholders as a whole.

Principal Terms

On 23 June 2022, the Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with Shaanxi Automobile Holding, pursuant to which Shaanxi Automobile Holding and/or its associates will provide loans to us.

The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on 31 December 2024, subject to renewal through mutual consent by the parties.

The Financial Services Framework Agreement provides that:

Loans services — Interest rates on the loans to be advanced by Shaanxi Automobile Holding and/or its associates to our Group will be the same as the interest rates the lending banks and financial institutions charged Shaanxi Automobile Holding and/or its associates on the same loans. The interest rates will not be higher than the interest rates for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries as the lending terms applicable to our Group will correspond to those under the financing agreements of Shaanxi Automobile Holding and/or its associates with the lending banks and financial institutions.

Implications under the Listing Rules

The financial services provided to the Group under the Financial Services Framework Agreement would amount to financial assistance by a connected person for the benefit of our Group, which were entered into on normal commercial terms or better and such financial assistance (loans) is not secured by the assets of our Group. Therefore, the financial services provided to the Group under the Financial Services Framework Agreement are exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with Shaanxi Automobile Holding and/or its associates in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (the "**Non-exempt Continuing Connected Transactions**").

Products Purchasing Framework Agreement

Background of and Reasons for the Transaction

During the Track Record Period, our Group procured commercial automobiles, commercial automobile components and others from Shaanxi Automobile Holding and/or its associates. Given our industry experience and our deep understanding of customer needs, we have accumulated many quality customers, which provides us with more bargaining power when we purchase commercial automobiles or commercial automobile components and others from Shaanxi Automobile Holding and/or its associates. At the same time, we also benefit from Shaanxi Automobile Holding's customised services and our long-term stable business relationship with Shaanxi Automobile Holding to enhance our market competitiveness.

While we have readily available access to identical or similar commercial automobiles, commercial automobile components and others from other commercial automobile sales dealers which are independent third parties in the regions where our businesses operate in the PRC, we believe that such direct procurement from independent third parties would not be as efficient either on a cost basis or an operational basis as our current arrangement to procure through Shaanxi Automobile Holding and/or its associates. In addition, since Shaanxi Automobile Holding and/or its associates have been providing us with a long-term stable supply of commercial automobiles, commercial automobile components and others, we believe that Shaanxi Automobile Holding and/or its associates have a deep understanding of our business and operational requirements.

Our Directors believe that it is crucial to maintain a stable and quality supply of commercial automobiles, commercial automobile components and others for our existing and future automobile sales business. With reference to our previous purchasing experience with Shaanxi Automobile Holding and/or its associates, we believe Shaanxi Automobile Holding and/or its associates can continue to efficiently fulfil our requirements with a stable and quality supply of commercial automobiles, commercial automobile components and others. Therefore, we will continue to procure commercial automobiles, commercial automobile components and others from Shaanxi Automobile Holding and/or its associates after Listing.

Principal Terms

On 23 June 2022, we entered into a products purchasing framework agreement (the "**Products Purchasing Framework Agreement**") with Shaanxi Automobile Holding, pursuant to which Shaanxi Automobile Holding and/or its associates will provide certain products to our Company and/or our subsidiaries. These products include commercial automobiles, commercial automobile components and others, such as commercial automobile components management and storage services (the "**Commercial Automobiles and Other Products**").

The initial term of the Products Purchasing Framework Agreement will commence on the Listing Date and end on 31 December 2024, and is subject to renewal through mutual consent by the parties.

Pricing Policy

The terms of the transactions contemplated under the Products Purchasing Framework Agreement will be separately negotiated between Shaanxi Automobile Holding and/or its associates and us on an arm's length basis. The sales price of the Commercial Automobiles and Other Products shall be determined with reference to (i) the ex-factory price set by Shaanxi Automobile Holding and/or its associates, which apply to all commercial automobile dealership groups, and (ii) the technical specifications and requirements of the Commercial Automobiles and Other Products. In order to ensure that the prices of the Commercial Automobiles and Other Products are fair and reasonable, we will generally obtain quotations from independent commercial automobile sales dealers, and compare the price offered by Shaanxi Automobile Holding and/or its associates with those offered by independent commercial automobile sales dealers. If alternatives are available, our Company and our subsidiaries will conduct a price comparison process before selecting suppliers for such alternatives. In such price comparison process, the connected persons of our Company are treated no differently from any other independent suppliers. Consequently, the purchase of the Commercial Automobiles and Other Products by our Company and our subsidiaries from the connected persons of our Company would not be made if our Company and our subsidiaries could obtain better terms from any other independent suppliers.

Historical Transaction Amounts

The aggregate amounts in respect of the purchase of the Commercial Automobiles and Other Products for the years ended 31 December 2019, 2020 and 2021 are set out below:

	Historical figures (RMB thousand)		
	For the year ended 31 December		
	2019	**2020**	**2021**
Purchase of the Commercial Automobiles and Other Products			
Commercial automobiles	583,380	579,883	468,180
Commercial automobiles components and others	2,825	4,264	448
Total	586,205	584,147	468,628

Proposed Annual Caps and their Basis

The maximum aggregate amounts in respect of purchase of the Commercial Automobiles and Other Products for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	**2023**	**2024**
Purchase of the Commercial Automobiles and Other Products			
Commercial automobiles	366,400	423,900	401,000
Commercial automobile components and others	3,600	1,420	600
Total	370,000	425,320	401,600

The above proposed annual caps are determined with reference to the following factors:

(a) the historical transaction amounts in respect of our purchase of the Commercial Automobiles and Other Products from Shaanxi Automobile Holding and/or its subsidiaries;

(b) the historical sales volume of the Commercial Automobiles and Other Products by our Group;

(c) our expected sales volume of commercial automobiles through our commercial automobile dealership network in the next few years, taking into account our business development plans and strategies; and

(d) the expect volume of commercial automobile components purchased from Shaanxi Automobile Holding and/or its associates in the next few years.

Implications under the Listing Rules

Since the applicable percentage ratios (other than the profits ratio) for the Products Purchasing Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Products Purchasing Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Supply of Products and Services Framework Agreements

Background of and Reasons for the Transactions

By leveraging the one-stop service capacity for the commercial automobile industry chain streaming from our integrated business layout, we provide diversified services to individual and corporate customers. During the Track Record Period, our Group provided various products and services, including (i) commercial automobile-related goods, (ii) supply chain services (including transportation, distribution, logistics and warehousing services), and (iii) data-related services to Shaanxi Automobile Holding and/or its associates. In particular, during the Track Record Period, (i) Fargo and Tianxingjian provided commercial automobile-related goods, including intelligent IoV products and aftermarket products, (ii) Fargo and Tonghui provided supply chain services, including transportation, distribution, logistics and warehousing services, and (iii) Tianxingjian provided data-related services to Shaanxi Automobile Holding and/or its associates.

Our Directors consider that the supply of products and services to Shaanxi Automobile Holding and/or its associates would benefit our Group for the following reasons:

(a) our Group and Shaanxi Automobile Holding are long-standing partners;

(b) prices and terms for the products and services provided by us to Shaanxi Automobile Holding and/or its associates are comparable to those offered by us to independent third parties;

(c) according to the Frost & Sullivan Report, Shaanxi Automobile Holding, comprising its close associates, was the fourth largest commercial automobile manufacturer in the commercial automobile sales market in the PRC, thus the supply of products and services to Shaanxi Automobile Holding and/or its associates will provide us with a steady source of income which is in the interest of our Company and our Shareholders as a whole; and

(d) to provide diversified services to commercial automobile manufacturers is one of our important business models and development strategies.

On 23 June 2022, we entered into a supply of products and services framework agreement (the "**Shaanxi Automobile Holding Supply of Products and Services Framework Agreement**") with Shaanxi Automobile Holding, pursuant to which our Company and/or our subsidiaries will supply the following types of products and services to Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile): (i) supply chain services, (ii) commercial automobile-related goods and (iii) data-related services (the "**Products and Services Supplied to Shaanxi Automobile Holding**").

On 23 June 2022, we entered into a supply of products and services framework agreement (the "**Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement**" with Shaanxi Heavy Duty Automobile, pursuant to which our Company and/or our subsidiaries will supply the following types of products and services to Shaanxi Heavy Duty Automobile and/or its subsidiaries: (i) supply chain services, (ii) commercial automobile-related goods and (iii) data-related services (the "**Products and Services Supplied to Shaanxi Heavy Duty Automobile**").

Further details of the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement and the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement are set out below.

1. Shaanxi Automobile Holding Supply of Products and Services Framework Agreement

Principal Terms

The initial term of the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will commence on the Listing Date and end on 31 December 2024. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement may be automatically renewed for a further term of three years from time to time, unless the Company provides a written notice to terminate the agreement during its term. Upon renewal of the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances and the Company will continue to comply with the applicable disclosure and/or independent Shareholders' approval requirements under the Listing Rules and other requirements.

Pricing Policy

The amount of fees to be charged by us in respect of the transactions contemplated under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will be separately negotiated between our Group and Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile).

The sales price or the services fee of the Products and Services Supplied to Shaanxi Automobile Holding charged by our Group under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will be determined on "cost-plus" basis (principle of cost plus a reasonable margin) and with reference to the market rate. The "market rate" represents the price provided or obtained by an independent third party in respect of a same or similar product or service in the same area on normal commercial terms during the ordinary course of business of the parties.

- With respect to the supply chain services, the service fee of supply chain services will be determined based on a "cost-plus" basis and with reference to the market rate. In particular, Tonghui will update its scale of fees in relation to its provision of logistics services on an annual basis by taking into account relevant factors, including but not limited to gasoline and diesel prices, national toll billing policies, transportation methods, management expense, tax rates and reasonable gross profit margins and for each transaction entered by both parties under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement the services fee charged by our Group will be in line with such scale.

- With respect to the commercial automobile-related goods the sales price of such goods will be determined on a "cost-plus" basis and with reference to the market rate. The reasonable margin of the sales price of such goods, will primarily be determined based on the gross profit margin of each product.

- With respect to the data-related services, the service fee of data-related services will be determined based on a "cost-plus" basis. For each transaction entered by both parties under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement, the parties will negotiate the services fee charged by our Group separately on an arm's length basis, by taking into account relevant factors, including but not limited to research and development costs, labour and operation costs as well as reasonable gross profit margins.

We will make reference to the applicable historical prices of the Products and Services Supplied to Shaanxi Automobile Holding and the fees we charged from independent third parties, to ensure that the terms of the supply of the Products and Services Supplied to Shaanxi Automobile Holding are fair and reasonable.

Historical Transaction Amounts

The aggregate amounts in respect of the Products and Services Supplied to Shaanxi Automobile Holding for the years ended 31 December 2019, 2020 and 2021 are set out below:

	Historical figures (RMB thousand)		
	For the year ended 31 December		
	2019	**2020**	**2021**
Supply of commercial automobile-related goods			
Intelligent IoV products	936	100,828	113,721
Supply of supply chain services	59,595	116,714	119,761
Supply of data-related services	–	–	–
Total	60,531	217,542	233,482

Proposed Annual Caps and their Basis

The maximum aggregate amounts in respect of the Products and Services Supplied to Shaanxi Automobile Holding for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	**2023**	**2024**
Supply of commercial automobile-related goods			
Intelligent IoV products	78,170	110,500	111,600
Supply of supply chain services	146,000	192,000	199,600
Supply of data-related services	400	500	600
Total	224,570	303,000	311,800

The above proposed annual caps are estimated on the basis of:

(a) the historical transaction amounts in respect of the Products and Services Supplied to Shaanxi Automobile Holding;

(b) the current products and services capacity of our Group; and

(c) the estimated increase in demand for the Products and Services Supplied to Shaanxi Automobile Holding as driven by the estimated growth in the production and sales volume of commercial automobiles manufactured by Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile), in particular, we expect the sales volume of commercial automobiles manufactured by Shaanxi Commercial Automobile to increase gradually as its production operation continues to mature. As we are the sole supplier of intelligent IoV products for Shaanxi Commercial Automobile, and our IoV products can be directly installed onto the commercial automobiles manufactured by Shaanxi Commercial Automobile, such estimated growth in the production and sales volume of commercial automobiles manufactured by Shaanxi Commercial Automobile is expected to lead to an increase in demand for our intelligent IoV products. Further, as we are the sole services provider of automobile manufacturing supply chain services and automobile logistics services of Shaanxi Commercial Automobile, the aforesaid estimated growth in the production and sales volume of commercial automobiles manufactured by Shaanxi Commercial Automobile is also expected to lead to an increase in demand for our supply chain services.

Implications under the Listing Rules

Since the applicable percentage ratios (other than the profits ratio) for the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement

Principal Terms

The initial term of the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will commence on the Listing Date and end on 31 December 2024. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement may be automatically renewed for a further term of three years from time to time, unless the Company provides a written notice to terminate the agreement during its term. Upon renewal of the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances and the Company will re-comply with the applicable disclosure and/or independent Shareholders' approval requirements under the Listing Rules and other requirements.

Pricing Policy

The amount of fees to be charged by us in respect of the transactions contemplated under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will be separately negotiated between our Group and Shaanxi Heavy Duty Automobile and/or its subsidiaries.

The sales price or the services fee of the Products and Services Supplied to Shaanxi Heavy Duty Automobile charged by our Group under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will be determined on "cost-plus" basis (principle of cost plus a reasonable margin) and with reference to the market rate. The "market rate" represents the price provided or obtained by an independent third party in respect of a same or similar product or service in the same area on normal commercial terms during the ordinary course of business of the parties.

- With respect to the supply chain services, the service fee of supply chain services will be determined based on a "cost-plus" basis and with reference to the market rate. In particular, Tonghui will update its scale of fees in relation to its provision of logistics services on an annual basis by taking into account relevant factors, including but not limited to gasoline and diesel prices, national toll billing policies, transportation methods, management expense, tax rates and reasonable gross profit margins and for each transaction entered by both parties under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement the services fee charged by our Group will be in line with such scale.

- With respect to the commercial automobile-related goods the sales price of such goods will be determined on a "cost-plus" basis and with reference to the market rate. The reasonable margin of the sales price of such goods, will primarily be determined based on the gross profit margin of each product.

- With respect to the data-related services, the service fee of data-related services will be determined based on a "cost-plus" basis. For each transaction entered by both parties under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement, the parties will negotiate the services fee charged by our Group separately on an arm's length basis, by taking into account relevant factors, including but not limited to research and development costs, labour and operation costs as well as reasonable gross profit margins.

We will make reference to the applicable historical prices of the Products and Services Supplied to Shaanxi Heavy Duty Automobile and the fees we charged to independent third parties, to ensure that the terms of the supply of the Products and Services Supplied to Shaanxi Heavy Duty Automobile are fair and reasonable.

Historical Transaction Amounts

The aggregate amounts in respect of the Products and Services Supplied to Shaanxi Heavy Duty Automobile for the years ended 31 December 2019, 2020 and 2021 are set out below:

	Historical figures (RMB thousand)		
	For the year ended 31 December		
	2019	**2020**	**2021**
Supply of commercial automobile-related goods	207,327	154,394	91,174
Intelligent IoV products	172,819	149,595	88,944
Aftermarket products	34,508	4,799	2,230
Supply of supply chain services	382,944	459,730	339,971
Supply of data-related services	1,357	16	238
Total	591,628	614,140	431,383

Proposed Annual Caps and their Basis

The maximum aggregate amounts in respect of the Products and Services Supplied to Shaanxi Heavy Duty Automobile for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	**2023**	**2024**
Supply of commercial automobile-related goods	103,290	110,000	109,100
Intelligent IoV products	96,290	100,000	100,600
Aftermarket products	7,000	10,000	8,500
Supply of supply chain services	350,400	500,500	550,700
Supply of data-related services	10,700	11,000	13,500
Total	464,390	621,500	673,300

The above proposed annual caps are estimated on the basis of:

(a) the historical transaction amounts in respect of the Products and Services Supplied to Shaanxi Heavy Duty Automobile;

(b) the current products and services capacity of our Group;

(c) the estimated increase in the demand for the supply of supply chain services as a result of the anticipated expansion of the scope of business and manufacturing plant of Shaanxi Heavy Duty Automobile and/or its subsidiaries;

(d) the estimated demand for the Products and Services Supplied to Shaanxi Heavy Duty Automobile as driven by the estimated stable production and sales volume of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and/or its subsidiaries. As we are the sole supplier of intelligent IoV products for Shaanxi Heavy Duty Automobile, and our IoV products can be directly installed onto the commercial automobiles manufactured by Shaanxi Heavy Duty Automobile, such estimated stable production and sales volume of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile is expected to lead to a steady demand for our intelligent IoV products. Further, as we are the sole services provider of automobile manufacturing supply chain services and automobile logistics services of Shaanxi Heavy Duty Automobile, the aforesaid estimated stable production and sales volume of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile is also expected to lead to a steady demand for our supply chain services; and

(e) the intended future direction of the Group's business development is for it to develop its third party customer base in relation to the supply of commercial automobile related aftermarket products and data-related services.

Implications under the Listing Rules

Since the applicable percentage ratios (other than the profits ratio) for the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL PROCEDURES IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Our Company has adopted the following internal control procedures to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better:

(a) we have adopted and implemented a management system on connected transactions. Under this system, our designated departments including finance management department, audit and supervision department and operation management department will be jointly responsible for reviewing and evaluating the terms of the continuing connected transactions and, in particular, the fairness of the pricing terms and will provide periodic reports on connected transactions to our management team, which is responsible for ensuring that the annual caps of the continuing connected transactions have not been exceeded and that the price of each of the continuing connected transactions remains fair and reasonable;

(b) the independent non-executive Directors will review the continuing connected transactions every year pursuant to Rule 14A.55 of the Listing Rules and confirm in the annual report of our Company that the transactions have been entered into: (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better to our Group; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of our Shareholders as a whole. If our independent non-executive Directors cannot so confirm, we will duly comply with Rule 14A.59 of the Listing Rules by promptly notifying the Stock Exchange and publishing an announcement. The independent non-executive Directors will also review our management system on connected transactions, supervising our implementation and making recommendations to our Board and review and approve connected transactions of our Company and other related matters to the extent authorised by our Board; and

(c) the external auditor of our Company will also conduct an annual review and report on the continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules. We will disclose in our annual reports after the completion of the Listing the work performed by the external auditor of our Company with respect to our continuing connected transactions and their conclusions on whether anything has come to their attention that causes them to believe that such continuing connected transactions (i) have not been approved by the Company's board of directors; (ii) were not, in all material respects, in accordance with the pricing policies of our Company if the transactions involve the provision of goods or services by our Company; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual cap.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on review of continuing connected transaction agreements and the relevant information provided by our Company as well as the discussion with the management team of our Company, the Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for each of the Non-exempt Continuing Connected Transactions are also fair and reasonable and in the interests of our Company and our Shareholders as a whole.

APPLICATION OF WAIVERS FROM THE STOCK EXCHANGE

As the Non-exempt Continuing Connected Transactions are and will continue to be entered into in the ordinary and usual course of our business on a continuing or recurring basis, our Directors (including the independent non-executive Directors) are of the view that strict compliance with the announcement, circular (including independent financial advice) and/or independent Shareholders' approval requirements would impose additional administrative costs and would at times be impracticable.

In this regard, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Non-exempt Continuing Connected Transactions for a term commencing on the Listing Date and ending on 31 December 2024, subject to the aggregate amount of each of the Non-exempt Continuing Connected Transactions for each financial year not exceeding the relevant amount of annual caps stated above.

We will re-comply with the relevant Listing Rules if the relevant amount of annual caps stated above are exceeded or a material change of any of the continuing connected transaction agreements is proposed.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as at the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

OVERVIEW

Our Board of Directors

Our Board of Directors currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following table sets out certain information of our Directors:

Name	Age	Position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group
Mr. Guo Wancai (郭萬才)	48	Chairman of our Board and non-executive Director	17 July 2020	17 July 2020	Responsible for the overall affairs of the Board, and participating in the formulation of business plans, strategies and major decisions of the Group through the Board
Mr. Wang Jianbin (王建斌)	51	Non-executive Director	15 April 2019	5 February 2012	Participating in the formulation of business plans, strategies and major decisions of the Group
Mr. Zhou Qi (周琪)	46	Non-executive Director	10 September 2020	10 September 2020	Participating in the formulation of business plans, strategies and major decisions of the Group
Mr. Wang Runliang (王潤梁)	52	Executive Director and general manager	15 April 2019	9 January 2017	Participating in the formulation of business plans, strategies and major decisions of the Group; responsible for the overall management and operation of the Group
Mr. Wang Wenqi (王文岐)	50	Executive Director and vice general manager	25 December 2020	1 June 2012	Participating in the formulation of business plans, strategies and major decisions of the Group; responsible for the overall management and operation of the Group

Name	Age	Position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group
Ms. Feng Min (馮敏)	34	Non-executive Director and employee representative Director	27 August 2021	1 January 2015	Participating in the formulation of business plans, strategies and major decisions of the Group
Mr. Li Gang (李剛)	48	Independent non-executive Director	25 December 2020	25 December 2020	Offering independent judgement to the Board and serving on Board committees with his extensive teaching and scientific research experience in supply chain management and E-commerce
Mr. Ip Wing Wai (葉永威)	43	Independent non-executive Director	25 December 2020	25 December 2020	Offering independent judgement to the Board and serving on Board committees with his extensive experience in finance, investment and management
Mr. Yu Qiang (余強)	60	Independent non-executive Director	25 December 2020	25 December 2020	Offering independent judgement to the Board and serving on Board committees with his extensive teaching and scientific research experience in transportation and vehicle engineering

Our Board of Supervisors

Our Board of Supervisors comprises three members. The term of office of each Supervisor is three years, renewable upon re-election. The functions and powers of the Board of Supervisors include: (i) monitoring our Company's financial activities, (ii) supervising the performance of duties of our Directors and senior management, (iii) requesting our Directors and senior management to take rectification measures when their actions harm our Company's interests, (iv) holding and presiding over a Shareholders' general meeting in the event that the Board of Directors fail to perform its functions in accordance with the Articles of Association, (v) proposing resolutions at Shareholders' general meetings, (vi) investigating the irregularities in our Company's operations, and (vii) other functions and powers set out in the Articles of Association and conferred by our Shareholders. The following table sets out certain information of our Supervisors:

Name	Age	Position(s) in our Company	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group
Mr. Zhang Yu'an (張育安)	50	Chairman of the Board of Supervisors and shareholder representative Supervisor	25 December 2020	25 December 2020	Leading our Board of Supervisors and monitoring our Group's operations and financial activities
Mr. Wang Jing'an (王敬安)	49	Shareholder representative Supervisor	5 June 2016	5 June 2016	Monitoring our Group's operations and financial activities
Mr. Qin Xiaohui (秦曉輝)	44	Employee representative Supervisor	11 August 2016	22 April 2016	Monitoring our Group's operations and financial activities

Our Senior Management

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information of the members of our senior management:

Name	Age	Position(s) in our Company	Date(s) of appointment	Date of joining our Group	Roles and Responsibilities in our Group
Mr. Wang Runliang (王潤梁)	52	Executive Director and general manager	15 April 2019	9 January 2017	Responsible for the overall management and operation of the Group
Mr. Wang Wenqi (王文岐)	50	Executive Director and vice general manager	25 December 2020	1 June 2012	Responsible for the overall management and operation of the Group
Mr. Lin Jun (林俊)	51	Vice general manager	21 January 2016	1 June 2012	Responsible for the overall management and operation of the Group
Mr. Li Rui (李鋭)	38	Vice general manager	15 February 2021	15 February 2021	Responsible for the overall management and operation of the Group
Mr. Liu Lulu (劉錄錄)	37	Board secretary, financial director and joint company secretary	25 December 2020; 29 January 2019; 20 January 2021	1 April 2013	Responsible for the financial management of the Group, information disclosure of Board related matters and liaison with regulatory authorities

DIRECTORS

Non-executive Directors

Mr. Guo Wancai (郭萬才), aged 48, was appointed as a non-executive Director and the chairman of our Board on 17 July 2020. Mr. Guo is primarily responsible for the overall affairs of the Board, and participating in the formulation of business plans, strategies and major decisions of the Group through being a member of the Board.

Mr. Guo has over 21 years of experience in corporate finance and accounting. During the period from June 1997 to March 2014, Mr. Guo served in various positions of the Financial Assets Division of Shaanxi Nuclear Industry Geology Bureau* (陝西省核工業地質局財務資產處) including as a staff member, assistant accountant, accountant, chief staff member and deputy director. From March 2014 to June 2017, he served as the deputy director of the finance and accounting department of China Shaanxi Nuclear Industry Group Corporation* (中陝核工業集團公司). From March 2014 to December 2015, he acted as the chairman of the board of supervisors of Shaanxi Hechang Electromechanical Equipment Co., Ltd.* (陝西核昌機電裝備有限公司). From June 2017 to August 2019, he served as chief financial officer of Shaanxi Hexin Mining Co., Ltd.* (陝西核鑫礦業有限責任公司), and from October 2018 to August 2019, he also served as the head of the audit department of China Shaanxi Nuclear Industry Group Corporation* (中陝核工業集團公司). Since August 2019, Mr. Guo has been serving as a chief accountant of Shaanxi Automobile Holding and was primarily responsible for relevant work in the finance and audit department. From July 2020 to March 2021, he served as a director of Shaanxi Automobile. From July 2020 to date, he serves as the general accountant Shaanxi Automobile.

Mr. Guo graduated with a bachelor's degree in economics, majoring in accounting, from Central South Institute of Technology* (中南工學院) in the PRC in June 1997.

Mr. Wang Jianbin (王建斌), aged 51, was appointed as a non-executive Director on 15 April 2019. Mr. Wang is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Mr. Wang has over 31 years of experience in the commercial automobile industry. From April 1991 to January 2002, Mr. Wang served as a production dispatcher in axle branch of Shaanxi Automobile Manufacturing General Factory* (陝西汽車製造廠車分廠) (now renamed as Shaanxi Automobile). Mr. Wang served in various positions in Shaanxi Heavy Duty Automobile, including as a sales representative of the Beijing branch from January 2002 to January 2006, officer of the Xinjiang branch from January 2006 to December 2009, and as the vice general manager of the sales department of Shaanxi Heavy Duty Automobile from December 2009 to February 2012. He joined the Group in 2012. From February 2012 to January 2015, he served as general manager of Deewin Financial Leasing and was responsible for overall business operations and management. He then he served as general manager of the Company from December 2014 to January 2016, where he was mainly responsible for the overall business operations and management and major decisions of the Company. From January 2016 to January 2019, in addition to serving as general manager of the Company, he also served in other positions, including as the chairman of Fargo; chairman of Tianxingjian; chairman of Meixin; chairman of Deewin Factoring as well as chairman of Deewin Financial Leasing. From January 2019 to July 2020, Mr. Wang served as general manager of Shaanxi Commercial Automobile and since July 2020, he has served as general manager of Shaanxi Commercial Automobile and deputy general manager of Shaanxi Automobile Industry Co., Ltd.* (陝西汽車實業有限公司). Since March 2021, he has served as a director of Shaanxi Automobile.

Mr. Wang graduated with a major in business administration from Urumqi Vocational University* (烏魯木齊職業大學) in the PRC in January 2011. He then obtained a master's degree in business administration from City University of Macau in Macau in June 2012.

Mr. Zhou Qi (周琪), aged 46, was appointed as a non-executive Director on 10 September 2020. Mr. Zhou is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Mr. Zhou has over 21 years of experience in the commercial automobile industry. During the period from September 2002 to December 2015, he served in various positions and branches in the sales department of Shaanxi Heavy Duty Automobile, including as a sales representative from September 2002 to March 2007, officer of the Shenyang branch from March 2007 to December 2009, officer of the Ningbo branch from December 2009 to April 2012, officer of Shanghai-Ningbo from April 2012 to January 2015 and assistant to general manager of the sales department of Shaanxi Heavy Duty Automobile and manager of the sales and service department from January 2015 to December 2015. From December 2015 to July 2020, he served as director of the special purpose vehicle sales department of Shaanxi Automobile. He is currently serving as the general manager of the sales department of the Shaanxi Heavy Duty Automobile.

Mr. Zhou graduated with major in machinery manufacturing from Xi'an University of Technology* (西安理工大學) in the PRC in July 1997.

As at the Latest Practicable Date, Mr. Zhou was the supervisor of Shaanxi Automobile Group Wenzhou Yunding Automobile Co., Ltd.* (陝西汽車集團溫州雲頂汽車有限公司) ("**Wenzhou Yunding**"), a company established in the PRC. Wenzhou Yunding was principally engaged in the sales of automobiles and automobile parts.

In December 2015, Wenzhou Yunding published a dissolution notice stating that, among other things, Wenzhou Yunding was dissolved by the resolution of its shareholders due to its inability to repay the debts and a liquidation team was established. Wenzhou Yunding had ceased its production and operation. In September 2020, it was resolved at the shareholders' meeting of Wenzhou Yunding that the filing of a bankruptcy application be made by the liquidation team. The bankruptcy process has started on 12 March 2021 and is currently in progress. The first meeting of creditors was convened on 24 August 2021.

Mr. Zhou has confirmed that during the period when he served as a supervisor of Wenzhou Yunding, save as fulfilled the duties as supervisor in accordance with applicable laws and the articles of association of Wenzhou Yunding, he did not involve in the day-to-day management and operation of the business of Wenzhou Yunding, nor breach any fiduciary duties. Mr. Zhou has further confirmed that no misconduct or misfeasance on his part as supervisor led to the bankruptcy application, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the bankruptcy application.

Based on the above, the Sole Sponsor considers that the above incident would not affect the suitability of Mr. Zhou to be our executive Director under Rules 3.08 and 3.09 of the Listing Rules.

Ms. Feng Min (馮敏), aged 34, was appointed as a non-executive Director and an employee representative Director on 27 August 2021. Ms Feng is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Ms. Feng has over 11 years of experience in financial management and accounting. From 2011 to 2014, she worked in the accounts department of Shaanxi Heavy Duty Automobile as a staff. Ms Feng served as a financial staff from April 2014 to December 2014 at the financial and information department of Xi'an Kangmingsi Generator Co., Ltd.* (西安康明斯發動機有限公司). From January 2015 to December 2016, she served as head of accounting and accounting manager of the operations centre of the Company. Since January 2017, Ms Feng served as the deputy director and director of the financial management department of the Company.

Ms Feng graduated with a bachelor's degree in accounting from Wuhan University of Technology* (武漢理工大學) in the PRC in 2011.

Executive Directors

Mr. Wang Runliang (王潤梁), aged 52, was appointed as an executive Director on 15 April 2019. He is also the general manager of the Company. Mr. Wang is primarily responsible for the overall management and operations of the Group.

Mr. Wang has over 26 years of experience in commercial automobile industry. Mr. Wang joined Shaanxi Automobile in 1993, during which he served at Shaanxi Automobile (previously known as Shaanxi Automobile Manufacturing) as a staff of the finance section from August 1993 to September 2002, and from September 2002 to May 2003 as a staff of the finance section of the sales department. From May 2003 to February 2008, he served as the chief of integrated finance section of sales department of the Shaanxi Heavy Duty Automobile. From February 2008 to January 2013, he served as the deputy general manager of integrated management department of the sales department of Shaanxi Heavy Duty Automobile. From May 2013 to January 2017, he served as deputy general manager of Shanzhong Financial Leasing Co., Ltd.* (山重融資租賃有限公司) and responsible for overall management and management. He served as deputy general manager the Company from January 2017 to January 2019, and then he has served as the general manager of the Company since January 2019.

Mr. Wang graduated with a major in financial accounting (online courses), from Xi'an Jiaotong University, School of Network Education* (西安交通大學網絡教育學院) in the PRC in July 2010.

Mr. Wang Wenqi (王文岐), aged 50, was appointed as an executive Director on 25 December 2020. He is also the vice general manager of the Company. Mr. Wang is primarily responsible for the overall management and operations of the Group.

Mr. Wang has more than 31 years of experience in the commercial automobile industry. From December 1990 to March 2002, he worked at Shaanxi Automobile (formerly known as Shaanxi Automobile Manufacturing Plant (Engine branch)* 陝西汽車製造總廠發動機分廠) as a staff. From April 2002 to November 2007, he worked at the Shanghai branch, the Nanjing branch and the Shandong branch of Shaanxi Automobile. From December 2007 to November 2010 and from November 2010 to April 2012, he served as officer of the Wuhan branch and the Shanghai-Ningbo branch of Shaanxi Heavy Duty Automobile, respectively. Mr. Wang served as general manager of the leasing division from June 2012 and then serve as deputy general manager in Deewin Financial Leasing since January 2014. From January 2016 to January 2017, he served as the deputy general manager of the Company. He has been serving as the general manager of Tonghui since January 2017 and chairman of Tonghui since April 2019, and responsible for the overall management and operation of Tonghui.

Mr. Wang graduated from Shaanxi Automobile Technical School* (陝西汽車技工學校) in the PRC in August 1990 and he studied major of business administration (MBA) in Xi'an Jiaotong University* (西安交通大學) in the PRC in April 2012.

Independent Non-Executive Directors

Mr. Li Gang (李剛), aged 48, was appointed as an independent non-executive Director on 25 December 2020. Mr. Li is primarily responsible for supervising and providing independent judgement to our Board.

Mr Li has been engaged in teaching and scientific research in the field of supply chain management and e-commerce, internet business innovation, as well as business analytics and intelligent decision-making for over 20 years. Mr. Li worked as a assistant professor and associate professor of Xi'an Jiaotong University* (西安交通大學) from February 2005 to December 2014. He is currently a professor and Ph.D. supervisor of Xi'an Jiaotong University since December 2014. From October 2011 to February 2012, he was an International Faculty Fellow at The Massachusetts Institute of Technology Sloan School of Management. From July to August 2016, he was a Visiting Professor at Hong Kong Polytechnic University. From September 2017 to August 2018, he was a Fulbright Visiting Research Scholar at the University of Florida.

Mr. Li graduated with a bachelor's degree in computer and application from Xidian University* (西安電子科技大學) in the PRC in July 1996. He also obtained a master's degree in computer and application from Xi'an Shiyou University* (西安石油大學) in the PRC in June 2001. He obtained a doctor degree in management science and engineering from Xi'an Jiaotong University* (西安交通大學) in the PRC in May 2005.

Mr. IP Wing Wai (葉永威), aged 43, was appointed as an independent non-executive Director on 25 December 2020. Mr. Ip is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ip has over 22 years of experience in the accounting, auditing and corporate field. Mr. Ip worked in KPMG from September 2000 to September 2003 and Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange (Stock Code: 392)) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Fortune Dragon Group Limited. He was in charge of financial reporting, corporate finance, mergers and acquisitions and company secretarial matters. He then worked with Shougang Fushan Resources Group Limited (a company listed on the Stock Exchange (Stock Code: 639)) as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the group's financial reporting, project evaluation, regulatory compliance and investors relationship. From June 2015 to May 2018, Mr. Ip served as executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (a company listed on the GEM of the Stock Exchange (Stock Code: 8095)) and then has served as the non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited from May 2018 to May 2021. Mr. Ip has worked at King Stone Energy Group Limited (a company listed on the Stock Exchange (Stock Code: 663)) since April 2010 as the chief investment officer and currently serves as a vice president at the group. Mr. Ip has been appointed as the independent non-executive director of 8088 Investment Holdings Limited (formerly known as AID Life Science Holding Limited) (a company listed on the GEM of the Stock Exchange (Stock Code: 8088)) ("**8088 Investment**"), since 2020.

Mr. Ip holds a bachelor's degree in Business Administration in Accounting from The Hong Kong University of Science and Technology in Hong Kong in 2000. He is a member of The Hong Kong Institute of Certified Public Accountants since July 2004.

During Mr. Ip's tenure at 8088 Investment as an independent non-executive director, on July 2020, 8088 Investment received a demand letter from its bondholder of the convertible bonds to demand for the repayment of the outstanding convertible bonds in the principal amount of HK$140 million together with all interests accrued (the "**Debt**"). On 31 July 2020, in order to facilitate 8088 Investment's financial restructuring, a winding up petition together with an application for the appointment (the "**JPL Application**") of joint and several provisional liquidators of 8088 Investment (the "**JPLs**") for restructuring purposes was presented and filed with the Cayman Court. On 6 August 2020 (Hong Kong time), 8088 Investment received the sealed Court Order (the "**Order**") in relation to the JPL Application. On 26 February 2021, 8088 Investment completed restructuring its major debt with its maturity date having been extended for 18 months. As agreed by the JPLs, the liquidity issue of 8088 Investment had been resolved. Accordingly, 8088 Investment, with the support of the JPLs, made an application to the Cayman Court for withdrawal of the Petition and discharge of the JPLs' appointment. On 26 February 2021, the Cayman Court granted an order to approve the above application and the JPLs have therefore been discharged and 8088 Investment exited the provisional liquidation (for restructuring purposes) on the same date. Thereafter, it was announced by 8088 Investment on 12 March 2021 that, having considered 8088 Investment to have failed to carry out business with sufficient levels of operation and assets of sufficient value to support its operations to warrant the continued listing of its shares, the Stock Exchange has decided to suspend trading in such shares. 8088 Investment has since submitted a written request to the GEM Listing Committee of the Stock Exchange on 19 March 2021 to request for a review of the suspension decision. The GEM Listing Committee of the Stock Exchange subsequently upheld the suspension decision and trading in the shares of 8088 Investment had been suspended since 16 July 2021.

As at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Ip in relation to the abovementioned provisional liquidation of 8088 Investment.

Mr. Ip was the director of each of Brand Rich International Limited and Top Galaxy Trading Limited. Both companies were incorporated in Hong Kong, principally engaged in investment holding and were dissolved by deregistration on 2 May 2014. Mr. Ip has confirmed that each of the above companies was solvent at the time of it being dissolved by deregistration and that no misconduct or misfeasance on his part as director led to the companies' dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Mr. Yu Qiang (余強), aged 60, was appointed as an independent non-executive Director on 25 December 2020. Mr. Yu is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Yu has been engaged in teaching and scientific research in the field of transportation and vehicle engineering specialising in smart cars, new energy automobiles and vehicle system dynamics for over 21 years. From 2000 to 2003, Mr. Yu served as the head of the department of vehicle engineering, then from 2003 to 2008 as the deputy dean, and from 2009 to 2018 as the dean of the school of Automobile, Chang'an University* (長安大學汽車學院).

He has published more than 100 academic research papers, including more than 20 Science Citation Index research papers. He has applied for more than 20 invention patents and published three textbooks.

From October 1978 to July 1982, Mr. Yu studied an undergraduate degree in automobile application engineering obtaining a bachelor's degree in Engineering at Xi'an Highway University* (西安公路學院) in the PRC. From September 1982 to September 1985, he studied a postgraduate in automobile application engineering obtaining a master's degree in Engineering at Xi'an Highway University* (西安公路學院). From September 1997 to June 2000, he studied a postgraduate degree in transport engineering obtaining a doctoral degree in engineering at the Chang'an University (formerly known as Xi'an Highway and Jiaotong University) in the PRC.

SUPERVISORS

Mr. Zhang Yu'an (張育安), aged 50, was appointed as the shareholder representative Supervisor and the chairman of the Board of Supervisors on 25 December 2020. Mr. Zhang is primarily responsible for supervising the operations and financial activities of the Group and organising meetings of the Board of supervisors.

From March 2001 to May 2009, he served in different positions in Xi'san Prudential Investment Development Co., Ltd.* (西安保德信投資發展有限責任公司), including as a planning supervisor of the chairman office, general manager of the investment department, deputy general manager of the investment management department, member of the company strategy committee and member of the investment decision-making committee. From May 2009 to May 2010, he served as deputy director of the capital operations department of Shaanxi Electronics Information Group Co., Ltd.* (陝西電子信息集團有限公司). Subsequently, he served as an employee of Shaanxi Automobile from May 2010 to April 2011 and director of investment and capital operations from April 2011 to January 2016. Since January 2016 to date, he has been serving as director of investment and capital operations, and director of the investment securities department of Shaanxi Automobile.

Mr. Zhang graduated with a bachelor's degree, majoring in national economic management from the Northwest University* (西北大學) in the PRC in 1997. He completed the course of in business administration in Northwestern Polytechnical University* (西北工業大學繼續教育學院) in the PRC in 2004.

Mr. Zhang was the supervisor of the Shaanxi Automobile Technology Park Development Co., Ltd.* (陝西汽車科技園發展有限公司) ("**Park Development**") and legal representative and director of Xi'an Taiken Technology Industry and Trade Co., Ltd.* (西安泰肯科工貿有限責任公司) ("**Taiken**"). Park Development was incorporated in the PRC and was principally engaged in research and development of automobile technology. Park Development was dissolved by deregistration on 15 July 2020. Taiken was incorporated in the PRC and was principally engaged in sales of office automation equipment, research and development of electronic products. Taiken was dissolved by deregistration on 22 March 2010. Mr. Zhang has confirmed that each of the above company was solvent at the time of it being dissolved by deregistration and that no misconduct or misfeasance on his part as supervisor, legal representative and director led to the companies' dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Mr. Wang Jing'an (王敬安), aged 49, was appointed as the shareholder representative Supervisor on 5 June 2016. Mr. Wang is primarily responsible for monitoring our Group's operations and financial activities.

Mr. Wang joined Shaanxi Automobile in 1993, where he served in various positions. He served as a staff of the finance department of Shaanxi Automobile from August 1993 to January 2003. He served as a staff and deputy director of the asset management department of Shaanxi Automobile Holding from January 2003 to March 2009, respectively. Mr. Wang then served as the head of the asset operation department of Shaanxi Automobile from March 2009 to August 2012. From August 2012 to January 2016, he served as financial director of the asset operation department of Shaanxi Automobile Holding and from January 2013 to January 2016, he also served as financial director of Shaanxi Automobile Baoji Huashan Engineering Vehicle Co., Ltd.* (陝汽寶雞華山工程車輛有限責任公司), the current name of which is Shaanxi Commercial Automobile. From January 2016 to February 2021, Mr. Wang served as the director of the financial management department of Shaanxi Automobile Holding. Since April 2021, Mr. Wang has served as the chairman of Shaanxi Tongli Special Purpose Automobile Co., Ltd.* (陝西通力專用汽車有限責任公司).

Mr. Wang graduated with a major in economic law from the Shaanxi Institute of Mechanical Engineering* (陝西機械學院), in the PRC in 1993. He obtained the PRC lawyer qualification certificate in September 1995.

Mr. Wang was the supervisor of each of Yulin Shaanxi Lanshi New Energy Automobile Co., Ltd.* (榆林陝汽藍時新能源汽車有限公司) ("**Yulin Lanshi**") and Shaanxi Fukun Wheel Co., Ltd.* (陝西富錕車輪有限公司) ("**Shaanxi Fukun**"). Yulin Lanshi was a company established in the PRC and was principally engaged in the research and development, manufacture and sales of electric automobiles. Yulin Lanshi was dissolved by deregistration on 11 July 2018. Shaanxi Fukun was a company established in the PRC and was principally engaged in the manufacture of wheels and automobile components. Shaanxi Fukun was dissolved by deregistration on 29 June 2018. Mr. Wang has confirmed that each of the above companies was solvent at the time of it being dissolved by deregistration and that no misconduct or misfeasance on his part as supervisor led to the companies' dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

As at the Latest Practicable Date, Mr. Wang was the director of Wenzhou Yunding. In December 2015, Wenzhou Yunding published a dissolution notice stating that, among other things, Wenzhou Yunding was dissolved by the resolution of its shareholders due to its inability to repay the debts and a liquidation team was established. Wenzhou Yunding had ceased its production and operation. In September 2020, it was resolved at the shareholders' meeting of Wenzhou Yunding that the filing of a bankruptcy application be made by the liquidation team. The bankruptcy process has started on 12 March 2021 and is currently in progress. The first meeting of creditors was convened on 24 August 2021.

Mr. Wang has confirmed that during the period when he served as a director of Wenzhou Yunding, save as fulfilled the duties as director in accordance with applicable laws and the articles of association of Wenzhou Yunding, he did not involve in the day-to-day management and operation of the business of Wenzhou Yunding, nor breach any fiduciary duties. Mr. Wang has further confirmed that no misconduct or misfeasance on his part as director led to the bankruptcy application, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the bankruptcy application.

Based on the above, the Sole Sponsor considers that the above incident would not affect the suitability of Mr. Wang to be our executive Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Qin Xiaohui (秦曉輝), aged 44, was appointed as the employee representative Supervisor on 11 August 2016. Mr. Qin is primarily responsible for monitoring our Group's operations and financial activities.

From April 2004 to July 2012, Mr. Qin served as discipline inspection and supervision officer of discipline inspection and audit office of Shaanxi Automobile. From November 2012 to March 2016, he served as general manager assistant and director of the integrated management department of Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陜西中富物聯科技服務有限公司). From April 2016 to February 2018, he served as the chairman of the labour union, deputy director of the administrative personnel department. Since February 2018, he has been serving as the chairman of the labour union, director of the integrated management department of the Company.

Mr. Qin graduated with a major in business administration from the Open College in Central Party School* (中央黨校函授學院) in the PRC in 2006.

Save as disclosed hereinabove, each of our Directors and Supervisors has confirmed that he/she did not hold any directorship in other public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, in the last three years immediately preceding the date of this prospectus. None of our Directors and Supervisors had any relationships with any Directors, Supervisors, or senior management of our Company as at the Latest Practicable Date.

Save as disclosed hereinabove, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, as at the Latest Practicable Date, there were no other matters in respect of each of our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors and Supervisors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Please refer to the paragraphs headed "— Directors — Executive Director" in this section for the biographies of Mr Wang Runliang and Mr. Wang Wenqi.

Mr. Lin Jun (林俊), aged 51, was appointed as the vice general manager of the Company on 21 January 2016. Mr. Lin is primarily responsible for the overall management and operations of the Group.

From August 1990 to January 2003, Mr. Lin served as officer of Handan No. 1 Transportation Corporation No. 2 Auto Repair Factory* (邯鄲市第一運輸總公司第二汽車修理廠). Mr Lin served as manager of sales and credit department, deputy general manager and chairman of the labour union of Handan Group Automobile Trading Service Co., Ltd.* (邯運集團汽車貿易服務有限公司) from January 2003 to April 2010. From April 2010 to April 2011, Mr. Lin served as deputy director of the property management department of Handan Transportation Group Co., Ltd* (邯鄲交通運輸集團有限公司). From April 2011 to September 2012, Mr. Lin served as deputy director of the security technology department then as vice chairman of the labour union of Wanhe Group Co., Ltd.* (萬合集團股份有限公司). He served as general manager of the supply chain division of Deewin Financial Leasing from June 2012 to October 2013. He then served as general manager of Fargo from March 2016 to February 2018. Since January 2016, he has been serving as deputy general manager of the Company.

Mr. Lin graduated (online courses) in law from the Xi'an Jiaotong University (西安交通大學) in the PRC in 2013.

Mr. Lin held positions in the following companies which were incorporated in the PRC and were dissolved by way of deregistration, and the relevant details are as follows:

Name of Company	Positions	Principal business activity	Date of deregistration
Daming County Wanhe Automobile Trading Co., Ltd.* (大名縣萬合汽車貿易有限公司)	Supervisor	Sales of automobiles and automobile components	28 October 2016
Shaanxi New Silk Road Supply Chain Management Co., Ltd.* (陝西新絲路供應鏈管理有限公司)	Director	Logistics and supply chain business	28 June 2018
Shenzhen Fargo Chain Management Co., Ltd.* (深圳遠行供應鏈管理有限公司)	Legal representative, general manager and director	Logistics and supply chain business	1 March 2018
Guangzhou Fargo Logistics Co., Ltd.* (廣州遠行物流有限公司)	Legal representative, general manager and director	Logistics and supply chain business	15 May 2020
Handan Transportation Group Automobile Trade Service Co., Ltd. (Paint Mixing Service Department)* (邯鄲交通運輸集團汽車貿易服務有限公司調漆服務部)	Legal representative	Sales of lubricant	27 March 2012
Wuhan Deyin World Supply Chain Management Co., Ltd.* (武漢德銀天下供應鏈管理有限公司)	Legal representative, general manager and director	Logistics and supply chain business	14 May 2018
Xinjiang Fargo Supply Chain Management Co., Ltd. (Changji Branch)* (新疆遠行供應鏈管理有限公司昌吉市分公司)	Person-in-charge	Logistics and supply chain business	13 December 2019

Mr. Lin has confirmed that each of the above companies was solvent at the time of it being dissolved by deregistration and that no misconduct or misfeasance on his part as director led to the companies' dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Mr. Li Rui (李銳), aged 38, was appointed as the vice general manager of the Company on 15 February 2021. Mr. Li is primarily responsible for the overall management and operation of the Group.

Mr. Li has over 16 years of experience in research and development of heavy truck electronic, electrical systems and intelligent product. Mr. Li served in various positions in the Department of Electronics and Electrical Appliances of the Automotive Engineering Research Institute* (汽車工程研究院電子電器所) of Shaanxi Heavy Duty Automobile, including as a staff of the Department of Electronics and Electrical Appliances from August 2006 to October 2011, the deputy officer and the officer of the General Electrical Layout Room from October 2011 to August 2012 and from August 2012 to July 2015 respectively, the officer of the Applied Technology Research and Development Room from July 2015 to March 2016 and the deputy director of the Department of Electronics and Electrical Appliances from March 2016 to June 2018. Mr. Li served as the director of the Department of Electronics and Electrical Appliances from June 2018 to February 2021.

Mr. Li graduated with a bachelor's degree in electrical engineering and automation from the School of Electrical Engineering of the Xi'an Jiaotong University* (西安交通大學電氣工程學院) in the PRC in July 2006. He then obtained a master's degree in automotive engineering from the School of Automobile of the Chang'an University* (長安大學汽車學院) in the PRC in June 2015.

Mr. Liu Lulu (劉錄錄), aged 37, he was appointed as the financial director of the Company on 29 January 2019, Board secretary of the Company on 25 December 2020 and the joint company secretary of the Company on 20 January 2021. Mr. Liu is primarily responsible for the financial management of the Group, information disclosure of Board related matters and liaison with regulatory authorities.

Mr. Liu has over 12 years of experience in corporate finance. From July 2010 to April 2013, he served as officer of the financial management department of Shaanxi Huazhen Industry and Trade Service Co., Ltd.* (陝西華臻工貿服務有限公司). From November 2013 to April 2016, he served as financial director of Xinjiang Fargo Supply Chain Management Co., Ltd. From April 2016 to February 2018, he served as financial director of Shanghai Fargo. He then served as deputy director of the financial services department of Shaanxi Automobile Holding and was responsible for managing the company's financial affairs from January 2018 to January 2019. Since January 2019, he has been serving as financial director of the Company.

Mr. Liu graduated with a master degree in financial science in 2010 from the Xinjiang University of Finance and Economics* (新疆財經大學) in the PRC.

Save as disclosed hereinabove, each of our senior management has confirmed that he/she did not hold any directorship in other public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, in the last three years immediately preceding the date of this prospectus. None of our senior management had any relationships with any Directors, Supervisors, senior management of our Company as at the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Liu Lulu (劉錄錄), is one of our joint company secretaries. For the biographical details of Mr. Liu Lulu, see "— Senior Management".

Ms. Mak Po Man Cherie (麥寶文) is one of our joint company secretaries and was appointed in January 2021. Ms. Mak Po Man Cherie is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 17 years of experience in the fields of auditing, accounting, corporate finance, compliance and company secretarial. Ms. Mak has been the vice president of SWCS Corporate Services Group (Hong Kong) Limited since October 2019 and was the assistant vice president from August 2018 to September 2019.

Ms. Mak obtained a master of corporate governance degree from the Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003, and a fellow member of the Association of Chartered Certified Accountants in 2006.

BOARD DIVERSITY POLICY

Our Company adopted a board diversity policy setting out the approach to achieve diversity on the Board.

The nomination committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The nomination committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. The nomination committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Board has a balanced mix of experiences and industry background. Our independent non-executive Directors have a diverse education background including economics, business administration and accountancy, as well as different industry backgrounds and professional qualifications. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a wide range of ages comprising members ranging from their 30s to 50s. Taking into account our Company's business model and the backgrounds and abilities of our Directors, the composition of the Board satisfies the board diversity policy.

For details of the composition of the nomination committee of the Board, please refer to the paragraphs headed "— Board committees — Nomination committee" in this section.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee has three members, namely Mr. Ip Wing Wai (葉永威), Mr. Yu Qiang (余強) and Mr. Li Gang (李剛), all being our independent non-executive Directors. Mr. Ip Wing Wai (葉永威) has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include, among others, making recommendations to our Board of Directors on the appointment, reappointment and removal of the external auditor, reviewing our financial information, and assisting our Board of Directors in providing an independent view of our financial reporting, risk management and internal control systems.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee has three members, namely Mr. Li Gang (李剛), Mr. Wang Wenqi (王文岐) and Mr. Yu Qiang (余強). Mr. Li Gang (李剛) has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among others, making recommendations to our Board of Directors on our policy and structure for the remuneration of our Directors and senior management, establishment of a formal and transparent procedure for developing remuneration policy, and the remuneration packages of our executive Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee has three members, namely, namely Mr. Yu Qiang (余強), Mr. Wang Runliang (王潤梁) and Mr. Li Gang (李剛). Mr. Yu Qiang (余強) has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, among others, making recommendations on any proposed changes to our Board of Directors to complement our corporate strategies.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive remuneration from us in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for the years ended 31 December 2019, 2020 and 2021 were approximately RMB0.7 million, RMB1.0 million and RMB2.1 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Supervisors for the years ended 31 December 2019, 2020 and 2021 were approximately RMB0.3 million, RMB0.3 million and RMB0.4 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group's five highest paid individuals, including Directors and Supervisors, for the years ended 31 December 2019, 2020 and 2021 were approximately RMB2.3 million, RMB2.4 million and RMB2.8 million, respectively.

No payment was made by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed hereinabove, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors or Supervisors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2022 to be approximately RMB1.9 million.

COMPLIANCE ADVISER

We have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 and 19A.06 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus;

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our securities, the possible development of a false market in our securities or any other matters under Rule 13.10 of the Listing Rules; and

(e) where there is any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to our Company.

The term of the appointment shall commence on the Listing Date and end (unless renewed) on the date on which our Company complies with Rule 13.46 of the Listing Rules and distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly held, or were entitled to exercise the control of 5.0% or more of our share capital:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the total share capital of Our Company
Shaanxi Automobile[1]	Beneficial owner	Domestic Shares	1,500,146,100	92.09%
	Interest in a controlled corporation	Domestic Shares	117,125,100	7.19%
	Interest in a controlled corporation	Domestic Shares	11,728,800	0.72%
		Subtotal:	**1,629,000,000**	**100.00%**
Shaanxi Heavy Duty Automobile	Beneficial owner	Domestic Shares	117,125,100	7.19%
Shaanxi Automobile Holding[2]	Interest in a controlled corporation	Domestic Shares	1,629,000,000	100.00%
Weichai Power Co., Ltd.[3]	Interest in a controlled corporation	Domestic Shares	117,125,100	7.19%

Notes:

(1) As at the Latest Practicable Date, our Company was owned as to 92.09%, 7.19% and 0.72% by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, respectively. Shaanxi Heavy Duty Automobile was owned as to 49.00% by Shaanxi Automobile and Shaanxi Commercial Automobile was owned as to 68.51% by Shaanxi Automobile. By virtue of the SFO, Shaanxi Automobile is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile are interested.

(2) As at the Latest Practicable Date, Shaanxi Automobile was owned as to 67.06% by Shaanxi Automobile Holding. By virtue of the SFO, Shaanxi Automobile Holding is deemed to be interested in all the Shares in which Shaanxi Automobile is interested.

(3) As at the Latest Practicable Date, Shaanxi Heavy Duty Automobile was owned as to 51.00% by Weichai Power Co., Ltd., a company listed on the Stock Exchange (stock code: 2338) and the Shenzhen Stock Exchange (stock code: 000338). By virtue of the SFO, Weichai Power Co., Ltd. is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile is interested.

So far as is known to the Directors as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), each of the following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the total share capital of Our Company
Shaanxi Automobile	Beneficial owner	Domestic Shares	1,500,146,100	69.07%
	Interest in a controlled corporation	Domestic Shares	117,125,100	5.39%
	Interest in a controlled corporation	Domestic Shares	11,728,800	0.54%
		Subtotal:	**1,629,000,000**	**75.00%**
Shaanxi Heavy Duty Automobile	Beneficial owner	Domestic Shares	117,125,100	5.39%
Shaanxi Automobile Holding(2)	Interest in a controlled corporation	Domestic Shares	1,629,000,000	75.00%
Weichai Power Co., Ltd.(3)	Interest in a controlled corporation	Domestic Shares	117,125,100	5.39%

Notes:

(1) Our Company will be owned as to 69.07%, 5.39% and 0.54% by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, respectively, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). As at the Latest Practicable Date, Shaanxi Heavy Duty Automobile was owned as to 49.00% by Shaanxi Automobile and Shaanxi Commercial Automobile was owned as to 68.51% by Shaanxi Automobile. By virtue of the SFO, Shaanxi Automobile is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile are interested.

(2) As at the Latest Practicable Date, Shaanxi Automobile was owned as to 67.06% by Shaanxi Automobile Holding. By virtue of the SFO, Shaanxi Automobile Holding is deemed to be interested in all the Shares in which Shaanxi Automobile is interested.

(3) As at the Latest Practicable Date, Shaanxi Heavy Duty Automobile was owned as to 51.00% by Weichai Power Co., Ltd., a company listed on the Stock Exchange (stock code: 2338) and the Shenzhen Stock Exchange (stock code: 000338). By virtue of the SFO, Weichai Power Co., Ltd. is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile is interested.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the Global Offering and (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company.

SHARE CAPITAL

As at the Latest Practicable Date, the registered share capital of our Company was RMB1,629,000,000, divided into 1,629,000,000 Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares(1)	1,629,000,000	75.00%
H Shares to be issued by our Company under the Global Offering	543,000,000	25.00%
Total	2,172,000,000	100.00%

Note:

(1) These Domestic Shares are held by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile which may be converted into H Shares. See "— Conversion of Our Domestic Shares into H Shares"

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares(1)	1,629,000,000	72.29%
H Shares to be issued by our Company under the Global Offering	624,450,000	27.71%
Total	2,253,450,000	100.00%

Note:

(1) These Domestic Shares are held by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile which may be converted into H Shares. See "— Conversion of Our Domestic Shares into H Shares"

CLASS OF SHARES

Upon the completion of the Global Offering, the Shares will consist of Domestic Shares and H Shares. Our Domestic Shares and H Shares are all ordinary shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, our H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Our Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarised in the section headed "Appendix V — Summary of the Articles of Association" in this prospectus.

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a separate class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarised in the section headed "Appendix V — Summary of the Articles of Association" in this prospectus.

Save as disclosed above, our Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for our H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for our Domestic Shares will be paid in Renminbi.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires that there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25.00% of the issuer's total issued shares must at all times be held by public, and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25.00% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15.00% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK$125,000,000.

Based on the information in the above tables, the Company will meet the public float requirements under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Hong Kong Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedure for Conversion

Following the grant of relevant approvals, the holder of Domestic Shares shall submit an application to us to deregister the Domestic Shares to be converted from the Domestic Share register, together with the relevant document(s) of title. Upon obtaining all the requisite approvals, we will instruct the H Share Registrar to issue certificates of such number of H Shares to the relevant holders. Registration on our H Share register will be on the condition that (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules as well as the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. The converted Shares will not be listed as H Shares until they are registered on our H Share register.

As at the Latest Practicable Date, our Directors were not aware of any intention of any holders of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred within one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register its shares that are not listed on an overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon listing of our H Shares and provide a written report to the CSRC regarding the centralised registration and deposit of our Domestic Shares as well as the offering and listing of our H Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, please refer to the section headed "Appendix V — Summary of the Articles of Association" in this prospectus. Furthermore, we need to obtain approvals from the CSRC and other relevant PRC authorities for the actual issuance of H Shares.

THE CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, or cause their designated entities (including qualified domestic institutional investor as approved by the relevant PRC authorities ("**QDII**")) to subscribe, at the Offer Price for such number of Offer Shares that may be purchased for an aggregate amount of US$26.0 million (or approximately HK$204.1 million, calculated based on an exchange rate of US$1.00 to HK$7.85) (the "**Cornerstone Investment**").

Assuming an Offer Price of HK$1.78, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 114,660,000 Offer Shares, (a) representing approximately 21.12% of the Offer Shares pursuant to the Global Offering and approximately 5.28% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 18.36% of the Offer Shares pursuant to the Global Offering and approximately 5.09% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK$1.96, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 104,130,000 Offer Shares, representing (a) approximately 19.18% of the Offer Shares pursuant to the Global Offering and approximately 4.79% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)); and (b) approximately 16.68% of the Offer Shares pursuant to the Global Offering and approximately 4.62% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK$2.13, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 95,818,500 Offer Shares, representing (a) approximately 17.65% of the Offer Shares pursuant to the Global Offering and approximately 4.41% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 15.34% of the Offer Shares pursuant to the Global Offering and approximately 4.25% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Our Company is of the view that, the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Further, we believe that we will benefit from the Cornerstone Investment, taking into account the business sectors they primarily focus on, and the potential business synergies between our Cornerstone Investors and us. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's existing shareholders or business partners.

The Cornerstone Investment will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank pari passu in all respect with the fully paid H Shares in issue and will be counted towards the public float of our Company.

Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder (as defined in the Listing Rules) of our Company. The Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) (i) is independent from our Company, its connected persons (as defined under the Listing Rules) and their respective associates; (ii) is not accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive, supervisors, Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of H Shares registered in its name or otherwise held by it; (iii) is not financed by our Company, the Directors, chief executives, supervisors, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates for the purpose of subscription of the Offer Shares; and (iv) is independent from each other.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Investment Agreements would be financed by their own internal financial resources and that they have sufficient funds to settle their respective investments under the Cornerstone Investment. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to its cornerstone investment in the Company and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Investment, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange.

If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before date of commencement of dealings in the H Shares on the Stock Exchange. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred payment for the Offer Shares to be subscribed by the Cornerstone Investors. For details of the Over-allotment Option, see "Structure of the Global Offering — Over-allotment Option."

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Investment.

Shaanxi Tide

Shaanxi Tide Automobile Air Conditioning Co., Ltd. (陝西泰德汽車空調有限公司) ("**Shaanxi Tide**") was established in the PRC in 2011 with an initial registered capital of RMB80.0 million, and it is primarily engaged in development and manufacture of air conditioning systems. Shaanxi Tide specialized in the research and development, manufacture and sales of air conditioning systems and electronic products. Shaanix Tide is both one of our factoring customer during Track Record Period and one of our Controlling Shareholders' supplier. It is ultimately controlled by Mr. Xiao Jiaguo (校甲國), who is an independent third party.

For the purpose of the cornerstone investment, Shaanxi Tide has engaged a trust company, SDIC Taikang Trust Co., LTD. (國投泰康信託有限公司), which is a QDII and provided relevant fund to such trust to indirectly subscribe for or purchase and hold such Offer Shares on its behalf through the establishment of a single fund trust.

Xi'an Yuanda

Xi'an Yuanda Electronic Equipment Co., Ltd. (西安遠大電子設備有限公司) ("**Xi'an Yuanda**") is a company established in PRC in 1993 with an initial registered share capital of approximately RMB10.2 million, which is an industrial enterprise integrating research and development, production and sales of automotive electrical system components, mainly for automotive electronics and automotive control wiring harnesses. Our Company became acquainted with Xi'an Yuanda through introduction by the Company's Controlling Shareholder as it is one of our Controlling Shareholder's supplier. Xi'an Yuanda is ultimately controlled by Wang Zhenliang (王振良) and Ms. Lu Guirong (盧桂榮), all of whom are independent third parties.

For the purpose of the cornerstone investment, Xi'an Yuanda has engaged a trust company, Shanghai International Trust Co., Ltd.* (上海國際信託有限公司), which is a QDII to subscribe for or purchase and hold such Offer Shares on its behalf on a discretionary basis.

Streamax Electronics

Streamax Electronics Limited (銳明電子有限公司) is a company incorporated in Hong Kong with limited liability ("**Streamax Electronics**") on 31 May 2013. It is principally engaged in the purchase and sale of electronic products and import and export trade, information, network technology consulting and services. Streamax Electronics is a wholly-owned subsidiary of Shenzhen Streamax Technology Co., Ltd.* (深圳市銳明技術股份有限公司) ("**Streamax Technology**"). Streamax Technology was incorporated in 2002 and is a company listed on the Main Board of the Shenzhen Stock Exchange (stock code: 002970) and a commercial vehicle safety and informatization solution provider with artificial intelligence and video technology as the core focus. Streamax Technology is committed to using artificial intelligence, high-definition video and big data and other technical means to develop traffic safety and industry informatization products and solutions. During the Track Record Period, Streamax Technology is one of our suppliers and has supplied components for our intelligent IoV products. In addition, it is also entered into the strategic cooperation framework agreement related to the development of the automotive electronics industry with Shaanxi Automobile Holding in 2020. As at 21 June 2022, Streamax Technology has an approximate market value of RMB4.5 billion based on its closing price on the same day.

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK$1.78
(being the low-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired(1)(2)	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares
	(US$ in million)					
Shaanxi Tide	11.0	48,510,000	2.23	8.93	2.15	7.77
Xi'an Yuanda	10.0	44,100,000	2.03	8.12	1.96	7.06
Streamax Electronic	5.0	22,050,000	1.02	4.06	0.98	3.53
Total	26.00	114,660,000	5.28	21.12	5.09	18.36

Based on the Offer Price of HK$1.96
(being the mid-point of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired(1)(2)	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares
	(US$ in million)					
Shaanxi Tide	11.0	44,055,000	2.03	8.11	1.96	7.06
Xi'an Yuanda	10.0	40,050,000	1.84	7.38	1.78	6.41
Streamax Electronics	5.0	20,025,000	0.92	3.69	0.89	3.21
Total	26.00	104,130,000	4.79	19.18	4.62	16.68

Based on the Offer Price of HK$2.13
(being the high-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired(1)(2)	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total Shares immediately upon completion of the Global Offering	Approximate % of the Offer Shares
	(US$ in million)					
Shaanxi Tide	11.0	40,539,000	1.87	7.47	1.80	6.49
Xi'an Yuanda	10.0	36,853,500	1.70	6.79	1.64	5.90
Streamax Electronics	5.0	18,426,000	0.85	3.39	0.82	2.95
Total	26.00	95,818,500	4.41	17.65	4.25	15.34

Notes:

(1) Calculated based on an exchange rate of US$1.00 to HK$7.85.

(2) Subject to rounding down to the nearest whole board lot of 1,500 H Shares.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Investment) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus and other financial information appearing elsewhere in this prospectus. The Accountant's Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual future results could differ significantly from those anticipated in these forward-looking statements due to various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a service provider and a key market player in the commercial automobile service industry in China and one of the few value-added service providers in the industry that can provide integrated solutions covering the commercial automobile industry chain, according to the Frost & Sullivan Report. Our business offerings integrate multiple sections of the commercial automobile industry chain and cover the commercial automobile product lifecycle, which comprise (i) logistics and supply chain service sector, offering supply chain business, automobile sales business and aftermarket product business, (ii) supply chain financial service sector, offering financial leasing business, factoring business and insurance brokerage business, and (iii) IoV and data service sector.

We leveraged our quality customer services to promote our business operation during the Track Record Period. In 2019, 2020 and 2021, our revenue was RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively. During the same years, our gross profit was RMB474.3 million, RMB653.4 million and RMB732.4 million, and our profit for the year was RMB241.1 million, RMB318.0 million and RMB368.7 million, respectively.

BASIS OF PRESENTATION

The companies now comprising our Group, engaging in logistics and supply chain services, supply chain financial services and IoV and data services, were under common control of Shaanxi Automobile, our controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control.

Our historical financial information has been prepared by including the historical financial information of the companies engaged in the logistics and supply chain services, supply chain financial services and IoV and data services, under the common control of Shaanxi Automobile immediately before and after the Reorganisation and now comprising our Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of Shaanxi Automobile, whichever is a shorter period. Please refer to Note 1.3 to the Accountant's Report included in Appendix I to this prospectus for further information.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Macroeconomic Conditions, Industry Standards and Regulatory Policies

China's total investment in transportation infrastructure increased by 9.4% from RMB2,846.6 billion in 2016 to RMB3,115.1 billion in 2017. Such investment was maintained at a relatively stable level, amounting to RMB3,245.1 billion in 2019, and RMB3,424.7 billion in 2020 and is expected to reach RMB3,578.2 billion in 2021, according to Frost & Sullivan. Benefiting from the stable macroeconomic and market conditions, our revenue increased from RMB2,892.0 million in 2019 to RMB3,261.7 million in 2020 and slightly decreased to RMB3,126.9 million in 2021, representing a CAGR of 4.0% from 2019 to 2021. According to the Frost & Sullivan Report, it is expected that the Chinese government will maintain its high level investment in transportation infrastructure in the next four years with an annual investment amount of not less than RMB3,400.0 billion, which will lay the foundation for our future expansion of operational scale and growth.

In addition, changes in industry standards, particularly road transportation regulations and emission standards, could materially impact our results of operations. For instance, the implementation of China's Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB17691-2018) (《重型柴油車污染物排放限值及測量方法) (中國第六階段)》) (GB17691-2018) ("**Phase 6 Automobile Emission Standards**") in Shaanxi Province since 1 July 2019 and its full implementation starting from 1 July 2021 pursuant to the Announcement on Matters concerning the Implementation of China's Phase 6 Automobile Emission Standards for Heavy Diesel Automobiles (《關於實施重型柴油車國六排放標準有關事宜的公告》) published by the Ministry of Ecology and Environment of China (the "**Full Implementation**") led to a significant increase in our sales of automobiles adopting China's Light Duty Automobile Exhaust Emission Limits and Measurement Methods (China Phase Five)* (GB18352.5-2013) (《輕型汽車污染物排放限值及測量方法) (中國第五階段)》) (GB18352.5-2013) ("**Phase 5 Automobile Emission Standards**") in the second half of 2019 due to the relatively higher selling price of automobiles adopting China's Phase 6 Automobile Emission Standards. We expect that the elimination of old automobile models resulted from China's enhancement of national environmental protection policy will bring an increasing demand for more environmentally friendly automobile models. Moreover, GB1589-2016 (Limits of Dimensions, Axle Load and Masses for Motor Vehicles, Trailers and Combination Vehicles) implemented in July 2016 posed strict limits on the height and length of trailers in China and set a new trend for China's automobile transporters to use centre-axle trailer systems, thereby reducing market demand for certain old models of semi-trailer automobiles, but also creating demand for new models of trailers, in particular centre-axle car carriers. The Ministry of Transport published the Automobile Classification of Toll for Highway which took effect since 1 January 2020 (the "**New Toll Classification**"), adopting a new policy to charge toll for highway based on the number of axles of automobiles as opposed to the previous weight-based charge policy. The New Toll Classification is expected to have significant impact on, among others, the logistics industry, which may create market demand for new automobile models for logistics services, such as light commercial automobiles. In particular, the New Toll Classification will result in significant market demand for (i) light commercial automobiles with a total mass of no more than 4.5 tonnes and an automobile length of no more than six metres because they can be benefited from the lowest toll fee level; and (ii) commercial automobile models with fewer axles for the same level of transportation capacity or truckload. Given that (i) the maximum loading capacity of three-axle commercial automobiles is similar to that of two-axle commercial automobiles, which is 18 metric tons, (ii) the average tolls for two-axle and three-axle commercial automobiles will be RMB1.07 per kilometre and RMB1.44 per kilometre, respectively, and (iii) the purchase price of new three-axle commercial automobiles is generally higher than that of two-axle automobiles, it is expected that the demand for two-axle commercial automobiles will increase due to the new Toll Classification. The Company believes that, whilst the commercial automobile users may still prioritise selection criteria such as purchase price, capability and usage of the commercial automobiles when they are purchasing from the Group, it is expected that the New Toll Classification may create additional market demand for models of commercial automobiles the Group sells that will be benefited from the New Toll Classification (such as heavy duty commercial automobiles with two axles) given that such automobile users may pay for a lower toll for highway and thus enjoy a lower operating cost. The Group will assist its customers to understand the potential impact of the New Toll Classification when conducting its commercial automobile sales activities.

It is expected that the Chinese government will promulgate more stringent industry standards, especially those enhancing environmental protection and road safety, on a regular basis. Any future changes in industry standards or regulatory policies may impact our business prospects and results of operations.

In recent years, favourable regulatory policies have also facilitated the growth of our IoV and date service sector. In December 2018, the Ministry of Industry and Information Technology issued "the Industry Development Action Plan for Internet of Vehicle (Intelligent Internet-connected Vehicle)" indicating that a comprehensive IoV application system should be established with an aim to achieve a penetration rate of not less than 30% for IoV users, a loading rate of not less than 30% for new driving assistance system and an installation rate of not less than 60% for IoV information service terminal products on new automobiles. In addition, the "Intelligent Automobile Innovative Development Strategy" issued by the NDRC has indicated the promotion of the coordinated development of IoV and commercialised 5G system. The full commercialisation of 5G technology and improvement of the relevant communication infrastructure also largely promote the increasing application of IoV. Frost & Sullivan expects the application of IoV to become a common practice adopted by mainstream commercial automobile manufacturers in China in the near future. Accordingly, the commercial automobile IoV market penetration rate is estimated to continuously increase from 66.9% in 2021 to 97.5% in 2026, while the size of commercial automobile IoV market was estimated to increase from RMB23.1 billion in 2021 to RMB76.1 billion in 2026. We believe that we will be able to capture such market opportunity and to sustain the growth of our IoV and data service sector.

Development of the China Commercial Automobile Industry

In the recent decade, the China commercial automobile industry has entered into a stable growth stage where the sales of commercial automobiles has been maintained at a relatively high volume with steady growth. In respect of the heavy commercial automobile market, the sales of heavy commercial automobiles was approximately 1,053.7 thousand in 2017 which increased at a CAGR of 7.3% to 1,395.3 thousand in 2021. Frost & Sullivan estimates such sales will remain relatively stable in the future. In respect of the light commercial automobile market, the sales of light commercial automobiles was approximately 2,158.1 thousand in 2017 which increased at a CAGR of 8.4% to 2,978.5 thousand in 2021. Frost & Sullivan estimates such sales to further increase to 3,189.5 thousand in 2026 representing a CAGR of 1.4% during the five-year period.

Leveraging our competitive strengths, our sales of commercial automobiles increased from 2,503 automobiles in 2019 to 2,984 automobiles in 2020. Due to the gradual decline in the market demand for heavy duty commercial automobiles in the 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure, our sales of commercial automobiles decreased from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021, representing a decrease of 35.1%.

In addition, the number of commercial automobiles leased under our financial lease business increased from 19,350 automobiles in 2019 to 28,024 automobiles in 2020. Such number decreased from 28,024 automobiles in 2020 to 20,306 automobiles in 2021, primarily due to a gradual decline in the market demand for heavy duty commercial automobiles in 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure, which resulted in the decrease in the business volume of our financial leasing service for the same year.

The overall growth in the sales volume of the China commercial automobile market has driven the rapid development of the commercial automobile industry chain, including the upstream section of components manufacturing and purchase, the midstream section of commercial automobile manufacturing and sales and the downstream section of end-customer consumption and commercial automobile aftermarket services. For instance, according to Frost & Sullivan, the market size of after-sales repair and maintenance of commercial automobiles increased at a CAGR of 7.7% from approximately RMB299.5 billion in 2017 to approximately RMB403.2 billion in 2021 and is estimated to further increase to approximately RMB599.4 billion in 2026. The market size of commercial automobiles financial services reached approximately RMB73.2 billion in 2021 representing a CAGR of 19.9% from approximately RMB35.4 billion in 2017 and is estimated to steadily increase to approximately RMB92.1 billion in 2026. The market size of commercial automobile IoV services was approximately RMB5.6 billion in 2017 and later increased at a CAGR of 42.5% to approximately RMB23.1 billion in 2021, and is estimated to maintain rapid growth at a CAGR of 26.9% reaching RMB76.1 billion in 2026. To capture the significant growth potential in the sector, we have been strategically developing the upstream, midstream and downstream automobile markets as a full supply chain service provider in the commercial automobile industry. Leveraging our highly integrated and synergetic business model, we will be able to further expand our operational scale and to maintain growth in the coming years. However, our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC. Please refer to the section headed "Risk Factors — Risks Relating to Our Industry — The major focus of our businesses is on the commercial automobile-related industry. Our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC." in this prospectus for further details.

Competition and Pricing

Due to our unique integrated full supply chain service model, we face intense competition from market players in all of our three business sectors, i.e. logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. These competitors range from large state-owned commercial automobile manufacturers and commercial automobile sales dealers to small commercial automobile financing service providers. Competition depends upon a number of factors, including pricing, product quality and performance, energy efficiency and reputation. Being a service provider and a key market player operating with such an integrated full supply chain service model, we have achieved a complete coverage of flow of goods, capital flow and information flow for the commercial automobile industry chain. We successfully leveraged our extensive and direct access to users, one-stop service capability, massive data storage, service offerings and rich industry experience to accumulate significant leading advantages in collaborative customer base expansion, user experience and business innovation, which facilitated our steady growth in recent years and enabled us to stand out from the large number of competitors. Please refer to the section headed "Business — Our Competitive Strengths" in this prospectus for further details.

Along with the future growth of China's commercial automobile market, we expect that competition will become more intensive in the future. Accordingly, we plan to implement a series of future strategies to maintain our growth. For instance, we plan to adopt both offline and online measures to improve the commercial automobile aftermarket service offerings, to focus on improving the core IoV technology and data service capabilities in order to consolidate our industry-leading advantages, to continue to consolidate our industry advantages in supply chain financial services to optimise business structure, and to continuously improve our employees' career prospects and enhance incentive schemes to attract and cultivate industry-leading talents. Please refer to the section headed "Business — Business Strategies" in this prospectus for further details. We believe these strategies will fully leverage the cross-sector synergy of our integrated business model and will enable us to maintain our market position.

Competition is one of the major factors affecting the pricing of our products and services. We generally adopt a cost-plus pricing policy where price is determined based on our cost with mark-up of expected profit margin. The margin is determined with reference to a number of factors, including primarily the type of products and services, the pricing of competing products and services, the affordability and credit of our customers, our market position and the general market conditions. Our competitive advantages over our competitors in terms of capital resources, market forecasting capability, operation synergy and efficiency, market position and reputation, have vested us with strong bargaining power and pricing ability, which in turn led to satisfactory profitability for each of our three business sectors. In 2019, 2020 and 2021, the gross profit margin for our logistics and supply chain service sector was 6.4%, 7.7% and 8.3%, respectively; the gross profit margin for our supply chain financial service sector was 47.9%, 52.6% and 54.2%, respectively; and the gross profit margin for our IoV and data service sector was 36.1%, 37.6% and 41.7%, respectively.

Funding Capabilities and Interest Rate Fluctuation

The operation of our supply chain finance sector is capital intensive. We depend heavily on external financing for a significant portion of our capital needs, including bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-backed notes/securities. As at 31 December 2019, 2020 and 2021, the aggregate balance of our bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-based notes amounted to RMB4,362.3 million, RMB5,985.9 million and RMB5,894.3 million, respectively. Accordingly, interest expense is the most significant component of the supply chain finance sector. In 2019, 2020 and 2021, the blended effective interest rate of our bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-backed notes/securities was 4.9%, 4.0% and 4.6%, respectively. In 2019, 2020 and 2021, our interest expenses incurred by such indebtedness amounted to RMB246.4 million, RMB320.8 million and RMB351.1 million, accounting for 85.2%, 93.0% and 97.8% of our cost of revenue of the supply chain financial service sector in the respective years.

Any interest rate fluctuation in the debt market could have a material impact on our cost structure and in turn our profitability. For example, the implementation of LPR in China in the second half of 2020 has resulted in a decreasing prevailing interest rate in the debt market which is expected to effectively lower our finance cost. Although the interest rate in the debt capital market fluctuated recently, we expect the LPR in China to experience a downward trend in the coming years given the relatively low interest rates prevailing in the international capital markets, which would lower our funding costs and in turn benefit our financial condition. Nonetheless, the fluctuation in interest rates is related to a number of factors, such as global economic environment, monetary policy, foreign exchange controls and credit ratings. Many of these factors may be beyond our control and our results of operations may be adversely impacted if the interest rate of our financings increases and if we are not able to pass the increased financing cost to our customers through pricing strategy. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Changes in the benchmark interest rates set by the PBOC and the interest rates in the market may cause materially adverse effects on our financial leasing business and the factoring business" in this prospectus for further details.

Along with our business expansion, we intend to diversify our sources of funding and to manage our funding costs. We expect that we will have better access to both equity and debt capital markets and therefore enhance our funding capabilities after successful Listing. Our ability to continue to access additional funding may be influenced by factors affecting global credit environment over which we have no control. Any such negative development would impact our sustainability of funding and in turn our results of operations.

Preferential Tax Treatment and Government Subsidy

During the Track Record Period, we benefited from a series of preferential tax treatment, which contributed to our results of operations.

During the Track Record Period, Tianxingjian and Tonghui were both recognised as operators in the incentive industry under the national western development policy, and therefore both enjoyed a preferential EIT rate of 15%. We expect that we will continue to enjoy such preferential tax treatment till 2030 given that the national western development policy will remain effective till then. Tianxingjian also obtained the approval of "High and New Technology Enterprises", and therefore was entitled to a preferential EIT rate of 15% during the Track Record Period. Tianxingjian successfully renewed such "High and New Technology Enterprises" approval recently and will continue to be entitled to the 15% preferential EIT rate from 2021 to 2023. In addition, a VAT ranging from 13% to 17% was charged for our embedded software products, however we enjoyed a refund of VAT for the excess amount paid over an effective VAT rate of 3% during the Track Record Period. A VAT of 6% was charged for the commercial automobile financial leasing service provided by Deewin Financial Leasing, however we enjoyed a refund of VAT for the excess amount paid over an effective VAT rate of 3% during the Track Record Period.

Government subsidies also contributed to our other income during the Track Record Period. According to the Supplemental Memorandum for Deewin Financial Leasing's Relocation to Nanhui New Town entered into between Deewin Financial Leasing and the government of Nanhui New Town, Pudong New District of Shanghai in July 2013, to encourage enterprises to register in Nanhui New Town, in the event that the annual VAT and enterprise income tax paid by Deewin Financial Leasing has reached certain thresholds, it will be entitled to government subsidies amounting to certain percentage of such tax paid since 2014. We received such government subsidies during the Track Record Period. We also received other government subsidies for our Group's general operation and research and development activities. During the Track Record Period, the government subsidies we received amounted to RMB21.3 million, RMB26.2 million and RMB45.0 million in 2019, 2020 and 2021, respectively.

If there is any further change to the preferential tax treatment or the government subsidies that we had been enjoying during the Track Record Period or we are entitled to any additional preferential tax treatment or government subsidies in the future, our income tax expenses and other income may be affected, which would in turn affect our financial condition and profitability.

CRITICAL ACCOUNTING POLICIES, JUDGMENT AND ESTIMATES

The discussion and analysis of our results of operations and financial condition are based on our audited consolidated financial information prepared in accordance with the IFRSs. Our results of operations and financial condition are sensitive to the accounting methods, assumptions and estimates used in the preparation of our consolidated financial information. These estimates, judgments and underlying assumptions are reviewed on an on-going basis based on our historical experience and other factors, including expectations of future events, which we currently believe to be reasonable.

Our significant accounting policies and our critical accounting judgment and key sources of estimation uncertainty are set out in detail in Notes 2 and 4 to the Accountant's Report included in Appendix I to this prospectus, respectively. Actual results may differ from these estimates as facts, circumstances and conditions change, or as a result of different assumptions. We believe the following accounting policies and estimates are critical to an understanding of our financial condition and results of operations, because the application of these policies requires significant management judgment, estimate and assumptions, and the reported amount can be materially different if different judgment was made or different estimates or assumptions were used.

Revenue Recognition

During the Track Record Period, our revenue is primarily derived from logistics and supply chain services, supply chain financial services and IoV and data services, which can be further classified into five categories in terms of principal revenue-generating activities, namely, logistics and warehousing services, sales of goods, interest income from financial leasing business, interest income from factoring business and IoV and data services. Revenue is recognised when or as the control of the goods is transferred or service is rendered to the customer. Management's judgement is required in determining whether control of the goods and services is transferred overtime or at a point in time based on the analysis of the following three criteria: (i) providing all of the benefits received and consumed simultaneously by the customer, (ii) creating and enhancing an asset that the customer controls as our Group performs, and (iii) not creating an asset with an alternative use of our Group and our Group having an enforceable right to request payment for performance completed to date. If any of these three criteria is satisfied, revenue is recognised over time. Otherwise, revenue is recognised at a point in time.

Logistics and warehousing service

Our Group generated logistics and warehousing service revenue from the provision of logistics and warehousing services to customers. We recognise logistics and warehousing services revenue over time in the period in which customers simultaneously receive and consume the benefits provided by the logistics and warehousing services as specified in logistics service contract.

Sales of goods

Our Group sells commercial automobile and components to customers. Customers include commercial automobile sales dealers, transport companies and individual users. Revenue from sales of goods is recognised when control of the products are transferred at a point in time to its customers, that is when the products are delivered and accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. All of the revenue is recognised at the point in time when the control of goods is transferred to the customers.

Interest income from financial leasing business

Our Group provides financial leasing services to end customers and commercial automobile dealers through a sales and leaseback model. The transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method.

Interest income from factoring business

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

IoV and data service

Our Group provides IoV and data service to customers based on the data of automobile generated from intelligent IoV terminal products pre-installed in automobile. Our Group uses sensing and tracking technology to collect IoV data of automobiles, in particular the data of automobile operation, driving behaviour of drivers, location and other types of tracking information, and provides relevant services to various customers. Our Group recognises commercial automobile operating data service revenue over time when our customers simultaneously receive and consume the benefits as specified in the service contract.

Provision for Credit Losses

We account for our credit risk by appropriately providing expected credit losses on a timely basis. The measurement of the expected credit loss allowance for trade receivables, loan receivables, and other receivables, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). In determining the expected credit loss rates, we mainly consider the internal historical loss rates for each category of financial assets, including trade receivables, other receivables and loan receivables, and adjust such internal historical data for forward looking macroeconomic data, including gross domestic product, industrial add value, aggregate finance, fixed asset investment, consumer price index and producer price index.

A number of significant judgements are also required in applying the accounting requirements for measuring expected credit loss, such as (i) determining criteria for significant increase in credit risk, (ii) choosing appropriate models and assumption for the measurement of expected credit loss, (iii) establishing the number and relative weightings of forward looking scenarios for each type of product and associated expected credit loss, and (iv) establishing groups of similar financial assets for the purpose of measuring expected credit loss. These judgements and assumptions and estimates that are used in the measurement of expected credit loss are discussed in details as follows:

Definition of credit-impaired assets

When financial instruments are credit-impaired, we define them as in default. In general, financial assets that are more than 90 days past due are identified as in default.

We consider a financial instrument to be credit-impaired when one or more of the following criteria have been met: (i) principal (including advances, applies to below) or interest is more than 90 days past due, (ii) issuer or obligor is in significant financial difficulty, or has already been insolvent, (iii) it is becoming probable that the borrower will enter bankruptcy, (iv) an active market for that financial asset has disappeared because of financial difficulties of issuers, and (v) other objective evidence indicating impairment of the financial asset.

Judgement criteria for significant increase in credit risk

We consider a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met: (i) principal or interest is more than 30 days past due, and (ii) litigation and other significant adverse issues have negative impacts on obligator's repayment ability.

Description of parameters, assumptions and estimation techniques

We recognise a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. Expected credit loss is the result of discounted product of the weighted average of (i) probability of default, which is the probability of occurrence of default event (debts) in a given period of time in the future, (ii) loss given default, which represents the percentage of amount of loss to be occurred in the event of default to the total risk exposure, and is expressed as the loss percentage per unit of exposure which typically varies by nature of counter party, type and seniority of claim and the availability of collaterals or other credit risk mitigation, and (iii) exposure at default, which represents the amounts we expect to be owned at the time of default by the debtor, reflecting the total amount of possible losses to be incurred.

Forward-looking information

Both the assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through analysis of historical data, we have identified key economic indicators that affect credit risk and expected credit losses of various business types. When considering forward-looking information, the indicators used in the model include gross domestic products, aggregate finance, industrial add value, producer price index, consumer price index and fixed asset investment. We regularly predict the performance of indicators under optimistic scenario, basic scenario and pessimistic scenario. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better or worse than basic scenario respectively, and can also become a source of sensitivity test. We consider statistical analysis and expert judgement results to determine economic forecasts and weights under various scenarios. We measure the provision for impairment by weighted 12-month expected credit loss (stage 1) or weighted lifetime expected credit loss (stage 2 and stage 3). The above weighted expected credit loss is calculated by multiplying the expected credit loss in each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on probability of default and loss given default varies from different business types. We consider internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and probability of default and loss given default. Many of these economic factors may be beyond our control and adversely affect the operations of our business. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our financial leasing business and factoring business may be negatively affected if we are unable to effectively manage and reduce the credit and solvency risks associated with our business and operations and to monitor and maintain the quality of our financial leasing and factoring assets adequately" in this prospectus for further details of such impact on our supply chain financial service sector.

Current and deferred income tax

A deferred income tax asset is recognised for the carry forward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. Management needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual taxes and the estimates, adjustment may be made to the carrying amount of deferred income tax assets.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table below sets forth our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages to our total revenue for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Revenue	2,892,031	100.0	3,261,673	100.0	3,126,850	100.0
Cost of revenue	(2,417,721)	(83.6)	(2,608,258)	(80.0)	(2,394,441)	(76.6)
Gross profit	**474,310**	**16.4**	**653,415**	**20.0**	**732,409**	**23.4**
Selling expenses	(45,600)	(1.6)	(48,135)	(1.5)	(38,232)	(1.2)
Administrative expenses	(117,586)	(4.1)	(129,374)	(4.0)	(127,744)	(4.1)
Research and development expenses	(20,199)	(0.7)	(25,841)	(0.8)	(30,533)	(1.0)
Net impairment losses on financial assets	(24,566)	(0.8)	(101,868)	(3.1)	(146,157)	(4.7)
Other income	21,321	0.7	26,187	0.8	45,028	1.4
Other gains/(losses) – net	1,617	0.1	659	0.0	(829)	(0.0)
Operating profit	**289,297**	**10.0**	**375,043**	**11.5**	**433,942**	**13.9**
Finance income	22,795	0.8	22,799	0.7	12,293	0.4
Finance costs	(7,983)	(0.3)	(3,266)	(0.1)	(6,764)	(0.2)
Finance income – net	14,812	0.5	19,533	0.6	5,529	0.2
Share of net profit of an associate and accounted for using the equity method	3,756	0.1	5,251	0.2	5,123	0.2
Profit before income tax	**307,865**	**10.6**	**399,827**	**12.3**	**444,594**	**14.2**
Income tax expense	(66,719)	(2.3)	(81,790)	(2.5)	(75,857)	(2.4)
Profit for the year	**241,146**	**8.3**	**318,037**	**9.8**	**368,737**	**11.8**
Profit attributable to:						
– The equity holders of the Company	207,493	7.1	273,994	8.4	362,719	11.6
– Non-controlling interests	33,653	1.2	44,043	1.4	6,018	0.2

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. In 2019, 2020 and 2021, our total revenue was RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively, which was all generated in the PRC.

The following table sets forth a breakdown of revenue by business sectors in absolute amounts and as percentages to our total revenue for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Logistics and supply chain service sector	**2,125,248**	**73.5**	**2,252,652**	**69.0**	**2,004,585**	**64.1**
– Sales of goods	722,770	25.0	756,423	23.2	526,154	16.8
– Logistics and warehousing service	1,387,710	48.0	1,477,549	45.3	1,459,858	46.7
– Others[Note (1)]	14,768	0.5	18,680	0.5	18,573	0.6
Supply chain financial service sector	**525,201**	**18.1**	**673,783**	**20.7**	**783,953**	**25.1**
– Interest income from financial leasing business	454,164	15.7	634,585	19.5	747,793	23.9
– Interest income from factoring services	59,110	2.0	38,589	1.2	35,221	1.2
– Others[Note (2) & Note (3)]	11,927	0.4	609	0.0	939	0.0
IoV and data service sector	**241,582**	**8.4**	**335,238**	**10.3**	**338,312**	**10.8**
– Sales of goods	182,101	6.3	253,646	7.8	229,498	7.3
– IoV and data service	59,481	2.1	81,592	2.5	108,814	3.5
Revenue	**2,892,031**	**100.0**	**3,261,673**	**100.0**	**3,126,850**	**100.0**

Notes:

(1) Other revenue from logistics and supply chain service sector was mainly (i) financial leasing assistance service for customers of automobile sales business, and (ii) provisional automobile plate service, which contributed 8.0%, 9.4% and 7.8% of the gross profit from logistics and supply chain service sector during the Track Record Period.

(2) Including the revenue generated from (i) the provision of satellite positioning device and the related installation service to commercial automobiles other than brands from Shaanxi Holding Group in order to facilitate provision of our financial leasing service, and (ii) our insurance brokerage business.

(3) The revenue generated from our insurance brokerage business (which is part of our supply chain financial service sector offering classified in "Others" category above) is not consolidated since 1 July 2019 as a result of transfer of 25% equity interests of Meixin by the Company to a third party, after which the percentage of equity interests in Meixin held by the Company decreased from 55% to 30%. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this prospectus. The revenue generated from our insurance brokerage business amounted to RMB10,109.3 thousand for the six months ended 30 June 2019.

During the Track Record Period, revenue from logistics and supply chain service sector accounted for a majority of our total revenue. Such revenue primarily derived from (i) sales of commercial automobiles and components, including tyres, lubricants and other automobile-related products, (ii) our logistics and warehousing services, and (iii) other services, such as leased automobile management services. Please refer to the section headed "Business — Logistics and Supply Chain Service Sector" in this prospectus for further details.

Supply chain financial service sector was our second largest source of revenue during the Track Record Period. It represented our revenue generated from (i) interest income from financial leasing business operated under a sales and leaseback model, (ii) interest income from factoring service, and (iii) other financial service, such as insurance brokerage business and provision of satellite positioning device and the related installation service under our financial leasing service. Please refer to the section headed "Business — Supply Chain Financial Service Sector" in this prospectus for further details.

IoV and data service sector also contributed a stable percentage of our revenue during the Track Record Period. Our revenue of IoV and data services was generated from (i) sales of intelligent IoV products, and (ii) provision of IoV solutions and data services. Please refer to the section headed "Business — IoV and Data Service Sector" in this prospectus for further details.

Cost of Revenue

Our cost of revenue primarily consisted of (i) for our logistics and supply chain service sector, procurement costs of commercial automobiles, services fees paid to third party transportation fleet involved in our logistics services, depreciation and maintenance of our own transportation fleet involved in our logistics services, (ii) for our supply chain financial service sector, interest expenses of our external financing and marketing expenses, and (iii) for our IoV and data service sector, procurement costs of hardware and data usage.

The following table sets forth a breakdown of our cost of revenue by business sectors in absolute amounts and as percentages to our total revenue for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Logistics and supply chain service sector	**1,989,908**	**68.8**	**2,080,018**	**63.8**	**1,838,344**	**58.8**
– Sales of goods	696,022	24.1	733,657	22.5	509,064	16.3
– Logistics and warehousing service	1,289,969	44.6	1,343,977	41.2	1,323,728	42.3
– Others	3,917	0.1	2,384	0.1	5,552	0.2
Supply chain financial service sector	**273,556**	**9.5**	**319,142**	**9.8**	**358,808**	**11.5**
– Interest income from financial leasing business	234,133	8.1	298,219	9.1	343,093	11.0
– Interest income from factoring service	34,213	1.2	20,408	0.7	14,976	0.5
– Others	5,210	0.2	515	0.0	739	0.0
IoV and data service sector	**154,257**	**5.3**	**209,098**	**6.4**	**197,289**	**6.3**
– Sales of goods	133,834	4.6	187,645	5.7	170,098	5.4
– IoV and data service	20,423	0.7	21,453	0.7	27,191	0.9
Cost of revenue	**2,417,721**	**83.6**	**2,608,258**	**80.0**	**2,394,441**	**76.6**

The following table sets forth a breakdown of our cost of revenue by nature in absolute amounts and as percentages to our total revenue for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Transportation expenses	1,094,239	37.8	1,059,450	32.5	1,077,715	34.5
Purchase cost of commercial automobiles	609,277	21.1	649,310	19.9	423,283	13.5
Raw material consumed	216,440	7.5	287,113	8.8	264,955	8.5
Funding cost	246,367	8.5	320,764	9.8	351,072	11.2
Employee benefit expenses	140,344	4.9	151,675	4.7	127,301	4.1
Outsourced labour costs	14,726	0.5	50,863	1.6	52,039	1.7
Lease expenses	26,672	0.9	21,699	0.7	15,323	0.5
Network traffic costs	14,609	0.5	18,741	0.6	23,104	0.7
Amortisation of right-of-use asset	8,674	0.3	13,164	0.4	23,904	0.8
Depreciation of properties, plant and equipment	9,133	0.3	8,524	0.3	9,456	0.3
Others	37,241	1.3	26,956	0.8	26,289	0.8
Cost of revenue	**2,417,721**	**83.6**	**2,608,258**	**80.0**	**2,394,441**	**76.6**

Gross Profit

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	(in thousands of RMB for gross profit and % for gross profit margin)					
Logistics and supply chain service sector	**135,340**	**6.4**	**172,634**	**7.7**	**166,241**	**8.3**
– Sales of goods	26,748	3.7	22,766	3.0	17,090	3.2
– Logistics and warehousing service	97,741	7.0	133,572	9.0	136,130	9.3
– Others	10,851	73.5	16,296	87.2	13,021	70.1
Supply chain finance sector	**251,645**	**47.9**	**354,641**	**52.6**	**425,145**	**54.2**
– Interest income from financial leasing business	220,031	48.4	336,366	53.0	404,700	54.1
– Interest income from factoring services	24,897	42.1	18,181	47.1	20,245	57.5
– Others	6,717	56.3	94	15.4	200	21.3
IoV and data service sector	**87,325**	**36.1**	**126,140**	**37.6**	**141,023**	**41.7**
– Sales of goods	48,267	26.5	66,001	26.0	59,400	25.9
– IoV and data service	39,058	65.7	60,139	73.7	81,623	75.0
Total	**474,310**	**16.4**	**653,415**	**20.0**	**732,409**	**23.4**

Although our logistics and supply chain service sector generated a majority of our total revenue, the gross profit of this sector was only the second largest among all of our three business sectors, accounting for 28.5%, 26.4% and 22.7% of our total gross profit in 2019, 2020 and 2021, respectively, primarily as a result of its lowest gross profit margin among all of our three business sectors.

With the highest gross profit margin among all of our three business sectors, our supply chain financial service sector contributed a majority of our gross profit during the Track Record Period, accounting for 53.1%, 54.3% and 58.0% of our total gross profit in 2019, 2020 and 2021, respectively.

Our IoV and data service sector achieved relatively high gross profit margin during the Track Record Period. As a result, this sector contributed 18.4%, 19.3% and 19.3% of our total gross profit in 2019, 2020 and 2021, respectively, though its revenue accounted for only 8.4%, 10.3% and 10.8%, respectively, of our total revenue during the same years.

Selling Expenses

Our selling expenses primarily consisted of (i) employee benefits expenses incurred for our sales and marketing staff, including, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) travelling and accommodation costs incurred by business trips of our sales and marketing staff, (iii) business entertainment expenses incurred for our sales and marketing activities, (iv) advertisement expenses, (v) aftersales maintenance expenses for intelligent IoV products, and (vi) others, including primarily transportation allowance, office rent and overheads of our sales and marketing staff and conference expenses.

The following table sets forth a breakdown of the components of our selling expenses in absolute amounts and as percentages to our total selling expenses for the years indicated:

	Year ended 31 December					
	2019		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	34,066	74.7	35,203	73.2	27,290	71.4
Travelling costs	4,429	9.7	4,867	10.1	5,616	14.7
Business entertainment expenses	1,248	2.7	1,207	2.5	1,241	3.2
Advertising expenses	1,126	2.5	633	1.3	1,530	4.0
Aftersales maintenance expenses	56	0.1	8	0.0	61	0.2
Others	4,675	10.3	6,217	12.9	2,494	6.5
Selling expenses	**45,600**	**100.0**	**48,135**	**100.0**	**38,232**	**100.0**

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefits expenses incurred for our management and administrative staff, including wages, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) depreciation of property, plant and equipment used for administrative and general use, (iii) amortisation of intangible assets for administrative and general use, (iv) office rent for management and administrative staff, (v) business entertainment expenses incurred by our management and administrative staff, (vi) conference expenses, (vii) consulting fees paid to external advisors in connection with our conversion from a limited liability company to a joint stock company and for other general consulting projects, and (viii) others, including primarily travelling and accommodation costs incurred by business trips and overheads of our management and administrative staff and advertising expenses for general purposes.

The following table sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages to our total administrative expenses for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	65,386	55.7	74,101	57.2	74,434	58.3
Depreciation of property, plant and equipment	2,615	2.2	2,473	1.9	2,769	2.2
Amortisation of intangible assets	2,607	2.2	2,433	1.9	2,397	1.9
Office rental	8,269	7.0	8,592	6.6	7,553	5.9
Business entertainment expenses	3,819	3.2	2,212	1.7	3,175	2.5
Conference expenses	2,230	1.9	3,207	2.5	514	0.4
Consulting fees	2,678	2.3	4,335	3.4	4,777	3.7
Others	29,982	25.5	32,021	24.8	32,125	25.1
Administrative expenses	**117,586**	**100.0**	**129,374**	**100.0**	**127,744**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consisted of (i) employee benefits expenses incurred for our research and development staff, including wages, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) technical service fees incurred for our outsourced research and development activities and testing fees, (iii) depreciation of property, plant and equipment used for research and development activities, (iv) office rent for our research and development team and activities, and (v) others, including primarily amortisation of intangible assets used for research and development activities.

The following table sets forth a breakdown of the components of our research and development expenses in absolute amounts and as percentages to our total research and development expenses for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	14,287	70.7	17,917	69.3	17,138	56.1
Technical service fees	925	4.6	1,062	4.1	1,841	6.0
Depreciation of property, plant and equipment	3,328	16.5	3,712	14.4	2,451	8.0
Office rental	1,378	6.8	2,250	8.7	5,331	17.5
Others	281	1.4	900	3.5	3,772	12.4
Research and development expenses	**20,199**	**100.0**	**25,841**	**100.0**	**30,533**	**100.0**

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets amounted to RMB24.6 million, RMB101.9 million and RMB146.2 million, respectively, in 2019, 2020 and 2021. Our net impairment losses represented the provision for impairment of certain financial assets and the provision for expected credit losses of our financial assets during the Track Record Period. Our Group calculates the expected credit loss based on the default risk exposure and the expected credit loss rate, which is in turn determined based on the default probability and the default loss rate. In determining the expected credit loss rate, our Group mainly considers internal historical credit losses and other relevant data, and adjusts such data for current conditions and forward looking data. In considering the forward looking data, our Group considers macroeconomic factors including gross domestic product, factory price index of industrial products, industrial add value, completed fixed asset investment and existing reserve scale of social financing. Please refer to the paragraph headed "— Liquidity and Capital Resources — Loan Receivables" in this section for more information.

Other Income

Our other income amounted to RMB21.3 million, RMB26.2 million and RMB45.0 million, respectively, in 2019, 2020 and 2021, which primarily represented subsidies from the PRC government authorities in relation to our Group's general operation and research and development activities recognised in the relevant years. Please refer to the paragraph headed "— Significant Factors Affecting Our Results of Operations — Preferential Tax Treatment and Government Subsidy" in this section for further details.

Other Gains/(Losses), Net

Our net other gains/(losses) consisted of (i) gains on disposal of 25% equity interest of Meixin in June 2019, after which Meixin ceased to be our subsidiary, (ii) gains or losses on disposal of property, plant and equipment, and (iii) others, including primarily our non-operating income or expenses, such as default interest income and liquidated damages.

The following table sets forth a breakdown of the components of net other gains/(losses) in absolute amounts and as percentages to our total net other gains for the years indicated:

	Year ended 31 December					
	2019		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Gains on disposal of a subsidiary	2,647	163.7	–	–	–	–
Gains/(losses) on disposal of property, plant and equipment	(236)	(14.6)	423	64.2	36	(4.3)
Others	(794)	(49.1)	236	35.8	(865)	104.3
Other gains/(losses), net	**1,617**	**100.0**	**659**	**100.0**	**(829)**	**100.0**

Finance Income, Net

We recorded net finance income of RMB14.8 million, RMB19.5 million and RMB5.5 million, respectively, in 2019, 2020 and 2021, which represented the combined effect of our finance income and finance costs for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Finance income	22,795	153.9	22,799	116.7	12,293	222.3
Finance costs	(7,983)	(53.9)	(3,266)	(16.7)	(6,764)	(122.3)
Finance income, net	**14,812**	**100.0**	**19,533**	**100.0**	**5,529**	**100.0**

Our financial income primarily derived from the interest income of our bank deposits. Our financial costs primarily represented the interest expenses incurred for our borrowings to fund our operations other than the supply chain financial service sector and the interest expenses resulted from the unwinding of lease liabilities.

TAXATION

Pursuant to the Enterprise Income Tax Law of the PRC, a uniform 25% EIT rate is generally applied to domestic enterprises, except where a special preferential rate applies. During the Track Record Period, some of our subsidiaries, including Tianxingjian and Tonghui, enjoyed various preferential tax treatment and thus adopted preferential EIT rates. Please refer to the paragraph headed "— Significant Factors Affecting Our Results of Operations — Preferential Tax Treatment and Government Subsidy" in this section for further details on our preferential tax treatment.

In 2019, 2020 and 2021, our income tax expense was RMB66.7 million, RMB81.8 million and RMB75.9 million, respectively. Our effective tax rate was 21.7%, 20.5% and 17.1%, respectively, in 2019, 2020 and 2021. Our effective tax rate was lower than the uniform 25% EIT rate because of the entitlement to preferential tax rate by Tianxingjian and Tonghui during the Track Record Period. Our effective tax rate demonstrated a decreasing trend during Track Record Period primarily because (i) the profit generated by Tianxingjian and Tonghui which enjoyed preferential tax treatment accounted for an increasing percentage of our total profit before income tax during this period; and (ii) the recognition of deferred tax assets related to deductible tax losses of prior years for the year ended 31 December 2021.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2021 Compared to Year Ended 31 December 2020

Revenue

Our total revenue decreased by 4.1% or RMB134.8 million from RMB3,261.7 million for the year ended 31 December 2020 to RMB3,126.9 million for the the year ended 31 December 2021 primarily as a result of the overall decline in the commercial automobile industry.

Revenue generated from our logistics and supply chain service sector decreased by 11.0% or RMB248.1 million from RMB2,252.7 million for the year ended 31 December 2020 to RMB2,004.6 million for the year ended 31 December 2021 primarily due to (i) the decrease in revenue generated from sales of goods of our logistics and supply chain service sector by 30.4% or RMB230.2 million from RMB756.4 million for the year ended 31 December 2020 to RMB526.2 million for the year ended 31 December 2021, and (ii) the decrease in revenue generated from logistics and warehousing service by 1.2% or RMB17.6 million from RMB1,477.5 million for the year ended 31 December 2020 to RMB1,459.9 million for the year ended 31 December 2021. Such decrease in revenue generated from sales of goods of our logistics and supply chain service sector was primarily due to the decrease in sales of commercial automobiles from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021 primarily because of the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021 after experiencing high growth in the prior year and the first half of 2021 as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure. Such decrease in revenue generated from logistics and warehousing service was primarily due to the reduction in our logistics services provided to certain commercial automobile manufacturers as a result of the decrease in production and sales of heavy duty commercial automobiles in the second half of 2021.

Revenue generated from our supply chain financial service sector increased by 16.4% or RMB110.2 million from RMB673.8 million for the year ended 31 December 2020 to RMB784.0 million for the year ended 31 December 2021 primarily due to the increase in our interest income from financial leasing business by 17.8% or RMB113.2 million from RMB634.6 million for the year ended 31 December 2020 to RMB747.8 million for the year ended 31 December 2021. This was primarily the result of the significant increase in end-users' demand for commercial automobile financing services along with the increase in sales of commercial automobiles in 2020, and as revenue from our supply chain financial service sector is recognised in stages, such growth in the number of leased commercial automobiles in 2020 led to increase in revenue in our supply chain financial service sector in 2021.

Revenue generated from our IoV and data service sector increased by 0.9% or RMB3.1 million from RMB335.2 million for the year ended 31 December 2020 to RMB338.3 million for the year ended December 2021 primarily due to the increase in revenue generated from our IoV and data services by 33.3% or RMB27.2 million from RMB81.6 million for the year ended 31 December 2020 to RMB108.8 million for the year ended 31 December 2021 as a result of the increase in revenue generated from our environmental protection supervision IoV service and dump truck supervision IoV service in 2021, partially offset by the decrease in revenue generated from sales of goods of our IoV and data service sector by 9.5% or RMB24.1 million from RMB253.6 million for the year ended 31 December 2020 to RMB229.5 million for the year ended 31 December 2021 primarily due to the decrease in production and sales of heavy duty commercial automobiles in the second half of 2021 for reasons specified herein under "– Year to Year Comparison of Results of Operations – Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 – Revenue" in this section that resulted in the corresponding demand for goods from our IoV and data service sector.

Cost of Revenue

Our cost of revenue decreased by 8.2% or RMB213.9 million from RMB2,608.3 million for the year ended 31 December 2020 to RMB2,394.4 million for the year ended 31 December 2021 as a result of (i) the decrease in cost of our logistics and supply chain service sector by 11.6% or RMB241.7 million from RMB2,080.0 million for the year ended 31 December 2020 to RMB1,838.3 million for the year ended 31 December 2021, (ii) the increase in cost of our supply chain financial service sector by 12.4% or RMB39.7 million from RMB319.1 million for the year ended 31 December 2020 to RMB358.8 million for the year ended 31 December 2021, and (iii) the decrease in cost of our IoV and data service sector by 5.6% or RMB11.8 million from RMB209.1 million for the year ended 31 December 2020 to RMB197.3 million for the year ended 31 December 2021.

The 11.6% decrease in cost of our logistics and supply chain service sector generally corresponded to the 11.0% decrease in revenue generated from this sector for the year ended 31 December 2021.

The 12.4% increase in cost of our supply chain financial service sector generally corresponded to the 16.4% increase in revenue generated from this sector for the year ended 31 December 2021. Such increase in cost of our supply chain financial service sector was primarily due to adjustment of our funding structure where we increased the proportion of other borrowings obtained from other financial institutions in 2021.

There was a 5.6% decrease in cost of our IoV and data service sector, despite the 0.9% increase in revenue generated from such sector for the year ended 31 December 2021, primarily because the increase in revenue generated from our IoV and data services did not lead to a corresponding increase in its associated cost of revenue, whilst there was a decrease in both revenue generated from, and cost of revenue associated with our sales of goods of our IoV and data service sector in similar magnitude.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 12.1% or RMB79.0 million from RMB653.4 million for the year ended 31 December 2020 to RMB732.4 million for the year ended 31 December 2021.

Our gross profit margin increased from 20.0% for the year ended 31 December 2020 to 23.4% for the year ended 31 December 2021 which was primarily attributable to the increase in business volume of, and hence the revenue contribution from our supply chain financial service sector and IoV and data service sector, both of which had a relatively high gross profit margin than that of our other businesses during the same year. Our repayment of the outstanding loans from related parties did not have any material impact over our cost of revenue, gross profit and gross profit margin for the year ended 31 December 2021. Please refer to the paragraphs headed "— Indebtedness — Loan from Related Parties" in this section for further details.

Selling Expenses

Our selling expenses decreased by 20.6% or RMB9.9 million from RMB48.1 million for the year ended 31 December 2020 to RMB38.2 million for the year ended 31 December 2021 primarily due to reduction in wages of our sales and marketing employees in 2021.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB127.7 million for the year ended 31 December 2021 compared to RMB129.4 million for the year ended 31 December 2020.

Research and Development Expenses

Our research and development expenses increased by 18.2% or RMB4.7 million from RMB25.8 million for the year ended 31 December 2020 to RMB30.5 million for the year ended 31 December 2021 primarily due to (i) the continuous increase in our research and development investment in IoV and data services, including the expansion of our research and development team and the procurement of research and development software and equipment, and (ii) cessation of social insurance deduction benefits with respect to our research and development employees due to the COVID-19 as a result of the termination of relevant government subsidy scheme in 2021.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 43.5% or RMB44.3 million from RMB101.9 million for the year ended 31 December 2020 to RMB146.2 million for the year ended 31 December 2021 primarily because we encountered more default from our customers in 2021 due to the overall deteriorated financial and credit status of our customers as impacted by the decline in the overall freight rate in the logistics industry and the upsurge in the price of diesel fuel that led to rising automobile operating costs incurred by, and reduced profitability of some of our customers in 2021. As such, the expected credit loss of such credit-impaired loan receivables from these customers at a higher rate was measured. We continuously monitor and analyse the business operations of our customers and will promptly react to any unfavourable impact brought by the deterioration of our customers.

Other Income

Our other income increased by 71.8% or RMB18.8 million from RMB26.2 million for the year ended 31 December 2020 to RMB45.0 million for the year ended 31 December 2021 primarily due to (i) the increase in governmental subsidies for refund of tax to our financial leasing business by the local government as the tax refund rate increased from 70% to 80%; (ii) the increase in governmental subsidiaries and value-added tax refund received by Tianxingjian; and (iii) the receipt of governmental subsidy by Fargo.

Other Gain/Losses, Net

We incurred net other losses of RMB0.8 million for the year ended 31 December 2021 while we recorded net other gains of RMB0.7 million for the year ended 31 December 2020.

Finance Income, Net

Our net finance income decreased by 71.8% or RMB14.0 million from RMB19.5 million for the year ended 31 December 2020 to RMB5.5 million for the year ended 31 December 2021 primarily due to the combined effects of (i) the decrease in our finance income by 46.1% or RMB10.5 million from RMB22.8 million for the year ended 31 December 2020 to RMB12.3 million for the year ended 31 December 2021, and (ii) the increase in finance costs by 106.1% or RMB3.5 million from RMB3.3 million for the year ended 31 December 2020 to RMB6.8 million for the year ended 31 December 2021. This was primarily due to (i) reduction in finance income resulting from the release of deposits for the notes payable; and (ii) the improved efficiency in use of funds and, as a result, decrease in idle cash which generates interests.

Profit before Income Tax

Our profit before income tax increased by 11.2% or RMB44.8 million from RMB399.8 million for the year ended 31 December 2020 to RMB444.6 million for the year ended 31 December 2021. This was primarily as a result of the increase in our gross profit for the year ended 31 December 2021 as discussed in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Gross Profit and Gross Profit Margin".

Income Tax Expense

Our income tax expense decreased by 7.2% or RMB5.9 million from RMB81.8 million for the year ended 31 December 2020 to RMB75.9 million for the year ended 31 December 2021. This was primarily because we had a lower effective tax rate of 17.1% for the year ended 31 December 2021 as compared to 20.5% for the year ended 31 December 2020 mainly attributable to the recognition of deferred tax assets related to deductible tax losses of prior years for the year ended 31 December 2021.

Profit for the Period

As a result of the above, our profit for the year ended 31 December 2021 increased by 15.9% or RMB50.7 million from RMB318.0 million for the year ended 31 December 2020 to RMB368.7 million for the year ended 31 December 2021.

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

Our total revenue increased by 12.8% or RMB369.6 million from RMB2,892.0 million for the year ended 31 December 2019 to RMB3,261.7 million for the year ended 31 December 2020 primarily as a result of the increased production of commercial automobiles in 2020.

Revenue generated from our logistics and supply chain service sector increased by 6.0% or RMB127.5 million from RMB2,125.2 million in 2019 to RMB2,252.7 million in 2020 primarily due to (i) the increase in revenue generated from sales of goods of our logistics and supply chain service sector by 4.6% or RMB33.6 million from RMB722.8 million in 2019 to RMB756.4 million in 2020, (ii) the increase in revenue generated from logistics and warehousing service by 6.5% or RMB89.8 million from RMB1,387.7 million in 2019 to RMB1,477.5 million in 2020, and (iii) the increase in other revenue of our logistics and supply chain service sector by 26.4% or RMB3.9 million from RMB14.8 million in 2019 to RMB18.7 million in 2020. Such increase in revenue generated from sales of goods of our logistics and supply chain service sector was primarily due to the increase in sales of commercial automobiles from 2,503 automobiles in 2019 to 2,984 automobiles in 2020. Such increase in revenue generated from logistics and warehousing service was primarily due to the growth of our logistics services provided to certain commercial automobile manufacturers in the amount of RMB146.7 million driven by their increased production of commercial automobiles in 2020. Such increase in other revenue of our logistics and supply chain service sector was primarily due to the revenue generated from our newly developed leased automobiles management service of RMB16.6 million in 2020.

Revenue generated from our supply chain financial service sector increased by 28.3% or RMB148.6 million from RMB525.2 million in 2019 to RMB673.8 million in 2020 as a result of the combined effect of (i) the increase in our interest income from financial leasing business by 39.7% or RMB180.4 million from RMB454.2 million in 2019 to RMB634.6 million in 2020 due to the increase in our leased automobiles from 19,350 automobiles in 2019 to 28,024 automobiles in 2020 driven by the continuous expansion of our operational scale of financial leasing business in 2020, and (ii) the decrease in our interest income from factoring service by 34.7% or RMB20.5 million from RMB59.1 million in 2019 to RMB38.6 million in 2020 since we allocated a larger portion of our capital resources for the supply chain financial service sector to support the rapid expansion of our financial leasing business while we controlled the capital investment in our factoring service to maintain a reasonable level of leverage.

Revenue generated from our IoV and data service sector increased by 38.7% or RMB93.6 million from RMB241.6 million in 2019 to RMB335.2 million in 2020 primarily due to (i) the increase in revenue generated from sales of goods of our IoV and data service sector by 39.3% or RMB71.5 million from RMB182.1 million in 2019 to RMB253.6 million in 2020 contributed by the increase in sales of intelligent IoV terminal products to certain commercial automobile manufacturers driven by their increased production of commercial automobiles in 2020, and (ii) the increase in revenue generated from our IoV and data services by 37.1% or RMB22.1 million from RMB59.5 million in 2019 to RMB81.6 million in 2020 primarily due to the introduction of our environmental protection supervision IoV service and the expansion of service areas covered by our dump truck supervision IoV service in 2020, which also corresponded to the increase in sales of intelligent IoV terminal products.

Cost of Revenue

Our cost of revenue increased by 7.9% or RMB190.6 million from RMB2,417.7 million in 2019 to RMB2,608.3 million in 2020 as a result of (i) the increase in cost of our logistics and supply chain service sector by 4.5% or RMB90.1 million from RMB1,989.9 million in 2019 to RMB2,080.0 million in 2020, (ii) the increase in cost of our supply chain financial service sector by 16.6% or RMB45.5 million from RMB273.6 million in 2019 to RMB319.1 million in 2020, and (iii) the increase in cost of our IoV and data service sector by 35.5% or RMB54.8 million from RMB154.3 million in 2019 to RMB209.1 million in 2020.

The 4.5% increase in cost of our logistics and supply chain service sector was lower than the 6.0% increase in revenue generated from this sector primarily because the cost of our logistics and warehousing service increased by only 4.2% in 2020 while the revenue generated from such service increased by 6.5% in 2020. This was primarily the result of our optimisation of allocation of logistics business between our self-operated transportation fleet and third party transportation fleet where we outsourced more logistics business to third party transportation fleet with lower service charges to manage our cost and improve profitability.

The 16.6% increase in cost of our supply chain financial service sector was lower than the 28.3% increase in revenue generated from this sector primarily due to our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while we reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates.

The 35.5% increase in cost of our IoV and data service sector was lower than the 38.7% increase in revenue generated from this sector primarily because our revenue of IoV and data service increased by 37.1% or RMB22.1 million from RMB59.5 million in 2019 to RMB81.6 million in 2020 while the cost of such service remained stable at RMB20.4 million in 2019 and RMB21.5 million in 2020. This was primarily because such increase in revenue was derived from the increase in usage of our data services as a result of the accumulation of our IoV data which generally would not incur additional cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 37.8% or RMB179.1 million from RMB474.3 million in 2019 to RMB653.4 million in 2020.

Our gross profit margin increased from 16.4% in 2019 to 20.0% in 2020 primarily due to (i) the overall increase in the gross profit margin of our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector, and (ii) the percentage of revenue contributed by our supply chain financial service sector and IoV and data service sector which had higher gross profit margin increased in 2020 while the percentage of revenue contributed by our logistics and supply chain service sector which had lower gross profit margin decreased in 2020. Such increase in the gross profit margin of each sector was primarily because the increase in revenue of each sector outpaced the increase in cost of such sector as explained in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Cost of Revenue" in this section.

Selling Expenses

Our selling expenses increased by 5.5% or RMB2.5 million from RMB45.6 million in 2019 to RMB48.1 million in 2020 primarily due to the increase in employee benefit expenses by 3.2% or RMB1.1 million from RMB34.1 million in 2019 to RMB35.2 million in 2020 as a result of the increase in the number of sales and marketing employees to support the overall expansion of our operational scale of all of our three business sectors in 2020.

Administrative Expenses

Our administrative expenses increased by 10.0% or RMB11.8 million from RMB117.6 million in 2019 to RMB129.4 million in 2020 primarily due to (i) the increase in employee benefit expenses by 13.3% or RMB8.7 million from RMB65.4 million in 2019 to RMB74.1 million in 2020 as a result of the increase in the number of management and administrative employees to support the overall expansion of our operational scale of all of our three business sectors in 2020, and (ii) the increase in consulting fees by 59.3% or RMB1.6 million from RMB2.7 million in 2019 to RMB4.3 million in 2020 primarily due to our conversion from a limited liability company to a joint stock company which took place in December 2020.

Research and Development Expenses

Our research and development expenses increased by 27.7% or RMB5.6 million from RMB20.2 million in 2019 to RMB25.8 million in 2020 primarily due to the increase in our research and development investment in IoV and data services, including the expansion of our research and development team and the procurement of research and development software and equipment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 314.2% or RMB77.3 million from RMB24.6 million in 2019 to RMB101.9 million in 2020 primarily due to the increase in the provision for certain loan receivables from certain lessees of our leased automobiles under our financial leasing business and certain loan receivables from certain logistics companies under our factoring services in the aggregate amount of RMB76.8 million since our management determined that the possibility for us to collect such loan receivables was remote due to the deterioration of the financial and credit condition of the relevant debtors.

Other Income

Our other income increased by 23.0% or RMB4.9 million from RMB21.3 million in 2019 to RMB26.2 million in 2020 primarily due to (i) the increase in governmental subsidies for refund of tax to Deewin Financial Leasing by the local government along with the increase in its revenue and tax payment in 2020, and (ii) the governmental subsidies to Tianxingjian for its development of commercial automobiles public service platform.

Other Gains, Net

Our net other gains decreased by 56.3% or RMB0.9 million from RMB1.6 million in 2019 to RMB0.7 million in 2020 primarily because we recorded a gain of RMB2.6 million from the disposal of 25% equity interest of Meixin in June 2019.

Finance Income, Net

Our net finance income increased by 31.8% or RMB4.7 million from RMB14.8 million in 2019 to RMB19.5 million in 2020 primarily due to the decrease in finance costs by 58.8% or RMB4.7 million from RMB8.0 million in 2019 to RMB3.3 million in 2020 primarily as a result of the decrease in interest expenses due to the repayment of bank borrowings of RMB181.4 million in 2020.

Profit before Income Tax

Our profit before income tax increased by 29.8% or RMB91.9 million from RMB307.9 million in 2019 to RMB399.8 million in 2020 primarily as a result of the increase in our total revenue in 2020 as discussed in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Cost of Revenue" in this section.

Income Tax Expense

Our income tax expense increased by 22.6% or RMB15.1 million from RMB66.7 million in 2019 to RMB81.8 million in 2020, which was lower than the increase by 29.8% of our profit before income tax in 2020. This was primarily because we had a lower effective tax rate of 20.5% in 2020 as compared to 21.7% in 2019, as explained under the paragraph headed "— Taxation" in this section.

Profit for the Year

As a result of the above, our profit for the year increased by 31.9% or RMB76.9 million from RMB241.1 million in 2019 to RMB318.0 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	(in thousands of RMB)			*(unaudited)*
Current assets				
Inventories	89,773	81,596	183,468	160,983
Trade receivables	476,527	494,156	467,505	539,109
Prepayments	38,190	49,363	86,924	97,952
Other receivables	62,704	66,495	165,493	276,990
Financial assets at fair value through other comprehensive income	274,328	520,314	367,020	533,213
Loan receivables	4,356,247	6,045,995	6,080,627	5,421,968
Restricted cash at banks	536,312	467,452	84,816	90,803
Cash and cash equivalents	730,143	196,915	213,339	978,698
	6,564,224	**7,922,286**	**7,649,192**	**8,099,716**
Current liabilities				
Trade and other payables	3,291,473	5,533,884	1,403,839	1,267,173
Lease liabilities	17,257	10,288	24,730	18,033
Bond payables	85,332	248,459	836,072	975,213
Contract liabilities	62,898	99,797	128,267	93,954
Current income tax liability	36,703	29,788	46,894	10,161
Borrowings	2,956,344	1,613,816	3,705,410	3,663,371
	6,450,007	**7,536,032**	**6,145,212**	**6,027,905**
Net current assets	**114,217**	**386,254**	**1,503,980**	**2,071,811**

We recorded net current assets of RMB114.2 million, RMB386.3 million, RMB1,504.0 million, and RMB2,071.8 million respectively, as at 31 December 2019, 2020 and 2021 and 30 April 2022.

Our net current assets increased by RMB567.8 million or 37.8% from RMB1,504.0 million as at 31 December 2021 to RMB2,071.8 million as at 30 April 2022. This was primarily the combined effect of (i) the increase by RMB166.2 million or 45.3% in our financial assets at fair value through other comprehensive income primarily due to the increase in our notes receivable from third parties attributable to the acceptance bills received from the provision of the third party logistics service; (ii) the decrease by RMB658.7 million or 10.8% in our loan receivables primarily due to decrease in receivables from financial leasing business as a result of the decline in our invested fund into our financial leasing business; (iii) the increase by RMB765.4 million or 358.8% in our cash and cash equivalents primarily due to our issuance of one batch of asset-backed securities in March 2022 in the principal amount of RMB500.0 million; (iv) the decrease by RMB136.7 million or 9.7% in our trade and other payables primarily due to the reduced deposits incurred in our financial leasing services and our subsequent settlement of payments collected on behalf of other parties; and (v) the increase by RMB139.1 million or 16.6% in our bond payables primarily due to the successive maturity of our several issued asset-backed securities and our issuance of one batch of asset-backed securities in March 2022 in the principal amount of RMB500.0 million.

Our net current assets increased by RMB1,117.7 million or 289.3% from RMB386.3 million as at 31 December 2020 to RMB1,504.0 million as at 31 December 2021. This was primarily the combined effect of (i) the decrease by RMB4,130.0 million or 74.6% in our trade and other payables primarily due to the repayment of loans from related parties, (ii) the increase by RMB587.6 million or 236.5% in our bond payables primarily due to our issuance of two batches of asset-backed securities in June 2021 and September 2021 in the principal amount of RMB800.0 million and RMB900.0 million, respectively, (iii) the increase by RMB2,091.6 million or 129.6% in our borrowings in order to repay our loans from related parties, (iv) the decrease by RMB382.6 million or 81.9% in our restricted cash at banks primarily due to release of deposits upon repayment of notes payable that were due in 2021, (v) the decrease by RMB153.3 million or 29.5% in our financial assets at fair value through other comprehensive income primarily due to the repayment of notes receivables from counterparties and the reduction in our transaction volume with related parties since the beginning of 2021, (vi) the increase by RMB99.0 million or 148.9% in our other receivables primary due to increase in both our lease deposits and advances, and (vii) the increase by RMB101.9 million or 124.8% in our inventories primary because we purchased significantly more commercial automobiles adopting China's Phase 5 Automobile Emission Standards ("**Phase 5 Commercial Automobiles**") from the manufacturers to increase our inventories of Phase 5 Commercial Automobiles in 2021. Please refer to the paragraphs headed "– Inventories" in this section for the detailed reasons of our increased inventories of Phase 5 Commercial Automobiles in 2021.

Our net current assets increased by RMB272.1 million or 238.3% from RMB114.2 million as at 31 December 2019 to RMB386.3 million as at 31 December 2020. This was primarily the combined effect of (i) the increase by RMB246.0 million or 89.7% in our financial assets at fair value through other comprehensive income primarily due to the continuous expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector in 2020, (ii) the increase by RMB1,689.8 million or 38.8% in our loan receivables primarily due to the increase in receivables from financial leasing business as a result of the expansion of operational scale of our financial leasing business in 2020, (iii) the decrease by RMB533.2 million or 73.0% in our cash and cash equivalent primarily due to the enhancement of our funds management in order to enhance utilisation of our available cash and cash equivalent, (iv) the increase by RMB2,242.4 million or 68.1% in our trade and other payables primarily due to the increase in other payables as a result of our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020, (v) the increase by RMB163.2 million or 191.3% in our bond payables primarily due to our issuance of phase I asset-backed notes in November 2020 in the principal amount of RMB500.1 million, and (vi) the decrease by RMB1,342.5 million or 45.4% in our borrowings primarily due to our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020.

Other Receivables

Other receivables included primarily (i) deposits paid to financial institutions in order to secure financing from other financial institutions (in this situation, we borrowed from the relevant financial institutions and such financial institutions would typically require deposits in certain amount, which would be recorded as other receivables by us. Such other financial institutions primarily include various financial leasing companies engaging in the investment and transfer of financial leasing assets which are licenced and regulated by the CBIRC and have strong connections with various commercial banks in China. For further details, please refer to the section headed "Business – Supply Chain Financial Service Sector – Financial Leasing Business – Our Lenders and Funding Capabilities – Other Borrowings from Other Financial Institutions" in this prospectus), (ii) advances to suppliers, and (iii) deposits for lease of buildings. The following table sets forth a breakdown of our other receivables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Non-current:			
Lease deposits	37,470	18,518	112,760[1]
Non-Current subtotal	**37,470**	**18,518**	**112,760**
Current:			
Receivables from related party	7,823	13,932	13,547
Advances	8,410	10,574	104,471[2]
Lease deposits	39,507	35,309	36,601
Other deposits	4,157	4,315	13,460
Interest receivable	2,022	1,476	205
Others	6,878	6,448	7,929
Current subtotal	**68,797**	**72,054**	**176,213**
Total	**106,267**	**90,572**	**288,973**

Notes:

(1) Our non-current lease deposits increased significantly from approximately RMB18.5 million as at 31 December 2020 to approximately RMB112.8 million as at 31 December 2021 primarily due to the increase in our borrowings from other financial institutions in order to repay our loans from related parties, which led to the increase in deposits paid to such other financial institutions.

(2) Our advances were mainly advances for coal purchase price on behalf of customers which increased significantly from approximately RMB10.6 million as at 31 December 2020 to approximately RMB104.5 million as at 31 December 2021 primarily because (i) we paid for cargos and coals in advance on behalf of our customers pursuant to the Advance Arrangement as a result of the rapid development of our third party logistic services through the engagement of new customers that we actively and independently approached during the year of 2021; and (ii) to a lesser extent, the coal price experienced rapid increase in 2021. For details of the Advance Arrangement, please refer to the section headed "Business – Logistics and Supply Chain Service Sector – Supply Chain Business – Automobile Logistics Service and Third Party Logistics Service – Key Terms of Relevant Agreements under Third Party Logistics Service" in this prospectus. Given we do not have control of the coals before the transportation to our customers (i.e. we do not take the inventory risk and have no pricing discretion in the sale of coals), our performance obligation under the Advance Arrangement is limited to arranging for the coals to be transported to our customers rather than directly providing the coals ourselves. As such, we do not recognise revenue of selling coals to our customers, while our advances for coal purchase price on behalf of customers are recorded as advances in other receivables rather than trade receivables based on the applicable accounting standards.

Our other receivables increased by 219.0% or RMB198.4 million from RMB90.6 million as at 31 December 2020 to RMB289.0 million as at 31 December 2021 primarily due to the increase in lease deposit by 177.7% or RMB95.6 million from RMB53.8 million as at 31 December 2020 to RMB149.4 million as at 31 December 2021 as result of (i) the increase in our borrowings from other financial institutions in order to repay our loans from related parties, which led to the increase in deposits paid to such other financial institutions; and (ii) our Group's engagement in third party logistics services in Xinjiang in 2021, under which our Group was required to pay for the cargos in advance on behalf of customers.

Our other receivables decreased by 14.8% or RMB15.7 million from RMB106.3 million as at 31 December 2019 to RMB90.6 million as at 31 December 2020 primarily due to the decrease in lease deposits by 30.1 % or RMB23.2 million from RMB77.0 million as at 31 December 2019 to RMB53.8 million as at 31 December 2020 as a result of the release of deposits that we have paid to the other financial institutions since we adjusted our funding structure to secure more loans with lower interest rates while reduced the amount of other borrowings obtained from other financial institutions with higher interest rates.

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income represented notes receivables and trade receivables primarily from customers of our logistics and supply chain service sector and IoV and data service sector. The following table sets forth a breakdown of our financial assets at fair value through other comprehensive income as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Notes receivable – related parties	231,733	217,776	129,291
Notes receivable – third parties	42,595	302,538	207,887
Trade receivable – related parties	–	–	29,842(1)
Total	274,328	520,314	367,020

Note:

(1) Trade receivables that were recognised as our financial assets at fair value through other comprehensive income as at 31 December 2021 arose from the standardised and transferrable electronic payment undertaking namely Kaxin* (卡信) ("**Kaxin**"). Shaanxi Heavy Duty Automobile allocates the maximum amount of facility under Kaxin that can be deployed by its suppliers according to their business scale and operating conditions, who may in turn use such facility under Kaxin as commitment to pay for products and services procured from their upstream suppliers. These upstream suppliers who have obtained Kaxin can choose to, either partially or in full: (i) hold Kaxin to maturity; (ii) apply for re-financing of Kaxin through banks, factoring companies and other financial institutions; and/or (iii) transfer Kaxin to other companies as a payment commitment. During the Track Record Period, we may choose to hold Kaxin that we processed to maturity or transfer to our suppliers for payment, and due to such dual purposes we recognised such trade receivables as financial assets at fair value through other comprehensive income.

Our financial assets at fair value through other comprehensive income increased from RMB274.3 million as at 31 December 2019 by RMB246.0 million or 89.7% to RMB520.3 million as at 31 December 2020. Such increase was primarily due to the continuous expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector during the same year. However, our financial assets at fair value through other comprehensive income decreased by RMB153.3 million or 29.5% to RMB367.0 million as at 31 December 2021 primarily as a result of the repayment of notes receivable from counterparties and the reduction in our transaction volume with related parties.

The fair value of financial assets at fair value through other comprehensive income including notes receivable was determined using discounted cash flows, where the fair value decreases with the increase of the discounted rate. The Company has established and implemented rules and procedures to ensure the reasonableness of the valuation of fair value through other comprehensive income categorised within level 3 of fair value. For further details, please refer to "Appendix I Accountant's Report – II Notes to the Financial Information – 3 Financial Risk Management – 3.3 Fair Value Estimation" to this prospectus. Such rules and procedures include without limitation: (i) the finance department of the Group will timely review the discounted rate used and mathematical accuracy of fair value calculation, and (ii) depending on the size of the investment, the investment will be approved by the responsible officers. For the level 3 investments, the responsible officers review the fair value measurement of the financial investments taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable IFRS. Having performed the above procedures, the Company considers that the carrying amount of the level 3 investments including notes receivable was reasonable and approximate to the fair values due to the short maturities of the investments.

In addition, the Reporting Accountant has performed audit procedures in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountant's Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's Historical Financial Information for the Track Record Period as a whole. The Reporting Accountant's opinion on the Historical Financial Information is set out in Appendix I "Accountant's Report" to this prospectus.

With respect to the Group's financial assets measured within level 3 fair value measurement, the Sole Sponsor has undertaken relevant due diligence, including (i) discussing with the senior management and executive Directors of the Company who the Sole Sponsor believes are experienced and knowledgeable about such financial assets and the valuation thereof, as well as the holdings of such financial assets in the industry the Group operates in, regarding the valuation analysis performed by the Company, (ii) reviewing the documents and information provided by the Group relating to such financial assets, (iii) discussing with the Reporting Accountant to understand the audit procedure undertaken by the Reporting Accountant relating to such financial assets for the purpose of expressing an opinion on the Group's Historical Financial Information of the Group as a whole (iv) reviewing the relevant notes in the Accountant's Report, and (v) discussing with the Internal Control Consultant to ensure the relevant internal rules and procedures regarding the valuation of financial assets had been established and worked effectively. After due consideration of the work done by the Directors and senior management of the Company and the unqualified opinion on the Historical Financial Information, as a whole, of the Group issued by the Reporting Accountant included in Appendix I to this prospectus and their respective views, as well as the results of the due diligence undertaken set out above, the Sole Sponsor is not aware of any reason to question the valuation analysis performed by the Company.

Loan Receivables

Loan receivables included primarily receivables from our financial leasing business and factoring service. The following table sets forth a breakdown of our loan receivables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Loan receivables			
– Financial leasing business	6,224,090	9,044,808	7,901,021
– Factoring service[1]	542,532	472,308	715,763
	6,766,622	9,517,116	8,616,784
Less: Provision for impairment			
– Financial leasing business	(123,155)	(190,989)	(312,636)
– Factoring service[1]	(70,194)	(96,814)	(119,333)
	(193,349)	(287,803)	(431,969)
Loan receivables – net	**6,573,273**	**9,229,313**	**8,184,815**
Less: non-current portion			
– Financial leasing business	(2,217,026)	(3,183,318)	(2,104,188)
Current portion	**4,356,247**	**6,045,995**	**6,080,627**

Note:

(1) Based on the expected loss rate model, the expected loss rate for Stage 1 and Stage 2 in terms of the loan receivables of factoring service remained stable and the provision of impairment shall change in proportion to the changes to the sum of loan receivables. We made provision for impairment for Stage 3 in terms of the loan receivables of factoring service in 2019 as a result of the default by certain customers of our factoring service due to their substandard business management. Based on the evaluation of the relevant collaterals provided by such customers, the default period and the repayment capability of such customers, we made part bad debt accrual in 2019. In 2020, we conducted further evaluation based on the repayment status and made bad debt accrual for the residual.

In addition, we undertook analysis of aforementioned impairment and adopted various measures to enhance our risk management, including, among others, (i) strict control over the net financing amount for each single factoring service transaction, (ii) heightened risk diversification by providing factoring service to large-scale enterprises with higher risk resistance capacity and medium to small-size enterprises with higher capability to repurchase the amounts receivables under the relevant factoring transaction, (iii) improving the professionalism of our staff through continuous trainings and strictly enforcing our established rules in relation to customer due diligence, credit assessment, transaction management and risk monitoring and enforcement, in particular our handling of overdue payment. For further details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business" in this prospectus.

Our loan receivables increased from RMB6,573.3 million as at 31 December 2019 by 40.4% or RMB2,656.0 million to RMB9,229.3 million as at 31 December 2020 primarily due to the increase in receivables from financial leasing business as a result of the continuous expansion of operational scale of our financial leasing business during the same year. Our loan receivables decreased from RMB9,229.3 million as at 31 December 2020 by 11.3% or RMB1,044.5 million to RMB8,184.8 million as at 31 December 2021 primarily due to the decrease in receivables from financial leasing business as a result of the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021, leading to the reduced number of units of newly leased automobile in 2021 compared with that in 2020.

The following table sets forth the movement on the provision for impairment of loan receivables during the Track Record Period:

	Year ended 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Beginning of the year	169,638	193,349	287,803
Provision for impairment	23,711	94,454	144,166
Written-off for impairment	–	–	–
End of the year	193,349	287,803	431,969

For the year ended 31 December 2019, we recognised provision for impairment of loan receivables in an amount of RMB23.7 million primarily as a result of the provision of expected credit losses for our loan receivables. For the year ended 31 December 2020, we recognised provision for impairment of loan receivables in an amount of RMB94.5 million primarily as a result of (i) the provision for impairment of certain loans receivables from certain lessees of our leased automobiles under our financial leasing business and certain loan receivables from certain logistics companies under our factoring services in the aggregate amount of RMB76.8 million since our management determined that the possibility for us to collect such loan receivables was remote due to the deterioration of the financial and credit condition of the relevant debtors, and (ii) the provision of expected credit losses for our loan receivables in the amount of RMB17.7 million. For the year ended 31 December 2021, we recognised provision for impairment of loan receivables in an amount of RMB144.2 million primarily as a result of the provision of expected credit losses for our loan receivables due to the overall deteriorated financial and credit status of our customers as impacted by the decline in the overall freight rate in the logistics industry and the upsurge in the price of diesel fuel that led to rising automobile operating costs incurred by, and reduced profitability of some of our customers who defaulted in 2021.

In 2019, 2020 and 2021, our expected credit loss rate for loan receivables was 2.86%, 3.02% and 5.01%, respectively. It increased from 2.86% in 2019 to 3.02% in 2020 and further to 5.01% as at 31 December 2021 primarily because we had a larger portion of loan receivables which were credit-impaired due to the deterioration of the financial and credit condition of certain lessees of our leased automobiles under our financial leasing services and certain loan receivables from certain logistics companies under our factoring services in 2020 and 2021 and the expected credit loss of such credit-impaired loan receivables at a higher rate were measured. Please refer to the paragraph headed "— Critical Accounting Policies, Judgement and Estimates — Provision for Credit Losses" in this section for further details on the calculation of expected credit loss.

Our Directors are of the view that no further impairment provision is required to be made for loan receivables and the balance of our loan receivables as at 31 December 2021 remains recoverable. Our Directors have made certain assessment and judgment in determining the impairment provision, including without limitation, (i) determining the criteria for significant increase in credit risk, (ii) choosing appropriate models and assumption for the measurement of expected credit loss, (iii) establishing the number and relative weightings of forward-looking scenarios for each type of product and associated expected credit loss, and (iv) establishing groups of similar financial assets for the purpose of measuring expected credit loss. The Sole Sponsor concurs the views of our Directors after due and careful enquiry.

We have developed an industry-leading risk management system, with risk control measures tailored for and integrated with every stage of the operations of our supply chain finance sector with a focus on managing risks through comprehensive due diligence, multi-level approval and on-going monitoring processes. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to changes in market conditions and regulatory environment. Please refer to the section headed "Business – Risk Management for Financial Leasing and Factoring Business" in this prospectus for more information.

Inventories

Our inventories consisted of (i) commercial automobiles, (ii) intelligent IoV terminal products, and (iii) components, including tyres and lubricant. The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Cost:			
Commercial automobiles	79,537	77,380	180,953
Intelligent IoV terminal products	9,246	3,364	4,755
Components	1,068	852	1,572
	89,851	81,596	187,280
Provision for impairment loss:			
Commercial automobiles	(78)	–	(3,812)
Inventories, net	**89,773**	**81,596**	**183,468**

Our inventories decreased by 9.1% or RMB8.2 million from RMB89.8 million as at 31 December 2019 to RMB81.6 million as at 31 December 2020 primarily as a result of (i) the decrease in inventories of commercial automobiles by 2.6% or RMB2.1 million from RMB79.5 million as at 31 December 2019 to RMB77.4 million as at 31 December 2020 since we had more automobiles with lower price on stock at the year end of 2020 though the number of vehicles on stock remained stable, and (ii) the decrease in inventories of intelligent IoV terminal products by 63.0% or RMB5.8 million from RMB9.2 million as at 31 December 2019 to RMB3.4 million as at 31 December 2020 due to the increased consumption of inventories at the year end of 2020.

Our inventories increased by 124.9% or RMB101.9 million from RMB81.6 million as at 31 December 2020 to RMB183.5 million as at 31 December 2021 primarily as a result of (i) the increase in inventories of commercial automobiles by 133.9% or RMB103.6 million from RMB77.4 million as at 31 December 2020 to RMB181.0 million as at 31 December 2021, and (ii) the increase in inventories of intelligent IoV terminal products by 41.2% or RMB1.4 million from RMB3.4 million as at 31 December 2020 to RMB4.8 million as at 31 December 2021. In particular, we significantly increased our inventories of Phase 5 Commercial Automobiles for 2021 for the following reasons: (i) on 1 July 2021, China's Phase 6 Automobile Emission Standards were fully implemented pursuant to the Full Implementation, and any unregistered commercial automobiles not adopting China's Phase 6 Automobile Emission Standards are not allowed to obtain licenses plates after 1 July 2021; (ii) Phase 5 Commercial Automobiles are grandfathered in under the new polices, meaning that we can sell to customers, and customers are able to purchase from us and fully operate Phase 5 Commercial Automobiles if we purchased such automobiles from the commercial automobile manufacturers, registered such automobiles under our name and obtained licenses plates for such automobiles before 1 July 2021; and (iii) we believe that Phase 5 Commercial Automobiles have considerably high commercial value because, while they can carry similar weight as commercial automobiles adopting China's Phase 6 Automobile Emission Standards ("**Phase 6 Commercial Automobiles**") do, they are generally cheaper than Phase 6 Commercial Automobiles and generally incur lower operating costs for their owners and operators, and it is more convenient to refuel and service Phase 5 Commercial Automobiles as more petrol stations and service centres that are equipped to refuel and service Phase 5 Commercial Automobiles are currently in operations in the PRC. Based on the above reasons, we believe that there will be steady demand for Phase 5 Automobile Automobiles in the mid-term. This (i) drove us to significantly increase our inventories of Phase 5 Commercial Automobiles in 2021 in response to the policy change to meet the mid-term market demand for the same, and (ii) we also increased inventories of intelligent IoV products which will be pre-installed on these Phase 5 Commercial Automobiles when our inventories of the same are utilised.

As at the Latest Practicable Date, RMB46.3 million or 25.2% of our inventories as at 31 December 2021 had been subsequently utilised. We believe that it was primarily attributable to (i) according to the Frost & Sullivan Report, the gradual decline in the market demand for heavy duty commercial automobiles in the 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure in 2020; (ii) the upsurge in the prices of diesel fuel from RMB5,559.0 per tonne as at 31 December 2020 to RMB7,535.0 per tonne as at 31 December 2021 according to the Frost & Sullivan Report, representing an increase in 35.5%, which led to rising automobile operating costs incurred by our customers in 2021 and temporarily dampened the demand for commercial automobiles since 31 December 2021; and (iii) reduced sales volume of commercial automobiles in our inventories due to seasonality arising from the 2022 Chinese Spring Festival and the recent impact of COVID-19 outbreaks in Shanxi and Henan provinces as well as the Yangtze River Delta of the PRC in the first quarter of 2022. In particular, our subsequent utilisation of inventories as at 31 December 2021 had been adversely affected by (i) the COVID-19 outbreaks and consequent administrative measures in the first four months of 2022, particularly during the period from March 2022 to April 2022: (a) because of the temporary closure of local offices of several automobile administration departments in Suzhou of Jiangsu Province since March 2022, our commercial automobiles sales dealers were unable to carry out their sales and registration of our commercial automobiles as usual; (b) due to the restrictive measures of Taiyuan and Datong of Shanxi Province in March 2022 to April 2022, it has become difficult for our business staff to visit or to sign agreements or letters of intent with prospective customers, which to a certain extent adversely affected the sales of our inventories of commercial automobiles; and (c) picking up of commercial automobiles by some of our customers in Henan province in March 2022 was hindered by travel restrictions policies, which further affected the sales of our commercial automobiles; and (ii) the phased implementation of China's Phase 6 Automobile Emission Standards. According to the Frost & Sullivan Report, the whole commercial automobile industry was adversely affected by the aforementioned relevant factors. As such, we had only realised a sale of 247 commercial automobiles in the first quarter of 2022, which was lower than our sales target of 420 commercial automobiles for the same period as well as our realised sales of 398 commercial automobiles for the first quarter of 2021.

However, we believe that such lowered market demand for commercial automobiles was primarily driven by macro-economic conditions and relevant PRC policies, and is expected to recover over time. We formulated an annual sales plan for our inventories in 2022 based on the market conditions and the respective sales regions in the PRC to actively utilise such inventories subsequently. We have also adopted the following measures to alleviate the adverse impact of the COVID-19 on our inventory utilisation: (i) to the extent permitted under local travel and social policies, conduct visits to, and maintain proactive communications with our customers and dealers to facilitate sales orders and delivery; (ii) keep abreast of market conditions and dynamics and adjust sales strategies and promotion plans in a timely manner based on regional market conditions to promote further utilisation of inventories of our commercial automobiles; (iii) encourage application of online platforms including CLGG platform and our WeChat official account as well as offline marketing channels for our product promotion activities to expand sales coverage; and (iv) promote collaboration with customers under our other supply chain businesses and maintain cross-channel sales activities to facilitate sales of our inventories. Because of the intrinsic commercial value of Phase 5 Commercial Automobiles and the adoption of above measures, we believe that we are able to sell a substantial part of inventories of Phase 5 Commercial Automobiles by the end of 2022 and the remaining part can be sold by the first quarter of 2023. Based on the above, our Directors believe that there is no significant recoverability issue for our inventories.

The following tables set forth an aging analysis of our inventories by nature as at the dates indicated, based on the date of warehouse entry and before provision for impairments:

Categories	**Balances as at 31 December 2019**	**Within one year**	**Over one year and within two years**	**Over two years and within three years**	**Over three years**
	(in thousands of RMB)				
Commercial automobiles	79,537	58,975	17,983	2,579	–
Intelligent IoV terminal products	9,246	9,246	–	–	–
Components	1,068	1,068	–	–	–
Total	89,851	69,289	17,983	2,579	–

Categories	Balances as at 31 December 2020	Within one year	Over one year and within two years	Over two years and within three years	Over three years
	(in thousands of RMB)				
Commercial automobiles	77,380	67,337	318	9,613	112
Intelligent IoV terminal products	3,364	3,364	–	–	–
Components	852	852	–	–	–
Total	81,596	71,553	318	9,613	112

Categories	Balances as at 31 December 2021	Within one year	Over one year and within two years	Over two years and within three years	Over three years
	(in thousands of RMB)				
Commercial automobiles	180,953	175,369	5,060	77	447
Intelligent IoV terminal products	4,755	4,755	–	–	–
Components	1,572	1,572	–	–	–
Total	**187,280**	**181,696**	**5,060**	**77**	**447**

As at 31 December 2021, our inventories over one year included 19 commercial automobiles with amount of RMB5,584 thousand. We compared the sales price of these inventories after deducting the expected costs, sales expenses and relevant taxes with the costs of these inventories as at 31 December 2021, and regarded that impairment provision was needed.

In addition, we had adopted active measures to utilise our inventories of commercial automobiles subsequently. As at the Latest Practicable Date, (a) we had realised sales of our inventories in relation to 175 commercial automobiles in the amount of RMB36,630.6 thousand and (b) in relation to the remaining commercial automobiles, we are actively seeking the potential customers and expect that a substantial part of the remaining commercial automobiles will be sold by the end of 2022. As such, we expect that all the inventories as at 31 December 2021 will be utilised by the first quarter of 2023.

The following table sets forth the average turnover days of our inventories of the logistics and supply chain service sector and IoV and data service sector for the years indicated:

	Year ended 31 December		
	2019	2020	2021
Average turnover days of inventories of the logistics and supply chain service sector(1)	36.3	37.8	44.6
Average turnover days of inventories of the IoV and data service sector(2)	18.0	16.2	17.7

Notes:

(1) Average turnover days of inventories of the logistics and supply chain service sector equal to the average of the opening and closing inventory balances of the logistics and supply chain service sector of the indicated year divided by the cost of revenue of the logistics and supply chain service sector for such year and multiplied by number of days contained in that year.

(2) Average turnover days of inventories of the IoV and data service sector equal to the average of the opening and closing inventory balances of the IoV and data service sector of the indicated year divided by the cost of revenue of the IoV and data service sector for such year and multiplied by number of days contained in that year.

Our average turnover days of inventories of the logistics and supply chain service sector remained stable in 2019 and 2020 at 36.3 days and 37.8 days, respectively. It further increased to 44.6 days in 2021 primarily due to a higher level of inventories of commercial automobiles because we purchased significantly more Phase 5 Commercial Automobiles in 2021 as disclosed above.

Our average turnover days of inventories of the IoV and data service sector remained stable at 18.0 days, 16.2 days and 17.7 days in 2019, 2020 and 2021, respectively.

Trade Receivables

Our trade receivables were amounts due from our customers for goods sold or services provided in our logistics and supply chain services and IoV and data services. The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Trade receivables – related parties	213,942	270,539	149,573
Trade receivables – third parties	275,986	244,661	334,607
	489,928	515,200	484,180
Less: allowance for impairment	(13,401)	(21,044)	(16,675)
Trade receivables, net	**476,527**	**494,156**	**467,505**

Our trade receivables increased from RMB489.9 million as at 31 December 2019 by 5.2% or RMB25.3 million to RMB515.2 million as at 31 December 2020 primarily as a result of the continuous expansion of operational scale of our logistics and supply chain sector and IoV and data service sector during the same year, and decreased by 6.0% or RMB31.0 million to RMB484.2 million as at 31 December 2021 primarily as a result of the decrease in our trade receivables from related parties attributable to (i) the decrease in sales of goods in our IoV and data service sector to related parties in the fourth quarter of 2021, and (ii) the improved collection of receivables from related parties under our logistics and supply chain sector.

In addition, as at the Latest Practicable Date, RMB356.7 million or 73.7% of our trade receivables as at 31 December 2021 had been subsequently settled, under which RMB114.4 million or 76.5% of our trade receivables from related parties as at 31 December 2021 had been subsequently settled, and RMB242.3 million or 72.4% of our trade receivables from third parties as at the same date had been subsequently settled. The outstanding trade receivables as at the Latest Practicable Date fell within the credit period granted to the respective related parties and third parties.

We do not anticipate to have any material recoverability issue with regard to the balances of trade receivables primarily because (i) we have established a sound and effective risk control system and closely monitor our trade receivables, implement collection measures for each business segment, and timely enhance collection to minimize the credit risk; furthermore, we have designated our finance team to be responsible for determination of credit limits and credit approvals. We conduct regular reviews of aging analysis and evaluate each trade receivable by taking into account its historical loss rates; in addition we will proactively communicate with our customers for their balances of trade receivables in the second quarter of 2022 to enhance our collection; (ii) our trade receivables from related parties were related to Shaanxi Automobile and its associates, all of which are established and reputable state-owned enterprises and had no history of credit default and were assessed by our management to be financially trustworthy; and (iii) we have made appropriate provisions for impairment of trade receivables.

The following table sets forth an aging analysis of our trade receivables as at the dates indicated, based on the invoice dates and before provision for impairments:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Trade receivables – related parties			
– Within one year	213,942	269,344	149,573
– One year to two years	–	1,195	–
– Two years to three years	–	–	–
– Over three years	–	–	–
Trade receivables – third parties			
– Within one year	243,806	231,024	325,619
– One year to two years	3,345	4,008	1,510
– Two years to three years	3,838	1,380	1,375
– Over three years	24,997	8,249	6,103
	489,928	**515,200**	**484,180**

The following table sets forth the average turnover days of our trade receivables for the years indicated:

	Year ended 31 December		
	2019	2020	2021
Average turnover days of trade receivables – related parties[1]	98.6	101.3	109.8
Average turnover days of trade receivables – third parties[2]	53.3	55.6	66.5

Note:

(1) Average turnover days of trade receivables – related parties equal to the average of the opening and closing trade receivables – related parties divided by revenue generated from related parties (other than revenue generated from our supply chain financial service sector) for the same year and multiplied by the number of days contained in that year.

(2) Average turnover days of trade receivables – third parties equal to the average of the opening and closing trade receivables – third parties divided by revenue generated from third parties (other than revenue generated from our supply chain financial service sector) for the same year and multiplied by the number of days contained in that year.

Our average turnover days of trade receivables from both related parties and third parties remained stable for the years ended 31 December 2019 and 2020. Our average turnover days of trade receivables from related parties and those from third parties increased to 109.8 days and 66.5 days, respectively, for the year ended 31 December 2021 primarily due to the longer time required for recovering payments from both related parties and third parties in the upstream for 2021. Despite this, the outstanding trade receivables as at 31 December 2021 fell within the credit period granted to the respective related parties and third parties. The credit period granted to our customers varies for different types of services. Generally, the credit period granted to customers of our logistics and warehousing service is longer than that granted to customers of our sale of goods business. The average turnover days of trade receivables from third parties are shorter than those from related parties primarily because these third parties are mainly customers of our sale of goods business while the related parties are mainly customers of our logistics and warehousing service.

Trade and Other Payables

Our trade and other payables included primarily (i) notes payable to the commercial automobile sales dealers of our leased automobiles, (ii) trade payables for the procurement of commercial automobiles and intelligent IoV terminal products and third party logistics service provider, and (iii) other payables to related parties for loans extended to us and to commercial automobile manufacturers, as well as the deposit paid to us under our financial leasing business.

The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Notes payable	1,362,175	1,352,574	238,103
Trade payables	703,944	714,625	405,786
Other payables			
– Loans from related parties	1,130,000	3,925,000(1)	854,000(2)
– Advances from related parties and interest payable to related party	1,678	3,991	2,355
– Deposits collected from lessee of commercial automobiles	510,617	802,579(3)	792,962
– Other deposits	11,759	13,513	21,846
– Down payment collected from lessee on behalf of dealers of commercial automobiles	79,467	18,926(4)	493(4)
– Others	27,017	13,847	53,730(5)
	1,760,538	4,777,856	1,725,386
Dividends payable	–	–	–
Staff salaries and welfare payable	67,911	73,675	47,768
Termination benefits payable	6,710	6,172	3,634
Interest payable	426	1,261	2,284
Accrued taxes other than income tax	18,697	12,818	7,068
Trade and other payables	**3,920,401**	**6,938,981**	**2,430,029**
Less: non – current portion			
Less: Other payables-deposits collected from lessee of commercial automobiles	(335,077)	(548,052)	(381,893)
Less: Termination benefits payable	(3,851)	(3,045)	(1,297)
Less: Other payables – loan from related parties	(290,000)	(854,000)	(643,000)
Total non-current portion	**(628,928)**	**(1,405,097)**	**(1,026,190)**
Current portion	**3,291,473**	**5,533,884**	**1,403,839**

Notes:

(1) Our loans from related parties increased significantly from approximately RMB1,130.0 million as at 31 December 2019 to approximately RMB3,925.0 million as at 31 December 2020 primarily as result of our adjustment of funding structure in 2020 where we secured more loans from related parties with lower interest rates to support the expansion of operational scale of our financial leasing business in 2020.

(2) Our loans from related parties decreased significantly from approximately RMB3,925.0 million as at 31 December 2020 to approximately RMB854.0 million as at 31 December 2021 primarily as result of our scheduled repayment of loans from related parties during 2021 to reduce reliance on related parties.

(3) Our deposits collected from lessee of commercial automobiles increased significantly from approximately RMB510.6 million as at 31 December 2019 to approximately RMB802.6 million as at 31 December 2020 primarily as result of expansion of operational scale of our financial leasing business in 2020.

(4) Our down payment collected from lessee on behalf of dealers of commercial automobiles decreased from approximately RMB79.5 million as at 31 December 2019 to approximately RMB18.9 million as at 31 December 2020 and then further decreased to approximately RMB0.5 million as at 31 December 2021 primarily as result of the decreasing financial leasing business volume conducted through the Alternative Payment Arrangement, which had been eventually terminated by the end of 2021.

(5) Our other payables under "others" category generally include other payables that are relatively small in size and are thus not separately itemised, including fees payable to downstream suppliers under our third party logistics service. It increased from approximately RMB13.8 million as at 31 December 2020 to approximately RMB53.7 million as at 31 December 2021 primarily as result of the fees payable to downstream raw materials suppliers and/or logistics service providers incurred through the increasing business volume of our third party logistics service.

Our trade and other payables increased by 77.0% or RMB3,018.6 million from RMB3,920.4 million as at 31 December 2019 to RMB6,939.0 million as at 31 December 2020 primarily due to the increase in other payables by 171.4% or RMB3,017.4 million from RMB1,760.5 million as at 31 December 2019 to RMB4,777.9 million as at 31 December 2020 due to (i) our adjustment of funding structure in 2020 where we secured more loans from related parties with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020, and (ii) the general increase of the security deposit paid to us as a result of the continuing expansion of our financial leasing business, where the amounted of new financial leases exceeded the amount of existing financial leases. We generally required security deposit ranging from 0.0% to 30.0% in 2020. For further details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Financial Leasing Business — Pricing Policy" in this prospectus.

Our trade and other payables decreased by 65.0% or RMB4,509.0 million from RMB6,939.0 million as at 31 December 2020 to RMB2,430.0 million as at 31 December 2021 primarily due to the (i) the decrease in notes payables by 82.4% or RMB1,114.5 million from RMB1,352.6 million as at 31 December 2020 to RMB238.1 million as at 31 December 2021 primarily as a result of our repayment of existing notes payable when they became due during 2021 without incurring substantial new notes payable for the same year, (ii) the decrease in trade payables by 43.2% or RMB308.8 million from RMB714.6 million as at 31 December 2020 to RMB405.8 million as at 31 December 2021 primarily as a result of our repayment of trade payables when they became due during 2021 and the reduced business volume in our logistics and supply chain service sector and sales of goods under our IoV and data service sector, and (iii) the decrease in other payables by 63.9% or RMB3,052.5 million from RMB4,777.9 million as at 31 December 2020 to RMB1,725.4 million as at 31 December 2021 primarily as result of our scheduled repayment of loans from related parties during 2021.

For further information on changes of our trade and other payables during the Track Record Period, please refer to note 36 to "Appendix I — Accountant's Report" to this prospectus.

In addition, as at the Latest Practicable Date, RMB1,292.3 million or 53.6% of our trade and other payables as at 31 December 2021 had been subsequently settled.

Based on transaction date as at 31 December 2019, 2020 and 2021, substantially all of our trade payables (including amounts due to related parties of trading in nature) aged within one year.

The following table sets forth the average turnover days of our trade payables for the years indicated:

	Year ended 31 December		
	2019	**2020**	**2021**
Average turnover days of trade payables[1]	99.0	99.3	85.4

Note:

(1) Average turnover days of trade payables equal to the average of the opening and closing trade payables divided by cost of revenue for the same year and multiplied by the number of days contained in that year.

Our average turnover days of trade payables remained stable in 2019 and 2020 at 99.0 days and 99.3 days, respectively, and shortened to 85.4 days in 2021 primarily due to a decrease in our trade and other payables attributable to our scheduled repayment of loans from related parties during 2021.

Cash Flow Analysis

We have financed our operations primarily through cash generated from our operating activities, capital contribution from our Shareholders, bank borrowings, loans from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions. As at 31 December 2019, 2020 and 2021, we had cash and cash equivalents of RMB730.1 million, RMB196.9 million and RMB213.3 million, respectively.

The following table sets forth our cash flows for the years indicated:

	Year ended 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Operating profit before changes in working capital	**342,335**	**513,001**	**628,422**
Changes in working capital:			
– Restricted cash at banks	(168,805)	53,021	382,636
– Financial assets at fair value through other comprehensive income	(100,828)	(255,040)	153,294
– Trade receivables	(105,850)	(25,271)	29,821
– Loan receivables	(1,517,547)	(2,750,494)	900,332
– Other receivables	(9,388)	15,695	(198,401)
– Prepayments	(10,095)	(8,667)	(21,420)
– Inventories	(27,959)	8,178	(105,684)
– Trade and other payables	1,055,561	3,017,413	(4,509,187)
– Contract liabilities	(16,855)	43,965	15,003
– Borrowings	647,124	(1,227,659)	2,350,545
– Provisions for maintenance cost	–	–	(843)
Changes in working capital	**(254,642)**	**(1,128,859)**	**(1,003,904)**
Cash flow from operating activities			
Cash generated from/(used in) operations	87,693	(615,858)	(375,482)
Interests received	22,795	22,799	12,293
Income tax paid	(88,255)	(112,811)	(107,565)
Net cash generated from/(used in) operating activities	**22,233**	**(705,870)**	**(470,754)**
Net cash generated from/(used in) investing activities	**430**	**(14,500)**	**(19,347)**
Net cash (used in)/generated from financing activities	**75,545**	**187,142**	**506,525**

Net Cash Used in/Generated from Operating Activities

Our primary source of cash generated from operating activities consists of revenue from our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. Our cash used in operating activities are mainly used to fund the purchase of commercial automobiles, financing costs and marketing, research and development activities. Our net cash generated from operating activities primarily reflected the combined effect of (i) operating profit before changes in working capital adjusted for non-operating items such as finance costs, and non-cash items such as provision, depreciation and amortisation, (ii) the effect of movements in working capital, including changes in restricted cash at banks, financial assets at fair value through other comprehensive income, trade receivables, loan receivables, other receivables, prepayments, inventories, trade and other payables, contract liabilities and borrowings, (iii) interests received, and (iv) income tax paid.

For the year ended 31 December 2021, net cash used in operating activities was RMB470.8 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB628.4 million, (ii) decrease in trade and other payables of RMB4,509.2 million primarily as a result of our scheduled repayment of loans from related parties in 2021, (iii) increase in borrowings of RMB2,350.5 million to fund our repayment of loans from related parties in 2021, and (iv) decrease in loan receivables of RMB900.3 million primarily as a result of the decline in invested fund in our financial leasing business. For our logistics and supply chain service sector, and IoV and data service sector, we recorded cash inflow from operating activities for the three years ended 31 December 2021 for such business segments. For our supply chain financial service sector, we recorded net operating cash outflow for the years ended 31 December 2020 and 2021 primarily due to the following reasons: (i) we have continuous cash outflow mainly attributable to the funding for development of new businesses under our financial leasing services. The corresponding recoups from such investments typically have a term of at least two years, whereas our borrowings from banks typically have a maturity period of one year to two years. As such, when our financial leasing and factoring businesses maintain a relatively rapid growth, there is generally a limited period of mismatch between our cash inflow and outlay on the operational level for such business segment which results in short-term negative operating cash flows. For details, please refer to the section headed "Risk Factors – The financial leasing arrangements that we make may potentially have a mismatch in their duration and terms with their underlying funding sources, which may lead to liquidity issues" in this prospectus. According to the Frost & Sullivan Report, it is the industry norm for financial leasing and factoring businesses in China to record net operating cash outflows; and (ii) our repayment of loans from related parties in 2021 under our supply chain financial service sector also led to the net operating cash outflow position during the same year. To supplement the funding of our supply chain financial service sector, we launched several tranches of asset-backed notes/securities during the Track Record Period and net cash inflow of our bond payables was recorded in the financing activities, which further led to our operating cash outflow during such period.

We expect that our net operating cash outflow position will turn into inflow in 2022 primarily because: (i) our funding for development of our supply chain financial service sector will become stable in 2022 and the corresponding investment sum and recoup amount will tend to balance; (ii) unlike in 2021, we currently have no plan to repay the loans from related parties in an accelerated manner under our supply chain financial service sector in 2022; such outstanding loans shall be repaid stably according to the payment schedule stipulated in the relevant agreements until they all mature by September 2023, and thus we will incur less operating cash outflow; and (iii) we will increase our use of borrowing from banks and other financial institutions to fund our supply chain financial service sector, which will be recorded as operating cash inflow under the same sector.

We will also adopt the following measures to maintain net operating cash inflow for our supply chain financial service sector in the future: (i) reasonably control the scale of investment in our supply chain financial service sector, and closely monitor our cash inflow and outflow under the same sector (ii) continue to innovate the financing model under our supply chain financial service sector, including enhanced collaboration with banks to introduce direct financing to our customers; and (iii) diversify and expand our funding channels, such as the use of loans and credit lines provided by banks and other financial institutions that will be recorded as operating cash inflow, to facilitate the building up of our financing and credit platforms and to eliminate the mismatch in their duration and the terms of our financial leasing business.

For the year ended 31 December 2020, net cash used in operating activities was RMB705.9 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB513.0 million, (ii) decrease in financial assets at fair value through other comprehensive income of RMB255.0 million primarily as a result of the repayment of notes payable due in 2020, (iii) increase in loan receivables of RMB2,750.5 million primarily as a result of the expansion of operational scale of our supply chain financial service sector in 2020, (iv) increase in trade and other payables of RMB3,017.4 million as a result of the increase in loan from related parties to fund the expansion of operational scale of our supply chain financial service sector in 2020 and the corresponding increase in the deposits paid under our financial leasing business, (v) increase in contract liabilities of RMB44.0 million primarily as a result of the increase in advance payment of our IoV and data service sector, (vi) decrease in borrowings of RMB1,227.7 million primarily as a result of our adjustment of funding structure in 2020 where we obtained more loan from related parties while reduced the amount of our bank borrowings, and (vii) income tax paid in the amount of RMB112.8 million. Our incurrence of net operating cash outflow in 2020 was primarily due to the nature and model of our financial leasing business where we make a lumpsum payment of net financing amount corresponding to purchase price to the commercial automobile sales dealers upon purchase of the leased commercial automobiles by, and transfer of the same to, the lessor while collecting instalment repayments from the lessees over a period of time. Moreover, we obtained significant capital resources from related parties and the issuance of asset-backed notes in 2020 (as reflected in our positive cash flow generated from financing activities) and accordingly expanded the operational scale of our financial leasing business, as a result of which more expenditures of our financial leasing business were recorded under our operating cash flow. In order to effectively manage such mismatch of cash inflow and outflow and to improve our operating cash flow position going forward, we plan to (i) optimise the expansion plan and investment budget of our financial leasing business to adapt to our funding capabilities, (ii) adjust the term of our financing arrangement to avoid significant mismatch between the lease term of our financial leasing business, and (iii) further develop our logistics and supply chain business and IoV and data service business to increase our cash inflow.

For the year ended 31 December 2019, net cash generated from operating activities was RMB22.2 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB342.3 million, (ii) increase in restricted cash at banks of RMB168.8 million primarily as a result of the increase in deposits and cash collateral for our external funding in 2019, (iii) decrease in financial assets at fair value through other comprehensive income of RMB100.8 million as a result of the repayment of notes payable due in 2019, (iv) increase in trade receivables of RMB105.9 million primarily as a result of the expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector in 2019, (v) increase in loan receivables of RMB1,517.5 million primarily as a result of the expansion of operational scale of our supply chain financial service sector in 2019, (vi) increase in trade and other payables of RMB1,055.6 million as a result of the increase in loans from related parties to fund the expansion of operational scale of our financial leasing and factoring business in 2019 and the corresponding increase in the deposits received for our financial leasing business, and (vii) increase in borrowings of RMB647.1 million to fund the expansion of operational scale of our supply chain financial service sector in 2019.

Net Cash Generated from/Used in Investing Activities

Our cash generated from investing activities primarily reflected the proceeds received from disposal of equity interest, property, plant and equipment and wealth management products. Our cash used in investing activities primarily reflected the payments for wealth management products and property, plant and equipment and intangible assets.

For the year ended 31 December 2021, our net cash used in investing activities was RMB19.3 million, which primarily reflected the combined effects of (i) proceeds from disposal of property, plant and equipment of RMB0.4 million, (ii) dividends received from Meixin of RMB5.2 million; and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB24.9 million relating to office equipment, automobile for logistics service and research and development equipment.

For the year ended 31 December 2020, our net cash used in investing activities was RMB14.5 million, which primarily reflected the combined effects of (i) proceeds from disposal of property, plant and equipment of RMB2.1 million, (ii) dividends received from Meixin of RMB3.4 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB20.0 million relating to office equipment, automobiles for logistic services and research and development equipment.

For the year ended 31 December 2019, our net cash generated from investing activities was RMB0.4 million, which primarily reflected the combined effects of (i) proceeds from disposal of 25% equity interest of Meixin of RMB4.7 million in June 2019, (ii) proceeds from disposal of property, plant and equipment of RMB2.1 million, (iii) proceeds from disposal of wealth management products of RMB12.5 million, and (iv) payments for purchase of property, plant and equipment and intangible assets of RMB18.8 million relating to office equipment, automobiles for logistic services and research and development equipment.

Net Cash Generated from/Used in Financing Activities

Our cash generated from financing activities primarily represented the proceeds we received from bank borrowings, bond issuance and other returned deposits. Our cash used in financing activities primarily represented the repayment of borrowings and bond, dividend payment to our Company's shareholders and non-controlling interests of our subsidiaries, repayment of lease liabilities and payment for other deposits.

For the year ended 31 December 2021, net cash generated from financing activities was RMB506.5 million, which primarily reflected the combined effects of (i) proceeds from bond issuance of RMB1,495.2 million, (ii) repayments of bond payables of RMB878.3 million, (iii) proceeds from borrowings of RMB242.0 million, (iv) repayments of borrowings of RMB230.0 million, (v) dividends paid to the Company's equity holders of RMB66.2 million, (vi) payments for listing expenses of RMB16.1 million, and (vii) payments for leases liabilities – principal of RMB31.8 million.

For the year ended 31 December 2020, net cash generated from financing activities was RMB187.1 million, which primarily reflected the combined effects of (i) capital contributions of RMB530.0 million made by Shaanxi Automobile and Shaanxi Commercial Automobile in September 2020, (ii) proceeds from bond issuance of RMB417.0 million, (iii) repayment of borrowings of RMB181.4 million, (iv) dividends paid to Shaanxi Automobile by our Company and Tonghui in the amount of RMB300.0 million and RMB19.8 million, respectively, in September 2020, (v) dividends paid to non-controlling shareholders of Tonghui and Fargo in the aggregate amount of RMB16.6 million in September 2020, (vi) repayment of bond payables of RMB180.8 million, (vii) payment for the principal and interest of leases liabilities of RMB19.7 million, and (viii) payment for acquisition of 56% of the equity interest of Tonghui in the amount of RMB55.8 million in September 2020.

For the year ended 31 December 2019, net cash generated from financing activities was RMB75.6 million, which primarily reflected the combined effects of (i) proceeds from borrowings of RMB181.4 million, (ii) proceeds from bond issuance of RMB249.0 million, (iii) repayment of borrowings of RMB100.0 million, (iv) dividends paid to Shaanxi Automobile by our Company in the amount of RMB50.6 million in August 2019 and dividends paid to Shaanxi Automobile by Tonghui in the amount of RMB6.8 million in July 2019, (v) dividends paid to the non-controlling shareholders of Tonghui of RMB5.6 million in July 2019, (vi) repayment of bond payables of RMB197.1 million, and (vii) payments for the principal and interest of leases liabilities of RMB14.5 million.

Working Capital

Taking into account the financial resources available to our Group, including cash flow from our operating activities, bank borrowings, loan from related parties, asset-backed notes/securities, other borrowings obtained from other financial institutions and the estimated net proceeds of the Global Offering, our Directors are of the view that our Group has sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus. The Sole Sponsor concurs the views of our Directors after due and careful enquiry.

INDEBTEDNESS

Borrowings, Asset-Backed Notes/Securities and Notes Payable

The following table sets forth a breakdown of our borrowings, asset-backed notes/securities and notes payable as at the dates indicated:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	(in thousands of RMB)			*(unaudited)*
Bank borrowings	2,018,621	987,905	1,602,000	1,745,456
Loan from related parties	1,130,000	3,925,000	854,000	854,000
Asset-backed notes/securities	85,332	323,003	939,857	1,045,856
Other borrowings obtained from other financial institutions	1,128,321	749,979	2,498,429[1]	2,104,847
Notes payable	1,362,175	1,352,574	238,103	221,227
Total	**5,724,449**	**7,338,461**	**6,132,389**	**5,971,386**

Note:

(1) The other borrowings obtained from other financial institutions increased significantly from approximately RMB750.0 million as at 31 December 2020 to approximately RMB2,498.4 million as at 31 December 2021 primarily because we incurred more borrowings from other financial institutions to repay our loans from related parties.

Bank Borrowings

Our bank borrowings decreased by 51.1% or RMB1,030.7 million from RMB2,018.6 million as at 31 December 2019 to RMB987.9 million as at 31 December 2020 since we had adjusted our funding structure since 2020 to secure more loans from related parties at lower interest rates while reduced the amount of our bank borrowings with higher interest rates to support the expansion of operational scale of our financial leasing business. It further increased by RMB614.1 million or 62.2% from RMB987.9 million as at 31 December 2020 to RMB1,602.0 million as at 31 December 2021, and further increased by RMB143.5 million or 9.0% to RMB1,745.5 million as at 30 April 2022 primarily because we further adjusted our funding structure to secure more borrowings from banks and other financial institutions to repay our loans from related parties and to fund the expansion of our operational scale.

Loan from Related Parties

Our loan from related parties increased by 247.3% or RMB2,795.0 million from RMB1,130.0 million as at 31 December 2019 to RMB3,925.0 million as at 31 December 2020 since we had adjusted our funding structure since 2020 to secure more loan from related parties at lower interest rates while reduced the amount of our bank borrowings with higher interest rates to support the expansion of operational scale of our financial leasing business. It decreased by RMB3,071.0 million or 78.2% from RMB3,925.0 million as at 31 December 2020 to RMB854.0 million as at 31 December 2021 as a result of our repayment of such loan in order to optimise our financing structure. Our loan from related parties remained at RMB854.0 million as at 30 April 2022. In particular, we increased loans from related parties significantly in the second half of 2020 with a relatively lower interest rate and then commenced our repayment of loans from related parties since late March 2021. As such the amount of our loans from related parties had been substantially reduced as of 31 December 2021. If we substitute such loans from related parties with third-party financing, including bank borrowings, asset-backed notes/securities and other borrowings obtained from other financial institutions, we estimated our interest expenses for the year ended 31 December 2021 would increase by RMB14.5 million. Such estimation was calculated by applying an interest rate of 4.75% (which was calculated based on the weighted average effective interest rates of our bank borrowings, asset-backed notes/securities and other borrowings obtained from other financial institutions as at 31 December 2021) to all of our loans from related parties incurred or existing during the year ended 31 December 2021. Based on the aforementioned analysis, it is regarded that the loans from related parties would have only slight impact on our financing costs, interest payment and profitability and such impact was controllable. We will continue improving our capabilities of obtaining financing and expanding our financing channels in order to meet our increasing financial needs.

Asset-Backed Notes/Securities

With an aim to establish our independent presence in the domestic capital markets, to diversify our funding sources and to enhance the efficiency and flexibility of our funding arrangement, we launched several tranches of asset-backed notes/securities during the Track Record Period and up to the Latest Practicable Date. In September 2019, November 2020, June 2021, September 2021 and March 2022, we (through our Subsidiary, Deewin Financial Leasing) issued four tranches of asset-backed securities and one tranche of asset-backed notes with an aggregate principal amount of RMB323.0 million, RMB500.1 million, RMB800.0 million, RMB900.0 million and RMB500.0 million, respectively, with maturity dates on 25 January 2021, 28 May 2023, 30 November 2022, 28 April 2023 and 28 February 2023, respectively. In addition, the Group might issue additional asset-backed securities, depending on the operating results of the Group.

The key arrangement of these asset-backed notes/securities include the following:

Term:	Typically one to three years
Effective interest rate:	Ranging from 3.5% to 5.9%
Underlying assets:	Rental payments, associated guarantee right and all the underlying rights of the original beneficiary (other than ownership) in the relevant financial leasing agreements
Credit ratings:	AA to AAA

Our asset-backed notes/securities increased by 278.7% or RMB237.7 million from RMB85.3 million as at 31 December 2019 to RMB323.0 million as at 31 December 2020 since we issued phase I of our asset-backed notes in the amount of RMB500.0 million in November 2020. Such increase in the principal amount of the asset-backed notes was partially offset by the periodical repayment of principal amount and interest when they fall due under the terms of the asset-backed notes/securities. Our asset-backed notes/securities increased to RMB939.9 million as at 31 December 2021 since we issued additional asset-backed notes in the amount of RMB800.0 million and RMB900.0 million in June 2021 and September 2021, respectively. Our asset-backed notes/securities increased to RMB1,045.9 million as at 30 April 2022 since we issued additional asset-backed notes in the amount of RMB500.0 million in March 2022.

Other Borrowings

Our other borrowings obtained from other financial institutions decreased by 33.5% or RMB378.3 million from RMB1,128.3 million as at 31 December 2019 to RMB750.0 million as at 31 December 2020 since we obtained more loans with lower interest rates and therefore controlled the amount of other borrowings obtained from other financial institutions with higher interest rates since 2020. It however increased by RMB1,748.4 million or 233.1% from RMB750.0 million as at 31 December 2020 to RMB2,498.4 million as at 31 December 2021 primarily because we incurred more borrowings from other financial institutions to repay our loans from related parties. Our other borrowings obtained from other financial institutions remained relatively stable at RMB2,104.8 million as at 30 April 2022. Please refer to the section headed "Business — Financial Leasing Business — Our Lenders and Funding Capabilities — Other Borrowings from Other Financial Institutions" for further details of the identities and background of such financial institutions to which our Group has transferred the loan receivables for financing during the Track Record Period.

Notes Payable

Our notes payable remained stable from RMB1,362.2 million as at 31 December 2019 to RMB1,352.6 million as at 31 December 2020 but decreased to RMB238.1 million as at 31 December 2021 due to our repayment of notes payable when due during 2021, the decline in invested fund in our financial leasing business and the shorter payment cycle of Shaanxi Heavy Duty Automobile. Our notes payable remained relatively stable at RMB221.2 million as at 30 April 2022.

During the Track Record Period, certain of our bank borrowings, other borrowings obtained from other financial institutions and notes payable were guaranteed by Shaanxi Holding Group. As at 31 December 2019, 2020 and 2021, the aggregate amount of such indebtedness guaranteed by Shaanxi Holding Group amounted to RMB3,498.5 million, RMB2,535.5 million and RMB729.2 million, respectively, accounting for 61.1%, 34.6% and 11.9% of our total financial indebtedness (including bank borrowings, loans from related parties, asset-backed notes/securities, other borrowings obtained from other financial institutions and notes payable) as at the relevant dates. As at 30 April 2022, RMB2,405.2 million or 94.9% of our indebtedness guaranteed by Shaanxi Holding Group as at 31 December 2020 was released, and the balance of our indebtedness guaranteed by Shaanxi Holding Group amounted to RMB130.3 million, accounting for 2.2% of our total financial indebtedness as at such date.

The maturity of our bank borrowings, loan from related parties, asset-backed notes, other borrowings obtained from other financial institutions and notes payable is as follows:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Within 1 year	5,243,851	6,285,849	4,952,558
1 to 2 years	480,598	1,052,612	1,179,831
	5,724,449	**7,338,461**	**6,132,389**

The following table sets forth the weighted average effective interest rates of our bank borrowings, loan from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions as at the dates indicated:

	As at 31 December		
	2019	2020	2021
Bank borrowings	4.72%	4.44%	4.43%
Loan from related parties	4.78%[(1)]	3.78%[(2)]	3.40%[(2)]
Asset-backed notes/securities	4.90%	4.35%	4.15%
Other borrowings obtained from other financial institutions	5.30%	4.62%	5.18%

Notes:

(1) The loan from related parties was provided under the "unified borrowing and paying" model where the interest rate of our loan from related parties was the same as that of the loan the related parties obtained from the external financing parties. For details, please refer to the section headed "Connected Transactions – Fully Exempt Continuing Connected Transactions – Provision of Financial Services by Shaanxi Automobile Holding" in this prospectus.

(2) The weighted average effective interest rates for loan from related parties were 3.78% and 3.40% as at 31 December 2020 and 31 December 2021, respectively, which were lower than those for bank borrowings for the corresponding years, due to the fact that we obtained funds at lower interest rate from Shaanxi Automobile Holding which obtained borrowings from bank at the same interest rates during the COVID-19 outbreak period.

We are subject to a number of customary covenants under the agreements of our bank borrowings, loan from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions, the major terms of which are set forth below:

For Bank Borrowings

The borrower shall (i) use the facilities towards specific purposes as provided in the facility agreement and not to change the use of facilities; (ii) provide its financial and operating information and other related materials periodically or upon request of the lenders; (iii) cooperate and assist with any inspection conducted by the lenders; (iv) repay any principal, interest and any other amounts under the facilities in accordance with the terms of the facility agreements; (v) promptly notify and obtain written consent of the lenders (as applicable) for any external investment, incurrence of indebtedness, disposition of assets, restructuring, equity transfer, merger and acquisition, enter into joint operation, reduction of capital, winding-up, resolution, liquidation or other similar events that would result in material adverse effect on the borrower or our Group; (vi) promptly notify the lenders for changes in basic corporate information and management; (vii) generally compliance with applicable laws and regulations and social risk management policies; and (viii) not take any action that would cause any damages to the lenders.

Based on the review of the relevant bank borrowing agreements, our PRC Legal Adviser is of the view that where our Group was required to notify the relevant lenders in writing and/or obtain their written consents, including without limitation to incurrence of material indebtedness and major external investment, disposition of material assets, restructuring, equity transfer, merger and acquisition, entering into joint operation, reduction of capital, winding-up resolution, liquidation or other similar events which would result in material adverse effect on the borrower or our Group, our Group had properly and timely notified the relevant lenders in writing and/or obtained their written consents.

For Loan from Related Parties

The loan agreements between us and our related party lenders adopted a relatively simplified form, where the covenants include (i) the borrower shall repay any principal and interest of the facilities in accordance with the terms of the loan agreements; (ii) the borrower shall promptly notify the lenders if there is any material change to the operations of the borrower that would impact the interest of the lenders, and the borrower may need to prepay the loans prior to maturity or provide supplemental guarantee to the satisfaction of the lenders; and (iii) the borrower shall not transfer or assign its indebtedness and obligations under the loan agreements.

For Asset-Backed Notes/Securities

The covenants are mainly provided under the trust agreement entered into in connection with the asset-backed notes/securities. Under the trust agreement, we as the grantor, shall, among other things, (i) manage, operate and dispose the trusted assets in accordance with the terms of the trust agreement, (ii) redeem any ineligible assets in accordance with the terms of the trust agreement, (iii) upon the occurrence of certain events as provided in the trust agreement, notify the relevant lessees and guarantors the establishment of trust over the relevant financial leasing assets, transfer the ownership of such financial leasing assets to the trustee, and take any other actions as requested by the trustee to protect the trust interest, (iv) upon establishment of the trust, pass any funds received from the lessees in connection with the trusted assets and include such funds as the trusted assets, (v) not sell, pledge, charge, transfer any trusted assets to any other person, not take any actions that would negatively impact the trustee's ownership over the trusted assets, not create any encumbrance over the trusted assets and not give up its ownership over the trusted assets, (vi) unless as authorised by the trustee, not exercise any lessor's rights under the financial leasing agreements or guarantee agreements, or amend any terms of these agreements, or waive any obligations or liabilities of the lessees, in each case that would cause material adverse effect on the recoverability of the trusted assets, (vii) duly perform any of its obligations under the financial leasing agreements and not terminate such agreements and withdraw the leased assets unless upon breach of contract by the lessees, and (viii) use the proceeds of the asset-backed notes/securities towards specific purposes as provided in the transaction documents.

For Other Borrowings Obtained from Other Financial Institutions

We as the sublessee, shall, among other things, (i) provide financial reports upon request of the sublessor, (ii) obtain the written consent of the sublessor for any reorganisation, merger and acquisition, establishment of subsidiary, transfer of assets or reduction of capital that would adversely impact the sublessor's interest, (iii) obtain the written consent of the sublessor for any sale, grant, lease, lend, transfer, charge or pledge all or substantially all of the sublessee's assets, and (iv) notify the sublessor and provide supplemental guarantee to the satisfaction of the sublessor upon occurrence of certain events that would result in material adverse effect on the operation or condition of the sublessee.

As at the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain other bank facilities or to issue other debt securities to obtain financing during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of trade and other payables and bank borrowings or other loan facilities that were due.

As at 30 April 2022, the latest date for determining our indebtedness for the purposes of this prospectus, we had committed and unrestricted bank borrowings of RMB2,533.9 million, of which RMB630.0 million remained unutilised. The purpose of these bank borrowings commitment or credit is to fund our general operations and business activities. Moreover, as at 30 April 2022, we obtained approvals from certain financial institutions providing financing services in the PRC for an aggregate revolving credit amount of RMB3,700.0 million to fund our financial leasing business, RMB2,499.9 million of which remained unutilised as at such date. Subject to market conditions, we also plan to issue asset-backed notes/securities in the amount of RMB5,400.0 million in 2022 to fund the expansion of our supply chain finance section.

Lease Liabilities

Our lease liabilities represent the lease of office buildings and facilities for our logistics and warehousing services. Our lease liabilities amounted to RMB27.0 million, RMB22.5 million and RMB48.1 million and RMB52.4 million, respectively, as at 31 December 2019, 2020 and 2021 and 30 April 2022. The lease term of our lease of buildings and facilities ranges from one year to five years.

The following tables set forth a breakdown of our lease liabilities by payment due date as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Minimum lease payments due			
– Within one year	18,168	11,344	26,729
– Between one and two years	6,069	6,630	14,776
– Between two and five years	6,272	7,742	13,941
	30,509	25,716	55,446
Less: future finance charges	(3,518)	(3,256)	(7,307)
	26,991	**22,460**	**48,139**

Contingent Liabilities and Guarantees

As at 30 April 2022, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

As at 30 April 2022, save as disclosed above, our Group did not have any other outstanding borrowings, mortgage, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, financial leasing commitments, hire purchase commitment.

Save as disclosed above, our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2022 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We entered into transactions with certain related parties from time to time. During the Track Record Period, we had the following significant transactions with related parties:

Sales of goods

For the years ended 31 December 2019, 2020 and 2021, the revenue recorded for sales of goods to related parties amounted to RMB213.8 million, RMB256.3 million and RMB204.9 million, respectively. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Supply of Products and Services Framework Agreement" in this prospectus.

Provision of services

For the years ended 31 December 2019, 2020 and 2021, the revenue recorded for providing services to related parties approximately amounted to RMB474.3 million, RMB617.0 million and RMB483.6 million, respectively. We mainly provided (i) logistics and warehousing services, (ii) factoring services and (iii) IoV and data services during the Track Record Period. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Supply of Products and Services Framework Agreement" in this prospectus.

Purchase of goods and services

For the years ended 31 December 2019, 2020 and 2021, the purchase of goods and services from related parties approximately amounted to RMB590.0 million, RMB593.4 million and RMB479.2 million, respectively. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Products Purchasing Framework Agreement" in this prospectus.

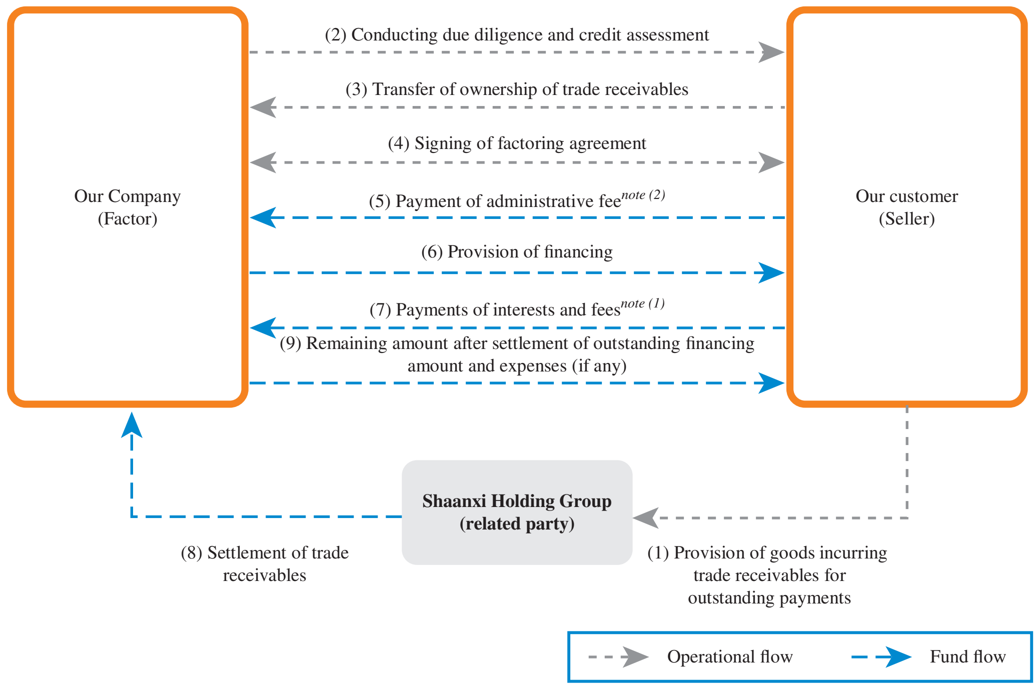
Loans advanced from related parties and Repayment of loans to related parties

For the years ended 31 December 2019, 2020 and 2021, the loans advanced from related parties approximately amounted to RMB1,255.0 million, RMB3,955.0 million and RMB1,365.0 million, respectively. During the same period, the repayment of loans to related parties approximately amounted to RMB804.0 million, RMB1,160.0 million and RMB4,436.0 million, respectively.

Factoring receivables repaid by related parties on behalf of third parties

For the years ended 31 December 2019, 2020 and 2021, the factoring receivables repaid by related parties on behalf of third parties amounted to approximately RMB779.3 million, RMB952.9 million and RMB255.8 million, respectively.

The following diagram illustrates standard operational workflow in respect of the factoring receivables repaid by related parties on behalf of third parties:



Notes:

(1) Please refer to the section headed "Business — Factoring Business — Pricing Policy" in this prospectus for further details our pricing policy of factoring business.

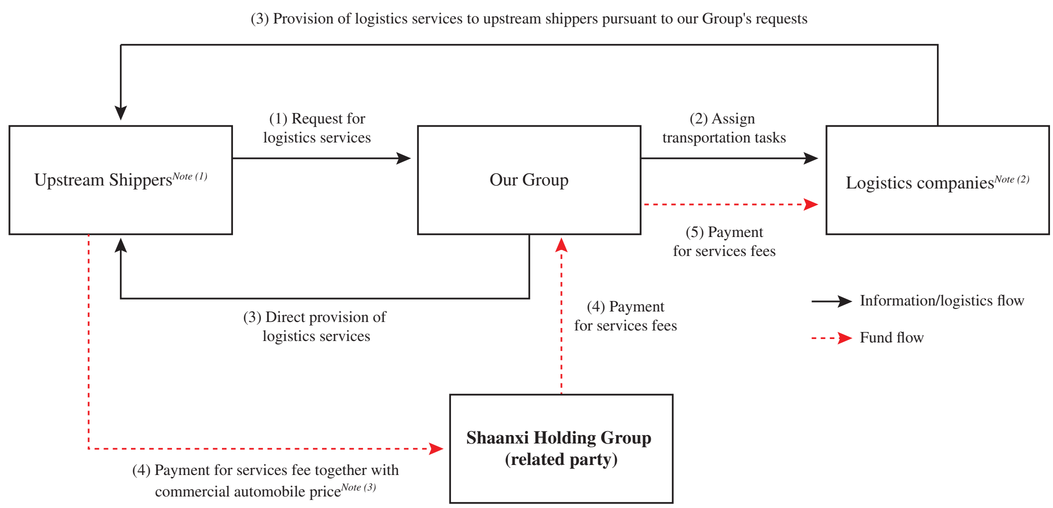
(2) Customers will pay an administrative fee to us upon entering into factoring agreements.

Payment of transportation fee collected by related party on behalf of the Group

For the years ended 31 December 2019, 2020 and 2021, the payment of transportation fee collected by related parties on behalf of the Group amounted to approximately RMB410.8 million, RMB451.7 million and RMB445.0 million, respectively.

According to the Frost & Sullivan Report, it is an industry norm that the commercial automobile manufacturers collect payment for transportation fee on behalf of their related automobile logistics service providers together with payment for the commercial automobile price from the commercial automobile purchaser. Under the typical terms of the automobile logistics services, the commercial automobile sales dealers who purchase the commercial automobiles from Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile would first pay Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile for the commercial automobile sales price together with the transportation fee, and entrust Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile to pay the transportation fee to us. Shaanxi Heavy Duty Automobiles and Shaanxi Commercial Automobile will then pay us the transportation fee based on the logistics services we provided on a monthly basis. Under such payment arrangement, the related parties involved are Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the ultimate customers are the commercial automobile sales dealers. Such payment arrangement will provide convenience to the commercial automobile sales dealers and reduce our risks of default on the payment of our transportation fees.

Such payment arrangement has no impact on the operational and fund flow of our automobile logistics services except that the purchasers of the commercial automobile would first pay Shaanxi Holding Group for the commercial automobile sales price together with the transportation service fee and entrust Shaanxi Holding Group to pay the transportation services fee to us for the services provided by us. The following diagram illustrates standard operational workflow to provide our automobile logistics services when the payment of transportation fee collected by the related party on behalf of our Group:



Notes:

(1) Please refer to the section headed "Business — Customers of Our Automobile Logistics Service and Third Party Logistics Service" in this prospectus for further details. Customers of our automobile logistics service are primarily national and regional commercial automobile sales dealers throughout China that have cooperative relationship with Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile.

(2) We will take charge of the scheduling, planning and arrangement of transportation capacity of the carrier pursuant to the logistics transportation needs of the upstream shippers. We will engage downstream logistics companies to complete the transportation tasks. We arrange the performance of logistics service for the upstream shippers and bear the risks involved in transportation. We manage such risks through contractual arrangement with downstream logistics companies. Downstream logistics companies will be accountable to us for the specific performance of logistics service.

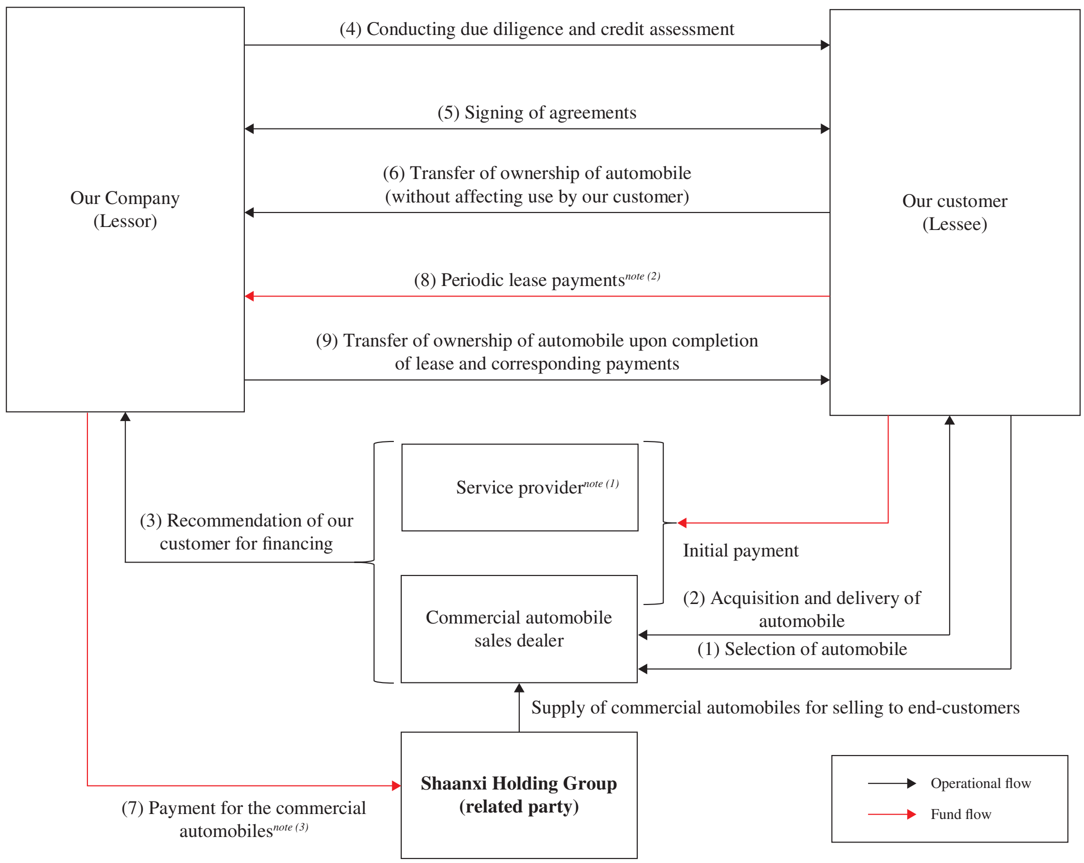
(3) In respect of the automobile logistics service provided to commercial automobile sales dealers, the purchasers of the commercial automobiles would first pay Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) for the commercial automobile sales price together with the transportation service fee, and entrust Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) to pay the transportation service fee to us (or our subsidiary) for the automobile logistics service provided by us.

Commercial automobiles purchase price paid to related party on behalf of automobiles dealers

For the years ended 31 December 2019, 2020 and 2021, the commercial automobiles purchase price paid to related parties on behalf of automobiles dealers approximately amounted to RMB2,359.5 million, RMB2,688.2 million and RMB945.5 million, respectively.

During the Track Record Period, Deewin Financial Leasing, certain commercial automobile sales dealers and commercial automobile manufacturers, such as Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile entered into certain alternative payment arrangements that mainly allows Deewin Financial Leasing to pay Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile on behalf of the commercial automobile sales dealers for the commercial automobiles they have purchased in relation to the transactions that Deewin Financial Leasing provides financial leasing services. Such commercial automobile sales dealers are independent third parties of the Group that have a stable business relationship with Deewin Financial Leasing. A number of such dealers are customers of the Group under our logistics and supply chain service sector. In connection with the alternative payment arrangement, Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile will grant a revolving credit line with certain period to Deewin Financial Leasing for the payment on the purchase price of commercial automobiles purchased by commercial automobile sales dealers. The amount of the payment made by Deewin Financial Leasing on behalf of the commercial automobile sales dealers will be mainly offset within the amount of the purchase price that is payable by Deewin Financial Leasing to the commercial automobiles sales dealers on behalf of the end-users of commercial automobile in relation to the financial leasing services ("**Alternative Payment Arrangement**"). No fees or interests are payable or chargeable by our Group to Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile, nor fees or interests are payable or chargeable by the commercial automobile sales dealers to our Group in relation to the Alternative Payment Arrangement. The Alternative Payment Arrangement is mainly to provide flexibility on the payment schedule to the commercial automobile sales dealers who have stable business relationship with Deewin Financial Leasing and good sales record. It also made the whole sales of commercial automobile transaction more efficient and convenient due to the flexible payment schedule. During the Track Record Period there were 64, 71 and 37 commercial automobile sales dealers involved in the Alternative Payment Arrangement. According to the Frost & Sullivan Report, such payment arrangement is in line with industry norm.

The Alternative Payment Arrangement has no impact on the operational and fund flow of our sale and leaseback arrangement except that our Company would pay the purchase price to the commercial automobile manufacturers directly instead of paying the net financing amount to commercial automobile dealer or the service providers. The following diagram illustrates the typical sale and leaseback arrangement among our Company, our customer, the commercial automobile sales dealers and our related party under Alternative Payment Arrangement:



Notes:

(1) Service providers generally sell various brands of commercial automobiles, trailers and second hand commercial automobiles, and do not focus on selling one specific brand of automobiles. They also leverage on such sales activities to provide financing solutions (including financial leasing services) supporting the sales process.

(2) Periodic lease payments include principal and interest payments from our customers. Please refer to the paragraphs headed "— Financial Leasing Business — Pricing Policy" for further details on our pricing policy of financial leasing business.

(3) Under the Alternative Payment Arrangement, Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile will grant a revolving credit line with certain period to Deewin Financial Leasing for the payment on the purchase price of commercial automobiles purchased by commercial automobile sales dealers.

The Alternative Payment Arrangement was essentially a settlement arrangement under which we pay the purchase price on behalf of the automobile sales dealers, who would then settle the bills with us upon a stipulated credit period, or offset the leasing amount payable by us to such dealers in other arrangements. This arrangement effectively helped provide liquidity to the automobile sales dealers. However, due to the increasing competitions in the PRC financial leasing market in recent years, the cycle for the release of financing payment to the automobile sales dealers by the financial leasing service providers in the market (including our Group) has been shortened, which has alleviated the sales dealers' liquidity pressure and they thus become more able to pay directly to the commercial automobile manufacturers upon receipt of such financing payment from the financial leasing service providers. As a result, the Alternative Payment Arrangement had become less attractive to the automobile sales dealers, and we terminated the Alternative Payment Arrangement at the end of 2021. There were no commercial automobile sales dealers involved in such arrangement as at 31 December 2021. Please refer to the section headed "Business — Supply Chain and Financial Service Sector — Financial Leasing Business — Sale and Leaseback Model" in this prospectus for the standard work flow that we have adopted upon cessation of the Alternative Payment Arrangement. As we do not charge any service fee from such arrangement and only use as a method to facilitate and attract sales dealers, our Directors confirmed that the cessation of the Alternative Payment Arrangement did not have any material operational or financial impact on our Group.

Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business and on an arm's length basis and with normal commercial terms between the relevant parties.

Balances with Related Party

The following table sets forth a breakdown of our balances with related parties as at the dates indicated:

Trade balances with related parties

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
FVOCI – Notes receivables	231,733	217,776	129,291
FVOCI – Trade receivables	–	–	29,842
Trade receivables	213,942	270,539	149,573
Loan receivables	50,144	49,696	72,196
Prepayments	10,094	13,594	24,546
Notes payable	1,358,937	1,346,440	50,357
Trade payables	133,783	68,979	74,175
Contract liabilities	–	138	1,090

Non-trade balances with related parties

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Other receivables	7,823	13,932	13,547
Other payables	1,131,678	3,928,991	856,355

Our FVOCI – notes receivables from related parties slightly decreased by RMB13.9 million or 6.0% to RMB217.8 million as at 31 December 2020 primarily because a smaller portion of our receivables from customers were settled by notes in 2020. As such, our FVOCI – notes receivables further decreased to RMB129.3 million as at 31 December 2021.

Our trade receivables from related parties increased by RMB56.6 million or 26.5% to RMB270.5 million as at 31 December 2020 primarily as a result of the continuous expansion of operational scale of our logistics and supply chain sector and IoV and data service sector during the same year. Our trade receivables from related parties decreased by RMB120.9 million or 44.7% to RMB149.6 million as at 31 December 2021 primarily as a result of (i) the decrease in sales of goods in our IoV and data service sector to related parties in the fourth quarter of 2021, and (ii) the improved collection of receivables from related parties under our logistics and supply chain sector.

Our notes payable to related parties remained stable from RMB1,358.9 million as at 31 December 2019 to RMB1,346.4 million as at 31 December 2020. In addition, our notes payable to related parties decreased to RMB50.4 million as at 31 December 2021 primarily because of our repayment of notes payable to related parties that became due in 2021.

Our other payables to related parties increased from RMB1,131.7 million as at 31 December 2019 by RMB2,797.3 million or 247.2% to RMB3,929.0 million as at 31 December 2020 primarily as a result of (i) the continuous expansion of operational scale of our financial leasing business during the same year, and (ii) our adjustment of funding structure in 2020, during which we secured more loans with lower interest rates while reduced the amount of bank borrowings and borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020. Our other payables to related parties decreased to RMB856.4 million as at 31 December 2021 primarily because of our repayment of loan from related parties as scheduled.

Other than the trade balances with related parties as disclosed above, we also have non-trade balances with related parties. As at 31 December 2019, 2020 and 2021, the carrying amount of other receivables under our non-trade balance with related parties was approximately RMB7.8 million, RMB13.9 million and RMB13.5 million, with allowance provision of RMB4,000, RMB7,000 and RMB16,000, respectively. All of these other receivables were deposits paid to related parties for the logistics and warehousing service which will not be settled before the Listing. The Group expects that the other payables under our non-trade balance with related parties of approximately RMB856.4 million will not be settled before the Listing, which include the other payables to the parent company of RMB854.9 million which is a loan to be repaid after the Listing in accordance with the agreement. Please refer to Note 41(c)(ii) to the Appendix I to this prospectus for further details.

There was no pledge/guarantee provided to the related parties, and the pledge/guarantee provided by the related parties will be partially released upon the Listing. The pledge/guarantee provided by the related parties existing after the Listing is expected to amount to approximately RMB0.8 million due in 2022, RMB9.6 million due in 2023 and nil due in 2024. Such pledge/guarantee provided by the related parties cannot be released upon the Listing because (i) pursuant to the terms of agreements we entered into with the relevant financial institutions, we will need to pay certain amount of compensation to them upon the release of the aforementioned pledge/guarantee, which will also impact our long-term stable relationship with these financial institutions, and (ii) our asset-backed notes/securities guaranteed by the related parties shall be issued pursuant to our approved plan and cannot be released in advance. As at the date of this prospectus, we maintain sound cash flow, obtain sufficient undrawn lines of credit from various financial institutions and have adequate outstanding balance of the asset-backed notes/ securities for issuance.

Please refer to Note 41 to the Accountant's Report in Appendix I to this prospectus and the section headed "Connected Transactions" in this prospectus for further details.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure comprised primarily expenditures for property, plant and equipment, intangible assets and right-of-use assets. The following table sets forth our capital expenditures for the years indicated:

	Year ended 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Property, plant and equipment	21,088	23,631	13,146
Intangible assets	4,696	6,312	11,720
Right-of-use assets	11,749	14,044	57,527
Total capital expenditure	**37,533**	**43,987**	**82,393**

In 2022 and 2023, we expect to incur capital expenditure in an amount of RMB228.9 million and RMB246.2 million, respectively. We plan to fund our expected capital expenditure by using our cash flow generated from operations, bank borrowings, asset-backed notes/securities, other borrowings from other financial institutions and the net proceeds received from the Global Offering.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates indicated:

	Year ended/as at 31 December		
	2019	2020	2021
Return on average assets(1)	3.0%	3.1%	3.4%
Return on average net assets(2)	13.3%	14.5%	15.8%
Gross profit margin(3)	16.4%	20.0%	23.4%
Net profit margin(4)	8.3%	9.8%	11.8%
Current ratio(5)	1.0	1.1	1.2
Quick ratio(6)	1.0	1.0	1.2
Gearing ratio(7)	64.9%	71.3%	69.7%

Notes:

(1) For each of the three years ended 31 December 2021, return on average assets is calculated by dividing profit for the year by the average balance of total assets as at the beginning and as at the end of the year and multiplying 100%.

(2) For each of the three years ended 31 December 2021, return on average net assets is calculated by dividing profit for the year attributable to the equity holders of the Company by the average balance of total equity attributable to the equity holders of the Company as at the beginning and as at the end of the year and multiplying 100%.

(3) Gross profit for the year divided by revenue for the year and multiplied by 100%.

(4) Profit for the year divided by revenue for the year and multiplied by 100%.

(5) Total current assets divided by total current liabilities as at the end of the year.

(6) Total current assets excluding inventories divided by total current liabilities.

(7) Net debts (including borrowings, lease liabilities, bond payable and loan payable but excluding restricted bank deposits and cash and cash equivalent) divided by the total equity as at the end of the year end. Please refer to the paragraph headed "— Qualitative and Quantitative Disclosure about Financial Risks — Capital Risk" in this section for further details on the calculation of our gearing ratio.

Return on Average Assets

Our return on average assets increased from 3.0% in 2019 to 3.1% in 2020 since the increase in our net profit for each year outpaced the increase in the average balance of our total assets for the same year. Our return on average assets increased to 3.4% in 2021 primarily due to the increase in our net profit for the period that outpaced the increase in the average balance of our total assets for the same year.

Return on Average Net Assets

Our return on average net assets increased from 13.3% in 2019 to 14.5% in 2020 since the increase in our profit for the year attributable to the equity holders of our Company for each year outpaced the increase in the average balance of total equity attributable to the equity holders of our Company for the same year. Our return on average net assets increased to 15.8% in 2021 primarily due to the increase in our profit for the period attributable to the equity holders of our Company for the period that outpaced the increase in the average balance of our total assets for the same year.

Gross Profit Margin

Please refer to the paragraphs headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Gross Profit and Gross Profit Margin" and "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Gross Profit and Gross Profit Margin" in this section for further details.

Net Profit Margin

Our net profit margin increased from 8.3% in 2019, to 9.8% in 2020 and further to 11.8% in 2021 primarily due to (i) the continuous increase in our profit before income tax annually as explained in the paragraphs headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Profit before Income Tax" and "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Profit before Income Tax" in this section, and (ii) the continuous decrease in our effective tax rate annually as explained in the paragraph headed "— Taxation" in this section.

Current Ratio

Our current ratio remained stable at 1.0, 1.1 and 1.2 as at 31 December 2019, 2020 and 2021, respectively.

Quick Ratio

Our quick ratio remained stable at 1.0, 1.0 and 1.2 as at 31 December 2019, 2020 and 2021, respectively.

Gearing Ratio

Our gearing ratio increased from 64.9% in 2019 to 71.3% in 2020 primarily due to the continuous expansion of the operational scale of our financial leasing business and factoring services during the same year and remained stable at 69.7% in 2021.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Our Group's activities and operations are exposed to a variety of market risk, credit risk, liquidity risk and capital risk. Our overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. We currently do not use any derivative financial instruments to hedge certain risk exposures. Please refer to Note 3 to the Accountant's Report included in Appendix I to this prospectus for further details.

Market Risk

Our market risk is primarily cash flow and fair value interest rate risk, which is mainly attributable to our cash and cash equivalents, restricted cash at banks, loans receivables, borrowings, bond payables, trade and other payables and lease liabilities. Specifically, we are exposed to cash flow rate risk with our financial assets and liabilities at variable interest rates and are exposed to fair value interest rate risk with our financial assets and liabilities at fixed interest rates.

As at 31 December 2019, 2020 and 2021, if interest rates on our cash and cash equivalents and bank borrowings had been 10% higher/lower with all other variables held constant, our profit after income tax for the year would have been RMB1.9 million lower/higher, RMB1.4 million lower/higher and RMB0.4 million lower/higher respectively, mainly as a result of higher/lower net interest income/expense being recognised/incurred.

Credit Risk

We are exposed to credit risk primarily in relation to our cash and cash equivalents, restricted cash at banks, loan receivables and trade and other receivables.

We do not expect any significant credit risk associated with cash at bank and restricted cash at bank since they are deposited at state-owned banks and other medium or large size listed banks.

Our management has credit policy in place and the exposures to those credit risk are monitored on an ongoing basis. We have policies to monitor the credit exposure, trade receivables, loan receivables and other receivables. We assess the credit quality of and set credit limits on our customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. We regularly monitor the credit history of our customers. In respect of customers with a poor credit history, we will use written payment reminders, or shorten or cancel credit periods, to ensure that our overall credit risk is limited to a controllable extent.

Our loan receivables are mainly receivables generated from our financial leasing business. For such receivables, we perform standard credit management procedures, which include primarily project due diligence and proposal submission, credit underwriting review and approval, disbursement, post-lending monitoring and management of non-performing financial lease receivables. We enhance our credit risk management by strictly complying with our credit management procedures, strengthening customer investigation, lending approval and post-lending monitoring measures, enhancing risk mitigation effect of loan receivables through obtaining collateral, security deposits and corporate or individual credit guarantee.

We write off financial assets when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no enforceable property.

We made provision for financial instruments measured at amortised cost, financial lease receivables, loan commitments and financial guarantee contracts using the "expected credit loss model" by dividing the financial instruments and loan receivables into 3 stages: (i) stage 1 is "the credit risk has not increased significantly since its initial recognition", at which we only need to measure the expected credit loss in the next 12 months; (ii) stage 2 is "the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired", at which we need to measure lifetime expected credit loss with no credit impaired; and (iii) stage 3 is "financial instrument is credit-impaired", at which we need to measure lifetime expected credit loss with credit impaired. Please refer to the paragraph headed "— Critical Accounting Policies, Judgement and Estimates — Provision for Credit Losses" in this section for further details on the management judgement and estimate involved in calculation of expected credit loss. Please refer to Note 3.1(b) to the Accountant's Report included in Appendix I to this prospectus for further qualitative and quantitative analysis of the expected credit loss model applicable to our trade receivables, financial assets at fair value through profit or loss, other receivables and loan receivables.

Liquidity Risk

We aim to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, we monitor rolling forecasts of our Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flows. All the borrowings are in compliance with the relevant covenants. We expect to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses our financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than one year	Between one year and two years	Between two years and five years	Over five years	Total
	(in thousands of RMB)				
As at 31 December 2019					
Trade and other payables	3,347,464	682,097	–	–	4,029,561
Lease liabilities	18,168	6,069	6,272	–	30,509
Borrowings	3,050,581	197,084	–	–	3,247,665
Bond payables	88,604	–	–	–	88,604
	6,504,817	885,250	6,272	–	7,396,339
As at 31 December 2020					
Trade and other payables	5,551,268	582,513	882,331	–	7,016,112
Lease liabilities	11,344	6,630	7,742	–	25,716
Borrowings	1,656,590	126,225	–	–	1,782,815
Bond payables	259,212	75,443	–	–	334,655
	7,478,414	790,811	890,073	–	9,159,298
As at 31 December 2021					
Trade and other payables	1,363,036	1,041,984	–	–	2,405,020
Lease liabilities	26,729	14,776	13,941	–	55,446
Borrowings	3,815,043	460,421	–	–	4,275,464
Bond payables	856,959	104,572	–	–	961,531
	6,061,767	1,621,753	13,941	–	7,697,461

Capital Risk

Our primary objective for capital management is to safeguard our ability to continue as a going concern in order to provide returns for equity holders. We manage our capital structure and make adjustments to it, in light of changes in economic conditions. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

We monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "borrowings", "lease liabilities" and "bond payable" as shown in our consolidated statement of financial position) less cash and cash equivalents and restricted cash at banks. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Total borrowings	3,146,942	1,737,884	4,100,429
Add: Trade and other payables – loan from related parties	1,130,000	3,925,000	854,000
Add: Lease liabilities	26,991	22,460	48,139
Add: Bond payables	85,332	323,003	939,857
Less: Restricted cash at banks	(536,312)	(467,452)	(84,816)
Less: Cash and cash equivalents	(730,143)	(196,915)	(213,339)
Net debt	3,122,810	5,343,980	5,644,270
Total capital	4,815,109	7,492,981	8,094,017
Gearing ratio	**64.9%**	**71.3%**	**69.7%**

Please refer to the paragraph headed "— Key Financial Ratios" in this section for further details on the analysis of fluctuation of our gearing ratio.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for operating lease commitments, as at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND POLICY

Our Group declared dividends in an aggregate amount of RMB63.0 million, RMB336.4 million and RMB68.0 million, respectively, for the years ended 31 December 2019, 2020 and 2021 to our then shareholders. As advised by our PRC Legal Advisers, the dividends declared and paid by our Group during the Track Record Period were in compliance with the relevant PRC laws and regulations. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars.

We currently do not have any pre-determined dividend pay-out ratio. The payment and the amount of any future dividends will be at the discretion of our Board and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Company Law, including the approval of our Shareholders. In addition, dividends can only be paid out of profits or other distributable reserves.

DISTRIBUTABLE RESERVES

The Group had retained earnings of (i) RMB572.8 million as at 31 December 2019, (ii) RMB30.7 million as at 31 December 2020, and (iii) RMB299.7 million as at 31 December 2021, representing the distributable reserves available for distribution to our shareholders.

LISTING EXPENSES

Our listing expenses primarily consist of underwriting commissions, professional fees paid to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions payable by us) in relation to the Global Offering are approximately RMB77.4 million (equivalent to HK$90.8 million), accounting for 8.5% of our estimated gross proceeds of HK1,064.2 million from the Global Offering assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price between HK$1.78 and HK$2.13 per H Share). The aforementioned total estimated listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering includes (i) underwriting-related expenses (including not but limited to underwriting commissions and fees) in the amount of approximately RMB30.0 million (equivalent to HK$35.2 million), and (ii) non-underwriting-related expenses in the amount of approximately RMB47.4 million (equivalent to HK$55.6 million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountant in the amount of approximately RMB30.6 million (equivalent to HK$35.9 million), and (b) other fees and expenses in the amount of approximately RMB16.8 million (equivalent to HK$19.7 million).

During the Track Record Period, we incurred actual listing expenses of RMB22.3 million (equivalent to HK$26.2 million), RMB2.1 million (equivalent to HK$2.5 million) of which was charged to our consolidated statement of profit and loss and RMB20.2 million (equivalent to HK$23.7 million) of which is expected to be charged against equity upon successful Listing under the relevant accounting guidelines.

We expect to incur further listing expenses of approximately RMB55.1 million (equivalent to HK$64.6 million), of which RMB8.3 million (equivalent to HK$9.8 million) will be charged to our consolidated statement of profit or loss for the year ending 31 December 2022 and RMB46.7 million (equivalent to HK$54.9 million) is expected to be charged against equity upon successful Listing under the relevant accounting guidelines.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2021.

This unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2021 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2021(1)	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2021	Unaudited pro forma adjusted net tangible assets per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.78 per H Share	2,421,519	823,125	3,172,129	1.46	1.71
Based on an Offer Price of HK$2.13 per H Share	2,421,519	984,975	3,328,626	1.53	1.80

Notes:

(1) The audited consolidated net tangible assets information of our Group attributable to equity holders of our Company as at 31 December 2021 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to equity holders of our Company as at 31 December 2021 of approximately RMB2,444,375,000 with an adjustment for the intangible assets of our Group as at 31 December 2021 of approximately RMB22,856,000.

(2) The estimated net proceeds from the Global Offering are based on 543,000,000 H Shares and the indicative Offer Price of HK$1.78 and HK$2.13 per H Share, being the lower end and higher end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other related expenses payable by us, but excluding listing expenses of approximately RMB2,089,000 which has been accounted for in the consolidated statements of comprehensive income up to 31 December 2021 and takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2021 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,172,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2021 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.85162 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to 31 December 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, other than disclosed in the section headed "Summary – COVID-19 Outbreak" in this prospectus, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position of our Group since 31 December 2021, being the date on which our latest audited consolidated financial statements were prepared.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price between HK$1.78 and HK$2.13 per H Share), we estimate that we will receive net proceeds of approximately HK$973.4 million from the Global Offering after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, if the Over-allotment Option is not exercised.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price between HK$1.78 and HK$2.13 per H Share), we will receive additional net proceeds of approximately HK$154.4 million.

If the Offer Price is fixed at HK$2.13 per H Share, being the high end of the stated range of the Offer Price, our net proceeds will be (i) increased by approximately HK$89.3 million, assuming the Over-allotment Option is not exercised, and (ii) increased by approximately HK$257.0 million, assuming the Over-allotment Option is exercised in full. If the Offer Price is fixed at HK$1.78 per H Share, being the low end of the stated range of the Offer Price, our net proceeds will be (i) decreased by approximately HK$94.5 million, assuming the Over-allotment Option is not exercised, and (ii) increased by approximately HK$45.7 million, assuming the Over-allotment Option is exercised in full.

We intend to use the net proceeds of the Global Offering for the purposes and in the amounts set out below assuming that the Over-allotment Option is not exercised and the Offer Price is fixed at HK$1.96 per H Share (being the mid-point of the stated range of the Offer Price):

- **Offline business development.** Approximately 37.5% of the net proceeds, or approximately HK$365.0 million, will be used for the establishment of an offline digital warehousing and distribution network, as well as a repair service network targeting at commercial automobile aftermarket, including:

  (i) Offline digital warehousing and distribution system for components and digital centralised warehouses. Approximately 32.5% of the net proceeds, or approximately HK$316.3 million, will be used for establishing an offline digital warehousing and distribution system for components, together with the digital centralised warehouses. The establishment of the offline digital warehousing and distribution system was our active response to the fast development of modern supply chain service, in particular the need of high logistics efficiency, low inventory storage and digitalised management of massive products. By using such offline digital warehousing and distribution system, all the components and materials will be labelled with radio-frequency identification tags, which will facilitate automatic data collection through IoT equipment during the process of materials receipt, warehouse management and outbound distribution. As such, the overall timeliness and accuracy of information relating to our supply chain services will be further enhanced, which in turn will enable us to conduct real-time inventory check, improve the utilisation rate of our warehousing and distribution resources as well as the overall work efficiency and lay a solid foundation for operation automation in the future. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Offline business development" in this prospectus. In addition, we intend to establish 15 high-standard digital centralised warehouses for components of commercial automobile in the next three years. Each centralised warehouse will enable us to maintain a regular inventory of highly consumable components and materials and obtain the capability for instant delivery. Being different from our ten warehouses and logistics centres for provision of automobile manufacturing supply chain service, which are dedicated to facilitating the manufacturing of commercial automobiles, our digital centralised warehouses aim to provide direct purchase and fast distribution of components for the existing reserve market of commercial automobiles, in particular to serve the areas with concentrated needs of components consumption. The network of our digital centralised warehouses provides extensive geographic coverage in China, including (a) three cities in Eastern China, namely Jinan City, Danyang City and Hangzhou City, (b) four cities in Central China, namely Huainan City, Shiyan City, Zhengzhou City and Changsha City, (c) four cities in Northern China, namely Beijing City, Taiyuan City, Shijiazhuang City and Shenyang City, and (d) four city in Western China, namely Urumqi City, Xi'an City, Chengdu City and Chongqing City. Such network enables us to provide competitive service at the national level and ensure the timeliness and efficiency of our delivery of components to all the potential customers. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Offline business development" in this prospectus. In particular:

◦ approximately HK$128.5 million will be used for the establishment of regular inventory of components. Such components generally include tyres, lubricants and other regular components for daily consumption by commercial automobiles. The calculation of the regular inventory of components takes into consideration of the following factors: (a) the estimated number of commercial automobiles to be served by us based on the total number of commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in the region covered by the relevant digital centralised warehouses by reference to the statistics provided by the relevant insurance industry associations, (b) the prevailing market price for ordinary commercial automobile repair and maintenance service per time, (c) the frequency for the need of ordinary commercial automobile repair and maintenance service each year, (d) the regular inventory reserve ratio by reference to the industrial average statistics. After due consideration of all the aforementioned factors, the regular inventory of components will be maintained at approximately HK$7.8 million for each of the 14 digital centralised warehouse (excluding the digital centralised warehouse located at Xi'an). As the digital centralised warehouse located at Xi'an will become a hub warehouse of the whole network, the regular inventory of components for this warehouse would increase to approximately HK$19.5 million;

- approximately HK$86.6 million will be used for the purchase of warehousing facility, investment in equipment and logistics information system software. The warehousing facility generally includes goods shelves, high-level forklifts, ordinary forklifts, pallet trucks and ancillary pallets for storage and transporting the regular inventory of components. After due consideration of the need of the warehousing facility for establishment of 15 high-standard digital centralised warehouses as mentioned above, we will use approximately HK$12.6 million for the purchase of warehousing facility. In addition, the equipment and logistics information system software include system servers, jump servers, supervision system software, firewall system software and dedicated operation and maintenance system for the development and operation of our offline digital warehousing and distribution system for components. After due consideration of the performance requirement of our offline digital warehousing and distribution system for components and by comparison with similar system used in the supply chain industry, we will use approximately HK$74.0 million for the investment in equipment of logistics information system software;

- approximately HK$101.2 million will be used to pay the expenses relating to site, personnel and sales. In particular, with regard to the personnel arrangement, we plan to recruit additional 57 persons for the routine operation of the 15 digital centralised warehouses we plan to establish. Such 57 persons would be divided into: (a) 12 persons at the senior level providing overall management of these 15 digital centralised warehouses, including one principal taking charge of the general management, four persons being responsible for sales of components (including one sales manager and three sales representatives), two persons being responsible for purchase of components (including one purchase manager and one purchase representative), three persons providing technical support in relation to components (including one technical manager and two technical support staff) and two persons taking charge of financial and administrative affairs. In relation to the principal taking charge of the general management, we aim to recruit a talent with bachelor's degree or above in automobile or mechanical engineering who also has over five years' experience in team leading and management. In relation to other staff at the senior level, we aim to recruit talents with associate degrees or above in marketing, automobile, mechanical engineering, financial management or administration according to the different positions, who generally have at least three years' work experience in the relevant business areas, and (b) 45 persons providing management service at the frontline, including one principal, one warehouse keeper and one operation planner for each of the 15 digital centralised warehouses. In relation to the principals of the digital centralised warehouses, we aim to recruit talents with bachelor's degree or above who also have over three years' experience in sales of components and warehouse management. In relation to other staff of the digital centralised warehouse, we aim to recruit talents with degrees from technical secondary schools or above who generally have at least one year's experience in warehouse management or components coding according to the different positions.

For the period from the Latest Practicable Date to 31 December 2022 and the four years ended 31 December 2023, 2024, 2025 and 2026, we estimate to use approximately HK$55.5 million, HK$72.0 million, HK$119.7 million, HK$33.1 million and HK$36.0 million, respectively, for the hardware, personnel and ancillary expenses in relation to the establishment of an offline digital warehousing and distribution system for components. In particular, we expect to:

(a) complete the construction of 2 offline digital warehouses for components during the period from the Latest Practicable Date to 31 December 2022;

(b) (1) complete the construction of 5 offline digital warehouses for components, and (2) commence the establishment of logistics information system, for the year ended 31 December 2023;

(c) (1) complete the construction of 8 offline digital warehouses for components, and (2) commence the operation of warehousing facilities, and (3) complete the establishment of logistics information system and commence full operation, for the year ended 31 December 2024;

(d) (1) complete upgrading the logistics information system, and (2) expand the coverage of offline digital warehousing and distribution system, for the year ended 31 December 2025; and

(e) complete the radio-frequency identification tags labelling for all the components and materials for the year ended 31 December 2026.

Our establishment of an offline digital warehousing and distribution system for components is expected to be fully completed by the end of 2026.

(ii) Commercial automobile repair and service network. Approximately 5.0% of the net proceeds, or approximately HK$48.7 million, will be used for the establishment of the commercial automobile repair service network. At present, each repair service station has its own repair service procedure, repair tools and visual identification image, where the service quality and overall customer experience might not be maintained in a standardised and consistent manner. Through the establishment of commercial automobile repair and service network, we will provide unified digital repair tools and visual identification image standards for the franchised repair service stations. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Offline business development" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the four years ended 31 December 2023, 2024, 2025 and 2026, we estimate to use approximately HK$1.9 million, HK$12.7 million, HK$21.4 million, HK$7.8 million and HK$4.9 million, respectively, for the hardware and ancillary expenses in relation to the establishment of the repair service network. In particular, we expect to:

(a) (1) complete the construction of digital repair tools system and establish visual identification image standards, and (2) commence the establishment of trial service points for the repair service network, during the period from the Latest Practicable Date to 31 December 2022;

(b) expand the repair service network based on the performance of the trial service points in 2021 and the need of marketing planning for the year ended 31 December 2023;

(c) further expand the repair service network through operation optimisation, enhancement of business operation and brand building for the year ended 31 December 2024;

(d) further timely adjust the density of the service points in repair service network pursuant to the latest market conditions and customer needs for the year ended 31 December 2025; and

(e) complete the expansion of the repair service network with full capability to provide repair service for the year ended 31 December 2026.

Our establishment of the repair service network is expected to be fully completed by the end of 2026.

For further details, please refer to the section headed "Business — Business Strategies — We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings" in this prospectus.

- **Online business development.** Approximately 22.5% of the net proceeds, or approximately HK$219.0 million, will be used for ongoing establishment of online service platform for commercial automobile aftermarket (being our **CLGG Online Platform**). Based on our existing CLGG Online Platform, we will carry out a system upgrade and development in order to establish a unified online service platform for users, including:

(i) approximately 7.0% of the net proceeds, or approximately HK$68.1 million, will be used for the development and operation of the service platform for aftermarket business, including providing end-users with information and purchase channel of aftermarket products and commercial automobile repair services, and offering aftermarket product and service suppliers registered on the platform with order management, statistical analysis and other business management services. Such service platform for aftermarket business is an indispensable component of our CLGG Online Platform, which provides information of aftermarket products together with quality services at the same time and enables the customer to enjoy an one-stop shop experience in a convenient manner. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Online business development" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the three years ended 31 December 2023, 2024 and 2025, we estimate to use approximately HK$8.8 million, HK$9.7 million, HK$23.3 million and HK$26.3 million, respectively, for the hardware and ancillary expenses in relation to the development and operation of the service platform for aftermarket business. In particular, we expect to:

(a) complete the initial establishment of the service platform for aftermarket business by providing basic functions such as ordering aftermarket products and related services during the period from the Latest Practicable Date to 31 December 2022;

(b) (1) complete the enhancement of business offerings on the service platform for aftermarket business and provide additional functions such as status enquiry in relation to ordered long-term service, and (2) complete connecting the service platform for aftermarket business with digital warehousing system as well as franchisee management platform at the operation level for initial information exchange, for the year ended 31 December 2023;

(c) (1) complete connecting the service platform for aftermarket business with digital warehousing system as well as franchisee management platform in the background system, and (2) further improve the service platform for aftermarket business by providing additional functions such as ordering commercial automobile repair services, for the year ended 31 December 2024; and

(d) (1) complete the unified brand promotion and client service enhancement for the service platform for aftermarket business, and (2) coordinate with digital warehousing system to achieve dynamic monitoring of the inventories and automatic allocation among the warehouses, for the year ended 31 December 2025.

Our development and operation of the service platform for aftermarket business is expected to be fully completed by the end of 2025.

(ii) approximately 3.5% of the net proceeds, or approximately HK$34.1 million, will be used for the development and operation of an online digital warehousing system for components centralised warehouses. Such system provides indispensable software support to the aforementioned 15 high-standard digital centralised warehouses for components of commercial automobiles, and enables the operation of the warehouses to be undertaken with support of an advanced technical system. In addition, through the development of operation of such system, we would be placed at the frontline of modern supply chain service advancement and our core competence would be enhanced to face the competitive market. Such system include the use of VR technology to establish a virtual centralised warehouses, visualised control the inventory of each type of components in different centralised warehouses, the use of AI technology to form a dynamic trend map of the distribution of components in the network, realising the intelligent inventory and allocation management of components, thereby enabling us to efficiently distribute and dispatch components to better meet the repair needs of end users. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Online business development" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the three years ended 31 December 2023, 2024 and 2025, we estimate to use approximately HK$4.9 million, HK$7.8 million, HK$11.7 million and HK$9.7 million, respectively, for the hardware and ancillary expenses in relation to the development and operation of a digital warehousing system for components centralised warehouses. In particular, we expect to:

(a) complete the initial establishment of the digital warehousing system for components centralised warehouses with capability to provide information system support to offline digital warehousing and distribution network during the period from the Latest Practicable Date to 31 December 2022;

(b) complete connecting the digital warehousing system for components centralised warehouses with the service platform for aftermarket business at the operation level to realise automatic transfer of commercial automobile repair order for the year ended 31 December 2023;

(c) (1) complete connecting the digital warehousing system for components centralised warehouses with the service platform for aftermarket business in the background system for unified management of inventories, and with franchisee management platform for provision of centralised purchasing of components by the franchisees, (2) complete the establishment of virtual centralised warehouses, (3) complete the visualised control of the components inventories in different centralised warehouses, and (4) commence the component allocation management among the different centralised warehouses, for the year ended 31 December 2024; and

(d) (1) complete the establishment of input, output and inventory models for components in centralised warehouses under the digital warehousing system, and (2) complete the establishment of dynamic trend map of the distribution of components to enable automatic distribution and dispatching among the different centralised warehouses, for the year ended 31 December 2025.

Our development and operation of a digital warehousing system for components centralised warehouses is expected to be fully completed by the end of 2025.

(iii) approximately 2.0% of the net proceeds, or approximately HK$19.5 million, will be used for the development and operation of online service and franchisee management platform. In particular, with the estimated fast development of our CLGG Online Platform in the future, we expect that the administration of our franchisees would bring in additional workload for our daily business operations. In order to manage such foreseeable workload in an efficient manner, it is crucial for us to develop and operate this online service and franchise management platform, which also lays a solid foundation for long-term sustainable development of our CLGG Online Platform. Through such platform, we can review the franchise application and conduct business management, assessment and rating for them, etc. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Online business development" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the three years ended 31 December 2023, 2024 and 2025, we estimate to use approximately HK$2.9 million, HK$3.9 million, HK$5.9 million and HK$6.8 million, respectively, for the hardware and ancillary expenses in relation to the development and operation of online service and franchisee management platform. In particular, we expect to:

(a) complete the initial establishment of online service and franchisee management platform to undertake management of franchise application and business management during the period from the Latest Practicable Date to 31 December 2022;

(b) complete connecting the online service and franchisee management platform with the service platform for aftermarket business at the operation level to achieve automatic transfer of service orders from end-users for the year ended 31 December 2023;

(c) (1) complete connecting the online service and franchisee management platform with the service platform for aftermarket business in the background system, and (2) complete the provision of components purchase for franchisees on the online service and franchisee management platform and enhancement of the functions for business management, for the year ended 31 December 2024; and

(d) (1) complete the assessment and rating of franchisees through the online service and franchisee management platform, and (2) coordinate with digital warehousing system to achieve dynamic monitoring of franchisee's components and allocation alert, for the year ended 31 December 2025.

Our development and operation of online service and franchisee management platform is expected to be fully completed by the end of 2025.

(iv) approximately 10.0% of the net proceeds, or approximately HK$97.3 million, will be used for the development and operation of intelligent repair and training platform. The fast development of existing reserve market of commercial automobile is essentially supported by the provision of efficient commercial automobile repair service, which is in turn supported by massive external professional repair and maintenance personnel. In addition, with the fast development of commercial automobile, the trainings and skills for such personnel is also constantly updating. Based on our close cooperation with a wide range of commercial automobile manufacturers, we are well positioned to seize the business opportunity of providing training for commercial automobile repair services to various external professional repair and maintenance personnel and the development and operation of intelligent repair and training platform enables us to deeply tap the potential of this market. On this platform, we will provide visualised training of repair and maintenance skills for franchisees, fleets, drivers and company business personnel by setting up 3D module for main commercial automobile sales models and key components through VR technology, realise rapid positioning of potential failure points through AI technology and IoV data, reduce the automobile failure rate in order to ultimately improve the end-users driving experience. For further details, please refer to the section headed "Business – Business Strategies – We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings – Online business development" in this prospectus. In particular:

- approximately HK$58.4 million will be used for the purchase of core hardware such as VR tools, digital training accessories, servers and network security equipment;

- approximately HK$38.9 million will be used for the establishment of core teams, expert consultation, application promotions and other expenses.

For the period from the Latest Practicable Date to 31 December 2022 and the three years ended 31 December 2023, 2024 and 2025, we estimate to use approximately HK$13.6 million, HK$23.3 million, HK$37.0 million and HK$23.4 million, respectively, for the hardware and ancillary expenses in relation to the development and operation of intelligent repair and training platform. In particular, we expect to:

(a) complete the initial establishment of intelligent repair and training platform by setting up training database and providing basic practicable training programmes during the period from the Latest Practicable Date to 31 December 2022;

(b) (1) complete setting up 3D modules for certain main commercial automobile sales models through cooperation with the relevant commercial automobile manufacturers, and (2) enhance the training programmes on safe driving for drivers through application of VR technology, for the year ended 31 December 2023;

(c) (1) complete setting up 3D modules for all main commercial automobile sales models and key components, and (2) enhance the training programmes on repair and maintenance skills for commercial automobile repair staff, for the year ended 31 December 2024; and

(d) (1) achieve rapid malfunctioning probability calculation and positioning of potential failure points through AI technology and IoV data, and (2) achieve remote diagnosis and repair coaching through utilising VR technology for on-site repair staff in relation to complicated commercial automobile failure, for the year ended 31 December 2025.

Our development and operation of intelligent repair and training platform is expected to be fully completed by the end of 2025.

For further details, please refer to the section headed “Business — Business Strategies — We adopt both offline and online measures to improve the commercial automobile aftermarket service offerings” in this prospectus.

- **Our core IoV technology and data service capabilities.** Approximately 30.0% of the net proceeds, or approximately HK$292.0 million, will be used to enhance the core technology capabilities and data service capabilities of IoV and data service sector, including:

(i) IoV base facility. Approximately 8.5% of the net proceeds, or approximately HK$82.7 million, will be used for the establishment of IoV technology base facility, mainly including:

◦ IoV private cloud and hardware system. Approximately HK$69.1 million will be used for the development of IoV private cloud and hardware system upgrade. With the fast development of our IoV and data service business, the data we collect is increasing in a rapid manner, which requires more and more hardware support in order to provide stable and speedy analysis for massive amount of data. As such, the development of IoV private cloud and hardware system upgrade meets such needs of IoV and data service business. In addition, such upgrade can improve the security and exclusivity of our IoV data and lay a solid foundation for our data analysis and building capabilities for our data products. For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Our IoV platform" in this prospectus;

- Expansion of office place. Approximately HK$13.6 million will be used for the expansion of office place for IoV research and development personnel. In relation to our office place, our current place is not sufficient to meet the needs of our development, particularly after considering the expansion of our research and development team and the adding of new research and development hardware. As such, our office place need to be expanded accordingly. In terms of place expansion, the size of office place for research and development personnel will be increased to 3,350 square metres from the existing 1,910 square metres. For further information, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Data analysis capabilities — (i) Expansion of office areas" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the two years ended 31 December 2023 and 2024, we estimate to use approximately HK$23.3 million, HK$33.1 million and HK$26.3 million, respectively, for the software (including IoV private cloud) and hardware, working space and ancillary expenses in relation to the establishment of IoV technology base facility. In particular, we expect to:

(a) complete the planning for IoV private cloud and the construction of the technology background environment, during the period from the Latest Practicable Date to 31 December 2022;

(b) complete the expansion of IoV private cloud and the full data integration for the year ended 31 December 2023; and

(c) complete (1) the enhancement the data security mechanism and the overall security classification accreditation for IoV private cloud, and (2) the device commissioning, for the year ended 31 December 2024.

Our establishment of IoV technology base facility is expected to be fully completed by the end of 2024.

(ii) Research and development capabilities. Approximately 12.9% of the net proceeds, or approximately HK$125.6 million, will be used to enhance our research and development capabilities, mainly including:

- approximately HK$114.9 million will be used for the expansion of our research and development team. We aim to extensively recruit about 481 outstanding talents in order to expand into a professional IoV research and development team with diverse backgrounds. The 481 talents we aim to recruit to enhance our core IoV technology and data service capabilities could be mainly divided into three categories, including: (a)

251 talents for development of our IoV related technologies application solutions. Such staff will focus on exploring the various potential needs of our customers and develop relevant products as solutions addressing the difficulties encountered by the customers, including 114 staff for Java development, 23 staff for IOS, Android and other development, 14 staff for system operation and testing and 100 staff for product design and operation. We aim to recruit talents with bachelor's degrees or above who are also proficient at mastering the relevant software or system for undertaking the work, (b) 67 talents for development of our intelligent IoV products. Such staff will focus on hardware design and embedding technology development, which will ensure our intelligent IoV products are always in line with the technology advancement, including 21 staff for hardware design, 41 staff for software embedding technology and five staff for system maintenance. We aim to recruit talents with bachelor's degrees or above in computer science or software engineering who also have at least three years' work experience in the relevant areas, and (c) 100 talents for research of big data and artificial intelligence technologies. Such staff will primarily work in the big data research centre we plan to establish and focus on the optimisation of data collection, storage, calculation and analysis through applying the latest technology, including 56 staff for data development, 12 staff for data analysis, 22 staff for algorithm design and 10 staff for system maintenance. We aim to recruit talents with bachelor's degrees or above in mathematics or information and computing science who are also proficient at mastering the relevant data processing technologies for undertaking the work. For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Data analysis capabilities — (ii) Expansion of our research and development team" in this prospectus;

◦ approximately HK$10.7 million will be used for the continuous upgrade of our software and hardware research and development system. It mainly includes the middle research and development platform, which provides a flexible and efficient structure meeting the needs of fast reaction from top platform and the needs of stability from foundation platform. The development of middle platforms will also enable us to avoid the high expenses caused by duplicated infrastructure development, which in turn improves the efficiency of our business operations. Through the establishment of the middle data platform, middle business platform, middle technology platform and middle management platform, we can achieve the standardisation and stability of our foundation platform and reduce the application development cost. We will also establish big data research centre and undertake the research of big data and artificial intelligence technologies, in order to fully tap the potential value of data and place us at the frontline of industry development. For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Data analysis capabilities — (iii) Upgrade of our software and hardware research and development team" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the four years ended 31 December 2023, 2024, 2025 and 2026, we estimate to use approximately HK$8.8 million, HK$30.2 million, HK$30.2 million, HK$28.2 million and HK$28.2 million, respectively, for the software and hardware, personnel and ancillary expenses in relation to enhancement of research and development capabilities. In particular, we expect to:

(a) (1) commence the recruitment of data analysis talents to set up the professional IoV research and development team, (2) commence the research for establishment of IoV data research centre, and (3) complete the unification of the specification for data storage and the unification of the business scenarios and models, during the period from the Latest Practicable Date to 31 December 2022;

(b) (1) complete the research, project approachment and finalisation of the construction plan for IoV data research centre, (2) accomplish the standardised output and search of data storage and calculation results, and (3) accomplish the retrieval of the full flow of business scenarios through middle business platform, for the year ended 31 December 2023;

(c) (1) complete the unified output of all IoV products through standardised middle data platform, (2) complete the accreditation of all IoV products and external data interface pursuant to technical permissions by middle business platform, and (3) initially complete the establishment of IoV data with established base data and algorithm, for the year ended 31 December 2024;

(d) complete the development of competence for artificial intelligence technologies in order to be prepared for undertaking artificial intelligence analysis for the year ended 31 December 2025; and

(e) (1) complete the establishment of IoV data research centre, and (2) develop analysis capabilities in relation to data, image, video and audio, for the year ended 31 December 2026.

Our enhancement of research and development capabilities is expected to be fully completed by the end of 2026.

(iii) Diversified data products and data services. Approximately 8.6% of the net proceeds, or approximately HK$83.7 million, will be used for the continuous development of IoV technology products and big data as well as industry application products, including:

◦ approximately HK$25.3 million will be used for the continuous development and upgrade of IoV products and terminal products adaptive to 5G telecommunication environment. As 5G technology gradually becomes the new standard of telecommunication industry, all our IoV products and terminal products must be compatible with 5G telecommunication environment in order to be equipped with the basic data carriage capacity for development in the foreseeable future. For further information, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Diversified data products and data services — (iii) development of IoV and data solutions" in this prospectus;

◦ approximately HK$58.4 million will be used for the development and operation of big data and industry application products and platform, including but not limited to: (1) over-the-air (OTA) platform development and operation, which uses Tianxingjian channel to remotely upgrade the components embedded software in order to reduce the cost of our after-sales service and improve our service efficiency. With the upgrade of electrical architecture of commercial automobile, the need of upgrade through OTA will further increase and our development and operation of an OTA platform will provide a systematic response to such market demand. For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Diversified data products and data services — (ii) over-the-air (OTA) platform development and operation" in this prospectus; (2) development and operation of data quality inspection platform for electronic components, which uses such platform to conduct screening test for electronic components, and assists components suppliers to ensure the quality of components and automobile products since the beginning. In particular, due to the limited resources owned by commercial automobile manufacturer for electronic components inspection, the waiting period for components suppliers to go through such inspection has always been prolonged. Through our development and operation of data quality inspection platform for electronic components, we can assist both commercial automobile manufacturers and components suppliers to address their practical problems and explore a new market for our development. For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Diversified data products and data services — (i) development of data service products" in this prospectus; and (3) development and operation of data assets trading platform, which integrates internal and external data resources, and provision of data demanding side with fast data matching transaction in order to achieve rapid data output and automatic settlement. In particular, a data assets trading platform will avoid the problems of low efficiency, high cost and slow response of customised data service and enable the data demand side to obtain the desired data in a speedy manner, which in turn increases the overall value of the internal and external data resources. For further information, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages — Diversified data products and data services — (iii) development of IoV and data solutions" in this prospectus.

For the period from the Latest Practicable Date to 31 December 2022 and the four years ended 31 December 2023, 2024, 2025 and 2026, we estimate to use approximately HK$22.4 million, HK$31.1 million, HK$26.3 million, HK$2.9 million and HK$1.0 million, respectively, for the software and hardware and ancillary expenses in relation to continuous development of IoV technology products and big data as well as industry application products. In particular, we expect to:

(a) (1) complete the relevant accreditation and sample production of 2 types of new IoV products, (2) complete the development of OTA platform and IoV terminal product, (3) complete the development plan of inspection centre for electronic components, and (4) complete the initial establishment of basic data assets trading platform, during the period from the Latest Practicable Date to 31 December 2022;

(b) (1) complete the relevant accreditation and sample production of additional 3 types of new IoV products, (2) complete the development of remote upgrading capabilities in complex environment and under multitude conditions for OTA platform, as well as the improvement of the encryption system, (3) complete the equipment selection, purchase and accreditation application of inspection centre for electronic components, and (4) complete the establishment of the settlement system for the data assets trading platform, for the year ended 31 December 2023;

(c) (1) complete the relevant accreditation and sample production of additional 3 types of new IoV products, (2) complete the development of the base for remote upgrading of compatible electrical units of commercial automobile, (3) commence the business operations of inspection centre for electronic components, (4) complete the establishment of multi-party data assets trading platform through introduction of third party data, for the year ended 31 December 2024;

(d) complete the development of data analysis service system for data assets trading platform for the year ended 31 December 2025; and

(e) complete the full establishment of data assets trading platform for the year ended 31 December 2026.

Our continuous development of IoV terminal products and big data as well as industry application products is expected to be fully completed by the end of 2026.

For further details, please refer to the section headed "Business — Business Strategies — We focus on improving the core IoV technology and data service capabilities in order to consolidate our advantages" in this prospectus.

- approximately 10.0% of the net proceeds, or approximately HK$97.4 million, will be used for the replenishment of general working capital.

In the event that the Offer Price is fixed below or above the mid-point of the stated range of the Offer Price, the net proceeds allocated to the above purposes will be adjusted on a pro rata basis. Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only place such proceeds in short-term interest-bearing accounts such as bank deposits with licensed banks and/or authorised institutions in Hong Kong or the PRC.

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited

Huatai Financial Holdings (Hong Kong) Limited

CEB International Capital Corporation Limited

BOCI Asia Limited

Zhongtai International Securities Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Livermore Holdings Limited

Guotai Junan Securities (Hong Kong) Limited

Eddid Securities and Futures Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 29 June 2022. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this prospectus at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled, in its sole and absolute discretion, by a notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date,

(a) there develops, occurs, exists or comes into effect:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any of its members) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, trading, currency market, fiscal or regulatory market conditions, equity securities or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any event or a series of events, in the nature of force majeure (including, without limitation, any act of government or order of any courts, strike, calamity, crisis, lock-out, fire, explosion, flooding, earthquake, civil commotion, act of war, outbreak or escalation of hostilities (whether or not war is declared), act of God, act of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, outbreak of diseases, pandemics or epidemics, outbreak or escalation of disease (including infectious disease, including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms) in or affecting any Relevant Jurisdiction in each case beyond the control of the Hong Kong Underwriters; or

(iv) the imposition or declaration of any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(v) (a) any change or prospective change in taxation, foreign exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies) or the implementation of any exchange control, or (b) any change or prospective change in taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Offer Shares; or

(vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any jurisdiction relevant to the business operations of any member of the Group; or

(viii) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Green Application Form, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the sole and absolute opinion of the Sole Representative, adversely affect the marketing for or implementation of the Global Offering; or

(ix) any Director or any Supervisor or the Company's senior management as disclosed in this prospectus being charged with an indictable offence or prohibited by laws or otherwise disqualified from taking part in the management of a company, or any litigation, dispute, legal action, claim, investigation or other action (including arrest or detainment) or proceedings being commenced, threatened or instigated against any of the Company, its subsidiaries, the Controlling Shareholders or any Director or Supervisor or the Company's senior management as disclosed in this prospectus; or

(x) any of the chairman, the president, the chief executive officer or the chief financial officer vacating his office; or

(xi) any proceedings of any third party being threatened or instigated against any Director, member of the Group or the Controlling Shareholder; or

(xii) any adverse change or any development involving a prospective adverse change in or affecting, the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profitability, results of operations, position or condition (financial or otherwise), or performance, of any of the Company and its subsidiaries or the Group as a whole (including any litigation or claim of any third party being threatened or instigated against any of the Company and its subsidiaries); or

(xiii) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any of the Company or its subsidiaries or any of the Company or its subsidiaries making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any of the Company or its subsidiaries or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any of the Company or its subsidiaries or anything analogous thereto occurs in respect of any of the Company or its subsidiaries; or

(xiv) any contravention by any of the Company or its subsidiaries or any Director or any Supervisor of any applicable laws including the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law or the Listing Rules; or

(xv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Listing Rules or any other applicable laws;

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and after consultation with the Company: (a) is, will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, prospects, Shareholder's equity, profitability, results of operations, position or condition (financial or otherwise), or performance of any of the Company and its subsidiaries or the Group as a whole or to any present shareholder of the Company in its capacity as such; or (b) has, will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for, under the Hong Kong Public Offering or the level of interest under the International Offering; or (c) makes, will make it or may make it impracticable or inadvisable or incapable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Green Application Form, the formal notice, the preliminary offering circular or the final offering circular; or (d) would have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Sole Representative, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters as at or after the date of the Hong Kong Underwriting Agreement:

(i) a governmental, regulatory or other prohibition on the Company for whatever reason from issuing or selling the Offer Shares (including any additional H Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(ii) that any statement contained in this prospectus, the Green Application Form, the application proof prospectus, the post hearing information pack of the Company and any notice, announcement, advertisement, communication issued or used (by or on behalf of the Company) in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "**Offering Documents**") was or has become untrue, incomplete, inaccurate, incorrect or misleading or deceptive, or any forecast, estimate, expression of opinion, intention or expectation expressed in the Offering Documents and any notice, announcement, advertisement, communication so issued or used is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitutes an omission or misstatement; or

(iv) either (a) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or the Controlling Shareholders or (b) any of the representations, warranties and undertakings given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, inaccurate or misleading; or

(v) any of the experts named in this prospectus (except the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries or legal opinions (as the case may be) and references to its names included in the form and context in which it respectively appears; or

(vi) any event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders (as the case may be) pursuant to the indemnities given by the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

(vii) that a significant portion of the orders in the book-building process at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, has been withdrawn, terminated or cancelled; or

(viii) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) the admission by the Listing Committee is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that we will not issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First six-month Period**"), dispose of, or enter into any agreement to dispose of any Shares in respect of which it is shown by this prospectus the Controlling Shareholders to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) or otherwise create any options, rights, interests or encumbrances in respect of such Shares; and

(b) in the period of six months immediately following the expiry of the First six-month Period (the "**Second six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

in each case, save as permitted under the under the Listing Rules.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First six-month Period and the Second six-month Period, it will:

(a) if it pledges or charges any of our securities beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(b) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (except for the offer and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-Allotment Option) at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) issue, sell, accept subscription for, offer to issue or sell, contract or agree to issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of the Company);

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of the Company);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities of the Company will be completed within the First Six-month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

Undertakings by Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them that (except for the offer and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-Allotment Option), without the prior written consent of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it will not at any time during the First Six-Month Period:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company) beneficially owned by it as of the Listing Date (the "**Locked-up Securities**");

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i)(a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i)(a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);

(ii) it will not at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(a), (b) or (c) above in respect of any Locked-up Securities, or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as defined under the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (i)(a), (b) or (c) above in respect of any Locked-up Securities, or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the Sole Representative and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally and not jointly agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure subscribers or purchasers for such International Offer Shares.

The Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 7 August 2022, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 81,450,000 additional Offer Shares, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive a gross underwriting commission of 3.3% on the aggregate Offer Price payable for the Offer Shares initially offered under the Global Offering (including the Hong Kong Public Offering and the International Offering), out of which they will pay any sub-underwriting commission (if any). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate of 3.3% which is applicable to the International Offering and such commission will be paid to the Sole Representative and the relevant International Underwriters (but not the Hong Kong Underwriters). There will be no discretionary incentive fee payable by us.

Assuming the Over-allotment Option is not exercised at all, and based on an Offer Price of HK$1.96 per H Share (being the mid-point of the indicative Offer Price range of HK$1.78 to HK$2.13 per H Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, Financial Reporting Council transaction levy, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the "**Commission and Fee**") are estimated to amount to approximately RMB77.4 million in aggregate.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Sole Sponsor's Fee

A total amount of RMB2,000,000 is payable by the Company as sponsor fees to the Sole Sponsor.

Independence of Sole Sponsor

As at the Latest Practicable Date, Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the Stock Exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to Stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of their affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 54,300,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed "The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 488,700,000 H Shares, subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in accordance with Regulation S or any other exemption from registration under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 54,300,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "— Conditions of the Hong Kong Public Offering" below.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.13 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum Offer Price of HK$2.13 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the approval for such listing and permission not subsequently having been revoked prior to the Listing Date;

(b) the Offer Price being duly agreed between the Sole Representative (for itself and on behalf of the Underwriters), the Company on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Friday, 15 July 2022.

If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and the Company on or before Saturday, 9 July 2022 or such later date as the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and the Company may agree, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the website of the Company (**www.deewintx.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The International Offering will consist of an initial offering of 488,700,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Stabilising Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 81,450,000 additional Offer Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 81,450,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilisation actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our H Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;

- no stabilising action can be taken to support the price of our H Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on 7 August 2022, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilisation period. Following any over-allocation of Offer Shares in connection with the Global Offering, the Sole Representative, its affiliates or any person acting on its behalf may cover such over-allocation by, among other methods, using H Shares purchased by Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 81,450,000 Offer Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 8 July 2022 (Hong Kong time) and in any event on or before Saturday, 9 July 2022 (Hong Kong time) or such later date as the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and the Company may agree, by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Sole Representative (for itself and on behalf of the Underwriters) and the Company. The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1.0% brokerage, 0.0027% SFC transaction levy, 0.005% Stock Exchange trading fee and Financial Reporting Council transaction levy of 0.00015% payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per International Offer Share under the International Offering. The SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy otherwise payable by investors in the International Offering on International Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK$2.13 per Offer Share and is expected to be not less than HK$1.78 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Sole Representative (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Company (**www.deewintx.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares or the indicative offer price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised offer price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Sole Representative (for itself and on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Representative may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Offer Price for H Shares under the Global Offering is expected to be announced on Thursday, 14 July 2022. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 14 July 2022 on the website of the Company (**www.deewintx.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

Allocation

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 27,150,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable) or less. The Hong Kong Offer Shares in pool B will consist of 27,150,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 27,150,000 Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool and representing 50% of the 54,300,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its H Shares, after the listing of our H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its Shareholders as a whole.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Representative so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL-91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Sole Representative shall apply a clawback mechanism following the closing of application lists on the following basis:

(a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Sole Representative, in its absolute discretion, may (but shall not be obliged to) reallocate up to 54,300,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 108,600,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$1.78 per Offer Share (being the low-end of the Offer Price range stated in this prospectus);

(b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 162,900,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 217,200,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

(d) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 271,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In the event of undersubscription in the International Offering but full or over-subscription in the Hong Kong Public Offering, the Sole Representative, in its absolute discretion, may (but shall not be obliged to) reallocate up to 54,300,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 108,600,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$1.78 per Offer Share (being the low-end of the Offer Price range stated in this prospectus).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Sole Representative has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Representative deems appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 July 2022, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 15 July 2022. Our H Shares will be traded in board lots of 1,500 H Shares each. The stock code of the H Shares is 2418.

H Share certificates issued in respect of the Offer Shares will only become valid evidence of title at 8:00 a.m. on Friday, 15 July 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.deewintx.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

Set out below are the channels and procedures through which you can apply for the Hong Kong Offer Shares electronically. No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company in accordance with the Listing Rules.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

1 HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- apply online via the White Form eIPO service at **www.eipo.com.hk**; or
- apply through the CCASS EIPO service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet system (***https://ip.ccass.com***) or through the CCASS phone system by calling +852 2979 7888 (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (a), the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (b)(i) or (b)(ii), the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2 WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) or are a person described in paragraph h(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, the Sole Representative may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

If you are applying for Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the information required for the application.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, a Supervisor or chief executive officer of the Company and/or any of its subsidiaries;

- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3 TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Representative (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to the Company, our H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and not a U.S. person (as defined in Regulation S) or are a person described in paragraph h(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the H Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service Provider by you or by anyone as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give electronic application instructions on behalf of that other person as their agent.

4 MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be made for a minimum of 1,500 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
1,500	3,227.20	45,000	96,816.02	450,000	968,160.25	4,500,000	9,681,602.43
3,000	6,454.40	60,000	129,088.03	600,000	1,290,880.33	6,000,000	12,908,803.23
4,500	9,681.60	75,000	161,360.04	750,000	1,613,600.41	7,500,000	16,136,004.04
6,000	12,908.81	90,000	193,632.06	900,000	1,936,320.49	9,000,000	19,363,204.85
7,500	16,136.00	120,000	258,176.06	1,200,000	2,581,760.64	12,000,000	25,817,606.46
9,000	19,363.21	150,000	322,720.09	1,500,000	3,227,200.81	15,000,000	32,272,008.08
10,500	22,590.40	180,000	387,264.10	1,800,000	3,872,640.97	18,000,000	38,726,409.69
12,000	25,817.61	210,000	451,808.12	2,100,000	4,518,081.13	21,000,000	45,180,811.31
13,500	29,044.81	240,000	516,352.13	2,400,000	5,163,521.29	24,000,000	51,635,212.92
15,000	32,272.01	270,000	580,896.15	2,700,000	5,808,961.46	27,150,000(1)	58,412,334.62
30,000	64,544.03	300,000	645,440.16	3,000,000	6,454,401.62		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

5 APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the section headed "— 2. Who can apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 June 2022 until 11:30 a.m. on Friday, 8 July 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 8 July 2022 or such later time under the section headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form elPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form elPO** Service Provider, will contribute HK$2.0 for each "DEEWIN TIANXJA CO., LTD" **White Form elPO** application submitted via **www.eipo.com.hk** to support sustainability.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6 APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS phone system by calling 2979 7888 or through the CCASS Internet system (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Representative and our H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either directly or indirectly through a **broker** or **custodian** on your behalf) and an application has been made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulation and the Articles of Association;

- agree with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that H Shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 30 June 2022 — 9:00 a.m. to 8:30 p.m.
Monday, 4 July 2022 — 8:00 a.m. to 8:30 p.m.
Tuesday, 5 July 2022 — 8:00 a.m. to 8:30 p.m.
Wednesday, 6 July 2022 — 8:00 a.m. to 8:30 p.m.
Thursday, 7 July 2022 — 8:00 a.m. to 8:30 p.m.
Friday, 8 July 2022 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 June 2022 until 12:00 noon on Friday, 8 July 2022 (24 hours daily, except on Friday, 8 July 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 8 July 2022, the last application day or such later time as described in the section headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

7 WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS phone system/CCASS Internet system for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 8 July 2022, or such later time as described in the section headed "— 10. Effect of Bad Weather on the Opening of the Application Lists".

8 HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly by yourself or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9 HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$2.13 per Offer Share. You must also pay the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the Hong Kong Stock Exchange trading fee of 0.007% and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 1,500 Hong Kong Offer Shares, you will pay HK$3,227.20.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 1,500 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,500 Hong Kong Offer Shares must be in one of the numbers set out in the section headed "— 4. Minimum Application Amount and Permitted Numbers", or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and the Financial Reporting Council transaction levy, collected by the Stock Exchange on behalf of the SFC and Financial Reporting Council respectively).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation".

10 EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning, and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 8 July 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 8 July 2022 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or "Extreme Conditions" in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11 PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 14 July 2022 on the Company's website at **www.deewintx.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.deewintx.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 14 July 2022;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 14 July 2022 to 12:00 midnight on Wednesday, 20 July 2022;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 July 2022 to Friday, 15 July 2022 and Monday, 18 July 2022 to Tuesday, 19 July 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12 CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By applying through the **White Form eIPO** service or through the **CCASS EIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(a) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(b) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Representative believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13 REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.13 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, 14 July 2022.

14 DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Thursday, 14 July 2022. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, 15 July 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 July 2022, or such other date as notified by the Company.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 14 July 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(b) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 14 July 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offer Shares in the manner specified in the section headed "— 11. Publication of Results" above on Thursday, 14 July 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 July 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS phone system and the CCASS Internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 July 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 14 July 2022.

15 ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

16 PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data held by the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, H Share Registrar or receiving bank about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) and/or refund cheques to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the Company's H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's register of members;
- verifying identities of the holders of the H Shares;
- establishing benefit entitlements of holders of the Company's H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential, but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and the principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company for the attention of the Company secretary, or our H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DEEWIN TIANXIA CO., LTD AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Deewin Tianxia Co., Ltd (德銀天下股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-97, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, the Company's statements of financial position as at 31 December 2019, 2020 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-97 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2022 (the "Prospectus") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019, 2020 and 2021 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "HONG KONG LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 38 to the Historical Financial Information which contains information about the dividends paid by Deewin Tianxia Co., Ltd in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
30 June 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB (RMB'000), except when otherwise indicated.

(a) Consolidated statements of comprehensive income

	Note	Year ended 31 December 2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Revenue	*5*	2,892,031	3,261,673	3,126,850
Cost of revenue	*7*	(2,417,721)	(2,608,258)	(2,394,441)
Gross profit		474,310	653,415	732,409
Selling expenses	*7*	(45,600)	(48,135)	(38,232)
Administrative expenses	*7*	(117,586)	(129,374)	(127,744)
Research and development expenses	*7*	(20,199)	(25,841)	(30,533)
Net impairment losses on financial assets	*7*	(24,566)	(101,868)	(146,157)
Other income	*5*	21,321	26,187	45,028
Other gains/(losses) – net	*6*	1,617	659	(829)
Operating profit		289,297	375,043	433,942
Finance income	*10*	22,795	22,799	12,293
Finance costs	*10*	(7,983)	(3,266)	(6,764)
Finance income – net	*10*	14,812	19,533	5,529
Share of net profit of associate accounted for using the equity method	*17*	3,756	5,251	5,123
Profit before income tax		307,865	399,827	444,594
Income tax expense	*11*	(66,719)	(81,790)	(75,857)
Profit for the year		241,146	318,037	368,737
Profit attributable to:				
– The equity holders of the Company		207,493	273,994	362,719
– Non-controlling interests		33,653	44,043	6,018
		241,146	318,037	368,737
Other comprehensive income		–	–	–
Total comprehensive income for the year		241,146	318,037	368,737

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Total comprehensive income attributable to:				
– The equity holders of the Company		207,493	273,994	362,719
– Non-controlling interests		33,653	44,043	6,018
		241,146	318,037	368,737
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)				
– Basic or diluted earnings per share	*12*	0.21	0.23	0.22

(b) Consolidated statements of financial position

	Note	As at 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	94,275	99,613	93,178
Intangible assets	*15*	10,511	14,385	22,856
Investment in an associate	*17*	7,791	9,660	9,623
Right-of-use assets	*13*	38,746	34,057	62,147
Other receivables	*24*	36,160	16,903	111,145
Loan receivables	*23*	2,217,026	3,183,318	2,104,188
Deferred income tax assets	*16*	63,033	86,884	135,698
		2,467,542	3,444,820	2,538,835
Current assets				
Inventories	*19*	89,773	81,596	183,468
Trade receivables	*21*	476,527	494,156	467,505
Prepayments	*25*	38,190	49,363	86,924
Other receivables	*24*	62,704	66,495	165,493
Financial assets at fair value through other comprehensive income ("FVOCI")	*22*	274,328	520,314	367,020
Loan receivables	*23*	4,356,247	6,045,995	6,080,627
Restricted cash at banks	*27*	536,312	467,452	84,816
Cash and cash equivalents	*28*	730,143	196,915	213,339
		6,564,224	7,922,286	7,649,192
Total assets		9,031,766	11,367,106	10,188,027

	Note	As at 31 December 2019	2020	2021
		RMB'000	RMB'000	RMB'000
EQUITY				
Paid in capital/share capital	29	1,000,000	1,629,000	1,629,000
Other reserves	30	63,781	488,119	515,628
Retained earnings	31	572,772	30,736	299,747
Total equity attributable to equity holders of the Company		1,636,553	2,147,855	2,444,375
Non-controlling interests		55,745	1,146	5,372
Total equity		1,692,298	2,149,001	2,449,747
LIABILITIES				
Non-current liabilities				
Lease liabilities	32	9,734	12,172	23,409
Bond payables	33	–	74,544	103,785
Provisions for warranty	34	9,235	8,573	2,558
Other payables	36	628,928	1,405,097	1,026,190
Contract liabilities	5	34,465	41,531	28,064
Borrowings	37	190,598	124,068	395,019
Deferred government grants	35	16,501	16,088	14,043
		889,461	1,682,073	1,593,068
Current liabilities				
Trade and other payables	36	3,291,473	5,533,884	1,403,839
Lease liabilities	32	17,257	10,288	24,730
Bond payables	33	85,332	248,459	836,072
Contract liabilities	5	62,898	99,797	128,267
Current income tax liabilities		36,703	29,788	46,894
Borrowings	37	2,956,344	1,613,816	3,705,410
		6,450,007	7,536,032	6,145,212
Total liabilities		7,339,468	9,218,105	7,738,280
Total equity and liabilities		9,031,766	11,367,106	10,188,027

(c) Statements of financial position of the Company

	Note	As at 31 December 2019	2020	2021
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment		2,402	5,003	5,115
Investment properties	14	7,509	7,047	6,586
Financial assets at fair value through profit or loss ("FVTPL")	26	–	43,000	–
Investment in an associate	17	7,791	9,660	9,623
Investments in subsidiaries	18	1,407,798	2,302,053	2,302,053
		1,425,500	2,366,763	2,323,377
Current assets				
Prepayments		1,076	5,511	23,404
Other receivables from third parties	24	257	–	272
Other receivables from subsidiaries	24	315,705	309,172	991,563
Financial assets at fair value through profit or loss ("FVTPL")	26	44,500	–	43,000
Restricted cash at banks	27	16,366	152,480	49,389
Cash and cash equivalents	28	57,588	16,650	48,645
		435,492	483,813	1,156,273
Total assets		1,860,992	2,850,576	3,479,650
EQUITY				
Paid-in capital/share capital	29	1,000,000	1,629,000	1,629,000
Other reserves		117,675	787,873	811,270
Retained earnings		363,611	103,573	247,944
Total equity		1,481,286	2,520,446	2,688,214

	Note	As at 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Deferred government grants		3,074	2,977	2,879
		3,074	2,977	2,879
Current liabilities				
Other payables to third parties	*36*	195,203	327,056	143,456
Other payables to subsidiaries	*36*	7	49	76,604
Contract liabilities		4	–	–
Current income tax liabilities		18	48	59
Borrowings	*37*	181,400	–	568,438
		376,632	327,153	788,557
Total liabilities		379,706	330,130	791,436
Total equity and liabilities		1,860,992	2,850,576	3,479,650

(d) Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company: Paid-in capital/ share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019							
Comprehensive income		1,000,000	51,374	435,060	1,486,434	35,986	1,522,420
Profit for the year		–	–	207,493	207,493	33,653	241,146
Transaction with owners:							
Dividends declared	*38*	–	–	(57,374)	(57,374)	(5,590)	(62,964)
Appropriation of statutory reserves		–	11,552	(11,552)	–	–	–
Appropriation of safety fund		–	1,595	(1,595)	–	1,472	1,472
Utilisation of safety fund		–	(740)	740	–	(680)	(680)
Disposal of a subsidiary		–	–	–	–	(9,096)	(9,096)
Subtotal		–	12,407	(69,781)	(57,374)	(13,894)	(71,268)
At 31 December 2019		1,000,000	63,781	572,772	1,636,553	55,745	1,692,298

	Note	Attributable to equity holders of the Company					
		Paid-in capital/ share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020							
Comprehensive income		1,000,000	63,781	572,772	1,636,553	55,745	1,692,298
Profit for the year		–	–	273,994	273,994	44,043	318,037
Transaction with owners:							
Business combination under common control	*30(a)(i)*	–	(13,054)	(36,559)	(49,613)	–	(49,613)
Capital injection and contribution from equity holders of the Company	*29*	628,764	202,056	–	830,820	–	830,820
Transaction with non-controlling interests	*30(a)(ii)*	–	(202,056)	(22,083)	(224,139)	(82,899)	(307,038)
Conversion to share capital	*30(a)(iii)*	236	389,697	(389,933)	–	–	–
Dividends declared	*38*	–	–	(319,760)	(319,760)	(16,646)	(336,406)
Appropriation of statutory reserves		–	47,223	(47,223)	–	–	–
Appropriation of safety fund		–	3,012	(3,012)	–	2,038	2,038
Utilisation of safety fund		–	(2,540)	2,540	–	(1,135)	(1,135)
Subtotal		629,000	424,338	(816,030)	237,308	(98,642)	138,666
At 31 December 2020		1,629,000	488,119	30,736	2,147,855	1,146	2,149,001
At 1 January 2021							
Comprehensive income		1,629,000	488,119	30,736	2,147,855	1,146	2,149,001
Profit for the year		–	–	362,719	362,719	6,018	368,737
Transaction with owners:							
Dividends declared	*38*	–	–	(66,199)	(66,199)	(1,792)	(67,991)
Appropriation of statutory reserves		–	23,397	(23,397)	–	–	–
Appropriation of safety fund		–	5,348	(5,348)	–	–	–
Utilisation of safety fund		–	(1,236)	1,236	–	–	–
Subtotal		–	27,509	(93,708)	(66,199)	(1,792)	(67,991)
At 31 December 2021		1,629,000	515,628	299,747	2,444,375	5,372	2,449,747

(e) Consolidated statements of cash flows

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Cash flow from operating activities				
Cash from/(used in) operations	*39(a)*	87,693	(615,858)	(375,482)
Interests received	*10*	22,795	22,799	12,293
Income tax paid		(88,255)	(112,811)	(107,565)
Net cash from/(used in) operating activities		22,233	(705,870)	(470,754)
Cash flow from investing activities				
Proceeds from disposal of a subsidiary		4,746	–	–
Proceeds from disposal of property, plant and equipment		2,080	2,108	359
Proceeds from disposal of wealth management products		12,450	–	–
Dividends received from an associate		–	3,382	5,160
Purchases of property, plant and equipment and intangible assets		(18,846)	(19,990)	(24,866)
Net cash from/(used in) investing activities		430	(14,500)	(19,347)

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Cash flow from financing activities				
Capital contributions from the Company's equity holders	29	–	530,000	–
Proceeds from borrowings		181,400	–	242,000
Proceeds from bond issuance		249,000	417,000	1,495,198
Refund deposits for bond payables		24,925	15,839	–
Repayments of borrowings		(100,000)	(181,400)	(230,000)
Interests paid		(5,272)	(1,584)	(3,656)
Dividends paid to the Company's equity holders	38	(57,374)	(319,760)	(66,199)
Dividends paid to non-controlling interests of the subsidiaries	38	(5,590)	(16,646)	(1,792)
Repayments of bond payables		(197,079)	(180,772)	(878,344)
Payments for listing expenses		–	–	(16,141)
Payments for leases liabilities – principal		(12,992)	(18,576)	(31,846)
Payments for leases liabilities – interest		(1,473)	(1,128)	(2,695)
Net cash outflow arising from consideration paid to the controlling shareholder of the Company for acquisition of entities under common control	30(a)(i)	–	(49,613)	–
Acquisition of non-controlling interests of a subsidiary		–	(6,218)	–
Net cash generated from financing activities		75,545	187,142	506,525
Net increase/(decrease) in cash and cash equivalents		98,208	(533,228)	16,424
Cash and cash equivalents at beginning of the year		631,935	730,143	196,915
Cash and cash equivalents at end of the year	28	730,143	196,915	213,339

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司, the "Company") was incorporated in Shaanxi Province of the People's Republic of China (the "PRC") on 14 August 2014 as a limited liability company under the Company law of the PRC. On 25 December 2020, the Company was converted into a joint stock limited liability company with registered capital of RMB1,629,000,000 and changed its name to Deewin Tianxia Co., Ltd (德銀天下股份有限公司, the "Company"). The address of its registered office is Jingwei Center, 29 West Section of Xijin Road, Xi'an Economic and Technological Development Zone, Xi'an, Shaanxi Province, the PRC. During the Track Record Period, the parent company of the Company is Shaanxi Automobile Group Co., Ltd. ("陝西汽車集團股份有限公司", formerly known as "陝西汽車集團有限責任公司" "SXAG") which is operating under the supervision and regulation of the State-Owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province ("Shaanxi SASAC").

The Company and its subsidiaries (together, the "Group") are principally engaged in the business of logistics and supply chain service (including supply chain business, automobile sales business and aftermarket product business), supply chain financial service (including financial leasing business, factoring business and insurance brokerage business), and internet of vehicle (IoV) and data service (the "Listing Business") in the PRC.

1.2 Reorganisation

Prior to the Reorganisation (as defined below), the principal activities of the Listing Business were carried out by the Company, its subsidiaries and Shaanxi Tonghui Automobile Logistics Co., Ltd. (陝西通匯汽車物流有限公司, "SXTH"), a fellow subsidiary controlled by SXAG. Prior to the Reorganisation, 52%, 44% and 4% of the equity interests of SXTH were directly held by SXAG, Shaanxi Heavy Duty Automobile Co., Ltd. (陝西重型汽車有限公司, "SXHDA", a company which SXAG holds 49%) and the management of SXTH respectively. During the Track Record Period, 51% equity interests of SXHDA were held by Weichai Power Co., Ltd. (濰柴動力股份有限公司, a company listed on the Main board of the Stock Exchange (stock code: 2338) and the Main Board of Shenzhen Stock Exchange (stock code: SZ000338).

In preparation for the listing of the Company's shares, the following reorganisation steps were undertaken.

(a) On 24 September 2020, pursuant to the share purchase agreement, the Company acquired 52% equity interest of SXTH from SXAG at a consideration of RMB49,613,000. As a result, SXTH became a subsidiary of the Company. This transaction is considered as a business combination under common control using predecessor method as the Company and SXTH are under the common control of SXAG before and upon the completion of the transaction (Note 30(a)(i)).

(b) Transactions with non-controlling interests

(i) On 24 September 2020, pursuant to the share purchase agreement, the management of SXTH transferred 4% equity interests of SXTH to the Company at a consideration of RMB12,600,000.

(ii) On 30 November 2020, pursuant to a resolution of board of directors' meeting and shareholders' meeting, the Company, SXAG and SXHDA entered into an equity interests exchange agreement, under which SXHDA transferred 44% equity interests of SXTH to the Company in exchange of equity interests of 7.19% in the Company with a consideration of RMB300,820,000. As a result, share capital and capital surplus of the Company increased by RMB117,087,000 and RMB183,733,000, respectively (Note 29(d)).

Upon the completion of the above reorganisation step(a) and (b), SXTH became the wholly-owned subsidiary of the Company.

(c) Capital injection

On 30 November 2020, pursuant to a resolution of board of directors' meeting and shareholders' meeting, the Company, SXAG and Shaanxi Automobile Group Commercial Vehicle Co., Ltd. (陝汽集團商用車有限公司, "SAGCV") which is a subsidiary of SXAG entered into a capital injection agreement, SAGCV injected cash of RMB30,000,000 to the Company and obtained 0.72% equity interest in the Company, the Company's share capital and capital surplus increased by RMB11,677,000 and RMB18,323,000, respectively *(Note 29(c))*.

As a result of the Reorganisation, transactions with non-controlling interests and capital injection, SXAG, SXHDA and SAGCV held 92.09%, 7.19% and 0.72% equity interests of the Company, respectively. The Company became the 100% holding company of SXTH.

The Company had direct and indirect interests in the following subsidiaries during the Track Record Period:

Directly held *(Note (a))*	**Place and date of incorporation/ establishment**	**Registered capital**	**Percentage of equity attributable to the Company**				**Principle activities**
			As of 31 December 2019	**As of 31 December 2020**	**As of 31 December 2021**	**Date of this report**	
Deewin Financing Leasing Co., Ltd. (德銀融資租賃有限公司) *(Note (b))*	PRC, 24 November 2011	RMB1,550,000,000	100%	100%	100%	100%	Financial leasing business
Shanghai Deewin Commercial Factoring Co., Ltd. (上海德銀商業保理有限公司) *(Note (b))*	PRC, 17 September 2013	RMB200,000,000	100%	100%	100%	100%	Factoring service
Shanghai Fargo Supply-chain Management (Group) Co., Ltd. (上海遠行供應鏈管理(集團)有限公司) *(Note (b))*	PRC, 13 June 2012	RMB50,000,000	100%	100%	100%	100%	Logistics and supply chain business
Shaanxi Tianxingjian IoV Information Technology Co., Ltd. (陝西天行健車聯網信息技術有限公司) *(Note (b))*	PRC, 18 June 2013	RMB10,000,000	100%	100%	100%	100%	Internet of Vehicle ("IoV") and data service
Shaanxi Tonghui Automobile Logistics Co., Ltd (陝西通匯汽車物流有限公司) *(Note (b))*	PRC, 20 October 2005	RMB20,000,000	52%	100%	100%	100%	Logistics and supply chain business

Indirectly held *(Note (a))*	**Place and date of incorporation/ establishment**	**Registered capital**	**Percentage of equity attributable to the Company**				**Principle activities**
			As of 31 December 2019	**As of 31 December 2020**	**As of 31 December 2021**	**Date of this report**	
Shanghai Fargo Logistics Service Co., Ltd. (上海遠行物流服務有限公司) *(Note (b))*	PRC, 18 May 2015	RMB10,000,000	100%	100%	100%	100%	Logistics and supply chain business
Shaanxi Zhongfu Wulian Technology Service Co., Ltd. (陝西中富物聯科技服務有限公司) *(Note (b))*	PRC, 12 June 2012	RMB16,000,000	100%	100%	100%	100%	Logistics and supply chain business
Xinjiang Fargo Supply Chain Management Co., Ltd. (新疆遠行供應鏈管理有限公司) *(Note (b))*	PRC, 28 January 2013	RMB20,000,000	51%	51%	51%	51%	Logistics and supply chain business
Shaanxi Fargo Supply Chain Management Co., Ltd. (陝西遠行供應鏈管理有限公司) *(Note (b))*	PRC, 12 December 2013	RMB3,000,000	100%	100%	100%	100%	Logistics and supply chain business
Henan Deewin Supply Chain Management Co., Ltd. (河南德銀供應鏈管理有限公司) *(Note (b))*	PRC, 28 February 2014	RMB30,000,000	51%	51%	51%	51%	Logistics and supply chain business
Shanxi Deewin Fargo Supply Chain Management Co., Ltd. (山西德銀遠行供應鏈管理有限公司) *(Note (b))*	PRC, 13 March 2014	RMB3,000,000	100%	100%	100%	100%	Logistics and supply chain business
Inner Mongolia Fargo Supply Chain Management Co., Ltd. (內蒙古遠行供應鏈管理有限公司) *(Note (b))*	PRC, 14 March 2014	RMB3,000,000	100%	100%	100%	100%	Logistics and supply chain business
Beijing Deewin Fargo Supply Chain Management Co., Ltd. (北京德銀遠行供應鏈管理有限公司) *(Note (b))*	PRC, 10 June 2015	RMB3,000,000	100%	100%	100%	100%	Logistics and supply chain business
Shaanxi Huazhen Logistics Co., Ltd. (陝西華臻物流有限公司) *(Note (b)(e))*	PRC, 24 January 2011	RMB6,000,000	52%	100%	100%	100%	Logistics and supply chain business
Guangzhou Fargo Logistics Co., Ltd. (廣州遠行物流有限公司) *(Note (c))*	PRC, 10 June 2015	RMB3,000,000	100%	N/A	N/A	N/A	Logistics and supply chain business
Jiaozuo Fargo Logistics Service Co., Ltd. (焦作遠行物流服務有限公司) *(Note (d))*	PRC, 27 March 2014	RMB300,000	100%	N/A	N/A	N/A	Logistics and supply chain business

Notes:

(a) All of the companies comprising the Group are incorporated/established with limited liability in the PRC and adopted 31 December as their financial year end date.

(b) The audited financial statements of these subsidiaries of the Group for the years ended 31 December 2019 have been audited by Ernst Young Hua Ming LLP Xi'an Branch. The audited financial statements of these subsidiaries of the Group for the years ended 31 December 2020 and 2021 have been audited by PricewaterhouseCoopers Zhong Tian LLP.

(c) Guangzhou Fargo Logistics Co., Ltd. has not carried out any business since its establishment and officially deregistered on 15 May 2020.

(d) Jiaozuo Fargo Logistics Service Co., Ltd. has ceased its operation on 2 February 2019 and then officially deregistered on 5 April 2020.

(e) Shaanxi Huazhen Logistics Co., Ltd is a subsidiary of SXTH, Which became a 100% holding subsidiary of the Company from 2020 due to reorganisation. The relevant reorganisation steps set out in Notes 1.2.

1.3 Basis of presentation

The companies now comprising the Group, which are engaging in the Listing Business, were under common control of SXAG, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control.

For the purpose of this report, the Historical Financial Information has been prepared by including the historical financial information of the companies engaging in the Listing Business, under the common control of SXAG immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of SXAG, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from SXAG's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention, except for Financial assets at fair value through other comprehensive income (FVOCI) and Financial assets at fair value through profit or loss (FVTPL), Which are carried out at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Annual improvements to IFRS 9	Financial Instruments	1 January 2022
IAS 37 (Amendments)	Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice statements 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group is in the process of assessing the impact of the new standards, amendments to standards and conceptual framework on its results of operations and financial position. The Group expects to adopt the relevant new standards, amendments to standards and conceptual framework when they become effective.

2.2 Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

iv. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations under common control

The Historical Financial Information incorporates the financial statements of the consolidating entities or business in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or business first came under the control of the controlling party.

The net assets of the consolidating entities or business are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between consolidating entities or business are eliminated on consolidation.

2.4 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Renminbi ("RMB") throughout the Track Record Period, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance income — net". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains/(losses)—net".

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Years
Buildings and facilities	20 to 45 years
Machinery and equipment	12 years
Motor vehicles	8 years
Electronic equipment	3 to 5 years
Leasehold improvement	2 to 8 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains — net" in the consolidated statements of comprehensive income.

2.8 Intangible assets

Intangible assets represented the purchased computer softwares which are capitalised on the basis of the costs incurred to acquire the specific software. Based on the current functionalities equipped by these softwares and the daily operation needs, the Group considers a useful life of 5 to 10 years is the best estimation under current business needs. These costs are amortised over periods ranging from 5 to 10 years.

2.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company, are classified as investment property.

The Company's investment properties comprise buildings located in the PRC, which is measured initially at their costs, including the related transaction costs and borrowing costs, where applicable.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimate useful lives of 20 to 45 years.

Subsequent expenditure is capitalized to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated statements of comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the consolidated statements of comprehensive income in the period of the retirement or disposal.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

i. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

iv. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in financial income using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains — net". Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses generated from borrowings are presented in "financial income" and impairment losses on financial assets are presented in "net impairment losses on financial assets".

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within "other gains-net" in the period in which it arises.

v. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at financial assets at FVTPL are recognised in "other gains — net" in the consolidated statements of comprehensive income, where applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

vi. Impairment

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and financial assets measured at FVOCI, the Group applies the simplified approach permitted by IFRS 9, which requires to recognise the lifetime ECL. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

For the loan receivables, the Group assesses on a forward-looking basis the expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the expected credit losses staging for loan receivables. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities.

For other receivables, the impairment is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

While cash and cash equivalents and restricted cash at banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables, loan receivables, other receivables, fair value through other comprehensive income (FVOCI), cash and cash equivalents and restricted cash at banks are written off (either partially or in full) when there is no reasonable expectation of recovery.

The description of inputs, assumption and estimation techniques used in measuring the ECL is presented in Note 3.1.

2.12 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

See Note 20 for details of each type of financial liabilities.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group's accounting policies for trade and other receivables.

2.16 Loan receivables

The Group provides financial services including sales-and-lease back financing business and factoring service. For the financial leasing business, the Group provides heavy-duty trucks and commercial automobiles financial leasing service to individual customers and commercial automobiles dealers through model of sales and leaseback.

Loan receivables are amounts due from customers in relation to financial service performed. If collection of loan receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Loan receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group's accounting policies for loan receivables.

2.17 Cash and cash equivalents

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and financial institutions and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Paid in capital/share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade payables are obligations to pay for goods, construction or service that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.12 for further information about the Group's accounting policies for trade and other payables.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity service and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, which will be capitalized, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of balance sheet date in the areas where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

ii. Pension obligation

The employees of the Group in the PRC are covered by the government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made and contributions to these plans are included in profit or loss as incurred.

iii. Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

iv. Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of service rendered by employees and a reliable estimation of the obligation can be made.

v. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when the Group can no longer withdraw the offer of those benefits.

2.24 Leases

i. The Group as a lessee

The Group leases buildings, facilities and related land use right. Rental contracts of buildings and facilities are typically made for fixed periods of 1 to 3 years with no extension options. Land use right is made for fixed period of 40 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Buildings, facilities and related land use right leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-parties financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third parties financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-parties financing, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and commercial automobiles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise commercial automobiles and small items of equipment.

ii The Group acts as a buyer-lessor

Individual customers (the seller-lessee) transfer commercial automobiles (transferred assets) to the Group (the buyer lessor) and lease back from the buyer-lessor. The Group does not recognise the transferred assets as such transfer does not satisfy the requirements of IFRS 15 as a sale and recognise loan receivables (Note 2.16) equal to transfer proceeds. Sale and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and its existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.27 Revenue recognition

Revenue is recognised when or as the control of the goods or service is rendered to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and service may be transferred overtime or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group consider all the goods and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- Provides all of the benefits received and consumed simultaneously by the customer; or

- Creates and enhances an asset that the customer controls as the Group perform; or

- Does not create an asset with an alternative use of the Group and the Group has an enforceable right to request payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for a product or a service that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a product or a service to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer a product or a service to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generate its revenue, are presented below.

i. Logistics and warehousing service

The Group generated logistics and warehousing service revenue from the provision of logistics and warehousing service to customers. The Group recognises logistics and warehousing service revenue over time in the period in which its customers simultaneously receive and consume the benefits provided by the logistics and warehousing service as specified in logistics service contract.

ii. Sales of goods

The Group sells commercial automobiles and components to customers. Customers include distributors, transport companies and individual users. Revenue from sales of goods is recognised when control of the products are transferred at a point in time to its customers, that is when the products are delivered and accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

All of the revenue is recognised at the point in time when the control of goods is transferred to the customers.

iii. Financial leasing business

The Group provides financial leasing service to end customers and commercial automobiles dealers through model of sales and leaseback. The transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method.

iv. Interest income from factoring business

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

v. Internet of Vehicle (IoV) and data service

The Group provides Internet of vehicle (IoV) and data service to customers based on the data of commercial vehicles generated from intelligent internet of vehicle (IoV) terminal products pre-installed in commercial vehicles. The Group use sensing and tracking technology to collect IoV data of commercial vehicles, in particular the data of commercial vehicles operation, driving behavior of drivers, location and other types of tracking information, and provide relevant services to various customers. The Group recognizes commercial vehicles operating data service revenue over time when its customers simultaneously receive and consume the benefits as specified in the service contract.

2.28 Research and development

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the application platform related to vehicle operation data) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the application platform so that it will be available for use or sale;
- management intends to complete the application platforms, and use or sell it;
- the ability to use or sell the application platform;
- it can be demonstrated how the application platform will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the application platforms; and
- the expenditure attributable to the application platforms during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.29 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Company and the Group's Historical Financial Information in the period in which the dividends are approved by the Company's equity holders.

2.30 Earnings per share

Basic earnings per share

- the profit attributable to the equity holders of the Company;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, restricted cash at banks, loan receivables, borrowings, bond payables, trade and other payables and lease liabilities. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, restricted cash at banks, loan receivables, borrowings, bond payables, trade and other payables and lease liabilities have been disclosed in Notes 28, 27, 23, 37, 33, 36 and 32 to the Historical Financial Information, respectively.

As at 31 December 2019, 2020 and 2021, if interest rates on cash and cash equivalents, restricted cash at banks, trade and other payables and bank borrowings had been 10% higher/lower with all other variables held constant, profit after income tax for the year would have been approximately RMB1,931,000 higher/lower and RMB1,369,000 higher/lower and RMB412,000 higher/lower respectively, mainly as a result of higher/lower net interest income/expense being recognised/incurred.

(b) Credit risk

Credit risk is the risk of loss that a counterparty fails to or is unwilling to meet its obligations. Credit risk for the Group mainly arises from cash and cash equivalents, restricted cash at banks, fair value through other comprehensive income (FVOCI), loan receivables, trade and other receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank and restricted cash at bank, since they are deposited at state-owned banks and other medium or large size listed banks.

i. Credit risk management

Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group has policies to monitor the credit exposure, trade receivables, loan receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group's loan receivables are mainly receivables generated from the sale and leaseback business. For such receivables, the Group performs standard credit management procedures, which include project due diligence and proposal submission, credit underwriting review and approval, disbursement, post-lending monitoring and management of non-performing finance lease receivables etc. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loan receivables through obtaining collateral, security deposits and corporate or individual credit guarantee.

The Group writes off financial assets when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

ii. Measurement of ECL

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1, at which the Group only needs to measure ECL in the next 12 months.

– Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2, at which the Group needs to measure lifetime ECL.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3, at which the Group needs to measure lifetime ECL.

Definition of credit-impaired assets

When financial instruments are credit-impaired, the Group defines them as in default. In general, financial assets that are more than 90 days past due are identified as in default.

The Group considers a financial instrument to be credit-impaired when one or more of the following criteria have been met:

– Principal (including advances, applies to below) or interest is more than 90 days past due;

– Issuer or obligor is in significant financial difficulty, or has already been insolvent;

– It is becoming probable that the borrower will enter bankruptcy;

– An active market for that financial asset has disappeared because of financial difficulties of issuers;

– Other objective evidence indicating impairment of the financial asset.

Judgement criteria for significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

– Principal or interest is more than 30 days past due

– There are litigation or/and other significant adverse issues which have negative impact on obligator's repayment ability

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios (i.e., optimistic scenario, basic scenario, and pessimistic scenario), which are defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (lifetime PD) of the obligation. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on the portfolio from the point of initial recognition throughout the lifetime of the financial instruments. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). The 12-month and lifetime EADs are determined based on the contractual repayments owned by the debtor over 12 or lifetime basis.

Forward-looking information

Both the assessment of significant increases in credit risk and the calculation of ECLs involve forward-looking information. Through analysis of historical data, the Group has identified key economic indicators that affect credit risk and ECLs of various business types. When considering forward-looking information, the indicators used in the model include gross domestic products, aggregate finance, industrial add value, producer price index, consumer price index, fixed asset investment. The Group regularly predicts the performance of indicators under three economic scenarios. The forecasts are used in the asset's impairment model. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better or worse than basic scenario respectively and can also become a source of sensitivity test. The Group comprehensively considers statistical analysis and expert judgement results to determine economic forecasts and weights under various scenarios. The Group measures the provision for impairment by weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3). The above weighted ECL is calculated by multiplying the ECL in each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on PD and LGD varies from different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD and LGD.

Sensitivity analysis

If the optimistic weightings increase by 10% and the basic scenario decreased by 10%, the impact on the allowance of expected credit loss as of 31 December 2019, 2020 and 2021 would have been less than 1%, respectively. If the pessimistic weightings increase by 10% and the basic scenario decreased by 10%, and the impact on the allowance of expected credit loss as of 31 December 2019, 2020 and 2021 would have been less than 1%, respectively.

If key economic indicator gross domestic products changed by 10%, the impact on the allowance of expected credit as of 31 December 2019, 2020 and 2021 would have been less than 1%, respectively. If key economic indicator producer price index changed by 10%, the impact on the allowance of expected credit loss as of 31 December 2019, 2020 and 2021 would have been less than 1%, respectively.

The Group has several types of financial assets that are subject to the ECL model:

(i) Trade receivables

The Group applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging dates. The expected loss rates are based on the payment profiles of sales over a period of five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables.

The amounts of trade receivables as at 31 December 2019, 2020 and 2021 are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables – related parties and one special customer with similar credit risk *(a)*	237,501	270,539	149,573
Trade receivables – remaining third parties *(b)*	252,427	244,661	334,607
	489,928	515,200	484,180
Less: allowance for impairment-related parties and one special customer with similar credit risk	(160)	(151)	(87)
Less: allowance for impairment-remaining third parties	(13,241)	(20,893)	(16,588)
	(13,401)	(21,044)	(16,675)
Trade receivables – net	476,527	494,156	467,505

(a) Trade receivables – related parties and one special customer with similar credit risk

As at 31 December 2019, 2020 and 2021, the expected loss rate for trade receivables from related parties and one special customer with similar credit risk is around 0.07%, 0.06% and 0.06%, and carrying amount of such receivables are RMB237,501,000, RMB270,539,000 and RMB149,573,000 and the allowance provision of RMB160,000, RMB151,000 and RMB87,000, respectively. The trade receivables from one special customer with similar credit risk with related parties were settled in 2020.

(b) Trade receivables – remaining third parties

The ECL rate for the remaining trade receivables based on aging as at 31 December 2019, 2020 and 2021 is determined as follows:

	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Trade receivables						
At 31 December 2019						
Expected loss rate	1.14%	5.61%	6.36%	47.65%	100.00%	5.25%
Gross carrying amount (RMB'000)	214,435	3,384	25,177	810	8,621	252,427
Loss allowance provision (RMB'000)	(2,443)	(190)	(1,601)	(386)	(8,621)	(13,241)
At 31 December 2020						
Expected loss rate	2.18%	4.22%	4.77%	40.97%	100.00%	8.54%
Gross carrying amount (RMB'000)	189,874	32,161	7,280	515	14,831	244,661
Loss allowance provision (RMB'000)	(4,147)	(1,357)	(347)	(211)	(14,831)	(20,893)
At 31 December 2021						
Expected loss rate	1.18%	3.49%	8.23%	39.05%	100.00%	4.96%
Gross carrying amount (RMB'000)	194,796	119,218	10,975	630	8,988	334,607
Loss allowance provision (RMB'000)	(2,292)	(4,159)	(903)	(246)	(8,988)	(16,588)

The provision for trade receivables as at 31 December 2019, 2020 and 2021, and reconciles to the opening loss allowance for that provision as follows:

	Provision for trade receivables
	RMB'000
At 1 January 2019	13,196
Net provision for impairment of trade receivables recognised in profit or loss *(Note 21 (b))*	1,723
Written-off during the year as uncollectible *(Note 21 (b))*	(1,518)
At 31 December 2019	13,401
Net provision for impairment of trade receivables recognised in profit or loss *(Note 21 (b))*	7,643
At 31 December 2020	21,044
Net reversal provision for impairment of trade receivables recognised in profit or loss *(Note 21 (b))*	(3,170)
Written-off during the year as uncollectible *(Note 21 (b))*	(1,199)
At 31 December 2021	16,675

For the years ended 31 December 2019, 2020 and 2021, the provision for loss allowances was recognised in the consolidated statements of comprehensive income in "net impairment losses on financial assets" in relation to impaired trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

(ii) Fair value through other comprehensive income (FVOCI)

As at 31 December 2019, 2020 and 2021, all the fair value through other comprehensive income (FVOCI) were notes receivable and trade receivables. The Group applies the simplified approach to provide ECL prescribed by IFRS 9, and the impact of expected loss of fair value through other comprehensive income (FVOCI) was assessed to be insignificant.

(iii) Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group accounts for its expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates of other receivables and adjusts for forward-looking macroeconomic data.

	Stage 1	Stage 2	Stage 3	Total
Other receivables				
At 31 December 2019				
Expected loss rate	2.24%	–	100.00%	6.97%
Gross carrying amount (RMB'000)	101,132	–	5,135	106,267
Loss allowance provision (RMB'000)	(2,268)	–	(5,135)	(7,403)
At 31 December 2020				
Expected loss rate	2.98%	–	100.00%	7.92%
Gross carrying amount (RMB'000)	85,958	–	4,614	90,572
Loss allowance provision (RMB'000)	(2,560)	–	(4,614)	(7,174)
At 31 December 2021				
Expected loss rate	1.51%	–	100.00%	4.27%
Gross carrying amount (RMB'000)	280,885	–	8,088	288,973
Loss allowance provision (RMB'000)	(4,247)	–	(8,088)	(12,335)

The provision for other receivables as at 31 December 2019, 2020 and 2021, and reconciles to the opening loss allowance for that provision as follows:

	Provision for other receivables
	RMB'000
At 1 January 2019	8,271
Reversal of impairment of other receivables recognised in profit or loss *(Note 24 (c))*	(868)
At 31 December 2019	7,403
Reversal of impairment of other receivables recognised in profit or loss *(Note 24 (c))*	(229)
At 31 December 2020	7,174
Provision of impairment of other receivables recognised in profit or loss *(Note 24 (c))*	5,161
At 31 December 2021	12,335

For the years ended 31 December 2019, 2020 and 2021, the provision for loss allowances was recognised in the consolidated statements of comprehensive income in "net impairment losses on financial assets" in relation to impaired other receivables.

(iv) Loan receivables

To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and number of days past due.

	Stage 1	Stage 2	Stage 3	Total
Loan receivables				
At 31 December 2019				
Expected loss rate	0.47%	28.84%	53.02%	2.86%
Gross carrying amount (RMB'000)	6,454,898	10,464	301,260	6,766,622
Loss allowance provision (RMB'000)	(30,613)	(3,018)	(159,718)	(193,349)
At 31 December 2020				
Expected loss rate	0.52%	31.78%	51.42%	3.02%
Gross carrying amount (RMB'000)	9,042,459	14,743	459,914	9,517,116
Loss allowance provision (RMB'000)	(46,616)	(4,686)	(236,501)	(287,803)
At 31 December 2021				
Expected loss rate	0.97%	34.61%	66.09%	5.01%
Gross carrying amount (RMB'000)	8,007,311	154,724	454,749	8,616,784
Loss allowance provision (RMB'000)	(77,877)	(53,557)	(300,535)	(431,969)

Loan receivables are written off when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

Movements of allowances for impairment losses on loan receivables are as follows:

		Stage 1	Stage 2	Stage 3	Total
Amount as at 1 January 2019		25,681	2,536	141,421	169,638
Changes in the loss allowance:					
- Move to stage 1		233	(233)	–	–
- Move to stage 2		(24)	24	–	–
- Move to stage 3		(223)	(382)	605	–
Provision charged during the year	*Note 23*	4,946	1,073	17,692	23,711
Amount as at 31 December 2019		30,613	3,018	159,718	193,349
Amount as at 1 January 2020		30,613	3,018	159,718	193,349
Changes in the loss allowance:					
- Move to stage 1		–	–	–	–
- Move to stage 2		(41)	41	–	–
- Move to stage 3		(148)	(1,168)	1,316	–
Provision charged during the year	*Note 23*	16,192	2,795	75,467	94,454
Amount as at 31 December 2020		46,616	4,686	236,501	287,803
Amount as at 1 January 2021		46,616	4,686	236,501	287,803
Changes in the loss allowance:					
– Move to stage 1		634	–	(634)	–
– Move to stage 2		385	707	(1,092)	–
– Move to stage 3		(1,529)	(685)	2,214	–
– Provision charged during the year	*Note 23*	31,771	48,849	63,546	144,166
Amount as at 31 December 2021		77,877	53,557	300,535	431,969

For the years ended 31 December 2019, 2020 and 2021, the provision for loss allowances was recognised in the consolidated statements of comprehensive income in "net impairment losses on financial assets" in relation to impaired loan receivables.

(v) Maximum exposure to credit risk

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
– Cash and cash equivalents *(Note 28)*	730,143	196,915	213,339
– Restricted bank deposits *(Note 27)*	536,312	467,452	84,816
– Trade receivables *(Note 21)*	476,527	494,156	467,505
– Other receivables *(Note 24)*	98,864	83,398	276,638
– Loan receivables *(Note 23)*	6,573,273	9,229,313	8,184,815
	8,415,119	10,471,234	9,227,113
Financial assets amount at fair value			
– Fair value of comprehensive income (FVOCI) *(Note 22)*	274,328	520,314	367,020
	274,328	520,314	367,020
Total	8,689,447	10,991,548	9,594,133

The amounts of the credit risk exposures set out above are the carrying amounts as at 31 December 2019, 2020 and 2021.

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities and facilities provided by SXAG) and cash and cash equivalents based on expected cash flows. As at 31 December 2021, the Group's unutilized bank facilities was RMB1,848,797,000. All the borrowings are in compliance with relevant covenant terms if any and the Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Trade and other payables	3,347,464	682,097	–	–	4,029,561
Lease liabilities	18,168	6,069	6,272	–	30,509
Borrowings	3,050,581	197,084	–	–	3,247,665
Bond payables	88,604	–	–	–	88,604
	6,504,817	885,250	6,272	–	7,396,339

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Trade and other payables	5,551,268	582,513	882,331	–	7,016,112
Lease liabilities	11,344	6,630	7,742	–	25,716
Borrowings	1,656,590	126,225	–	–	1,782,815
Bond payable	259,212	75,443	–	–	334,655
	7,478,414	790,811	890,073	–	9,159,298
At 31 December 2021					
Trade and other payables	1,363,036	1,041,984	–	–	2,405,020
Lease liabilities	26,729	14,776	13,941	–	55,446
Borrowings	3,815,043	460,421	–	–	4,275,464
Bond payables	856,959	104,572	–	–	961,531
	6,061,767	1,621,753	13,941	–	7,697,461

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns for equity holders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of "borrowings", "lease liabilities", "loans from related parties" and "bond payables" as shown in the consolidated statement of financial position less cash and cash equivalents, and restricted cash at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Borrowings *(Note 37)*	3,146,942	1,737,884	4,100,429
Add: Trade and other payables – loans from related parties *(Note 36)*	1,130,000	3,925,000	854,000
Add: Lease liabilities *(Note 32)*	26,991	22,460	48,139
Add: Bond payables *(Note 33)*	85,332	323,003	939,857
Less: Cash and cash equivalents *(Note 28)*	(730,143)	(196,915)	(213,339)
Less: Restricted cash at banks *(Note 27)*	(536,312)	(467,452)	(84,816)
Net debt	3,122,810	5,343,980	5,644,270
Total capital	4,815,108	7,492,981	8,094,017
Gearing ratio	65%	71%	70%

3.3 Fair value estimation

The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

An explanation of each level follows underneath the table.

	As at 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	–	274,328	274,328

	As at 31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	–	520,314	520,314

	As at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	–	337,178	337,178
Trade receivables	–	–	29,842	29,842
	–	–	367,020	367,020

During the Track Record Period there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

These instruments are not traded in an active market. The fair value of notes receivable and trade receivable were determined, using discounted cash flows. The fair value would be lower if the discount rate was higher. As at 31 December 2019, 2020 and 2021, if the discount rate of the notes receivable had been 100 basis points higher, the Group's notes receivable would have been approximately RMB697,000, RMB1,310,000 and RMB1,107,000 lower, respectively. If the discount rate of the notes receivable had been 100 basis points lower, the Group's notes receivable would have been approximately RMB707,000, RMB1,328,000 and RMB1,116,000 higher, respectively. As at 31 December 2021, if the discount rate of the trade receivable had been 100 basis points higher, the Group's trade receivables would have been approximately RMB100,000 lower. If the discount rate of the trade receivable had been 100 basis points lower, the Group's trade receivables would have been approximately RMB101,000 higher.

Fair value of notes receivable and trade receivables (Note 22) are considered approximate to their carrying amount. The fair value change was insignificant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for trade receivables, loan receivables, and other receivables, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1 (b) Credit risk.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumption for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1 (b) Credit risk.

(ii) Current and deferred income tax

A deferred income tax asset is recognised for the carry forward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilized. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred income tax assets.

5 SEGMENT INFORMATION, REVENUE AND OTHER INCOME

5.1 Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company, who only review the Group's consolidated results when making decisions about allocating resources and assessing performance. As a result of this evaluation, the Group determined that it has operating segments as follows:

– Logistics and supply chain service sector, which includes supply chain business, automobile sales business and after-market product business;

– Supply chain financial service sector, which includes financial leasing business and factoring business;

– Internet of Vehicle (IoV) and data service sector, which includes sale of Intelligent internet of vehicle (IoV) terminal products sales business and relevant data service business (Note 2.27 (v)).

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. The segment operating profit is calculated as segment gross profit minus selling expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income and "other gains/(losses)-net" associated with the respective segment.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in this Historical Financial Information.

The segment results for the years ended 31 December 2019, 2020 and 2021 are as follows:

	Year ended 31 December 2019					
	Logistics and supply chain service	**Supply chain financial service**	**Internet of Vehicle (IoV) and data service**	**Unallocated**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– Sales of goods	722,770	–	182,101	–	–	904,871
– Logistics and warehousing service	1,438,986	–	–	–	(51,276)	1,387,710
– Interest income from financial leasing business	–	454,556	–	–	(392)	454,164
– Interest income from factoring service	–	64,528	–	–	(5,418)	59,110
– Internet of vehicle (IoV) and data service	–	–	63,266	–	(3,785)	59,481
– Others	22,886	18,945	–	–	(15,136)	26,695
	2,184,642	538,029	245,367	–	(76,007)	2,892,031
Gross profit	145,994	245,624	88,997	–	(6,305)	474,310
Operating profit	78,931	170,675	50,884	112,021	(123,214)	289,297
Financial (costs)/income-net	(7,783)	16,393	4,546	(257)	1,913	14,812
Share of net profit of associate	–	–	–	3,756	–	3,756
Profit before income tax	71,148	187,068	55,430	115,520	(121,301)	307,865
Total assets	1,063,602	7,703,658	269,859	1,860,992	(1,866,345)	9,031,766
Total liabilities	987,960	6,227,257	201,742	379,706	(457,197)	7,339,468

	Year ended 31 December 2020					
	Logistics and supply chain service	Supply chain financial service	Internet of Vehicle (IoV) and data service	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– Sales of goods	755,634	–	254,853	–	(418)	1,010,069
– Logistics and warehousing service	1,563,378	–	–	–	(85,829)	1,477,549
– Interest income from financial leasing business	–	634,585	–	–	–	634,585
– Interest income from factoring service	–	45,356	–	–	(6,767)	38,589
– Internet of vehicle (IoV) and data service	–	–	82,221	–	(629)	81,592
– Others	34,696	3,924	–	–	(19,331)	19,289
	2,353,708	683,865	337,074	–	(112,974)	3,261,673
Gross profit	190,005	335,152	126,142	–	2,116	653,415
Operating profit	110,294	193,329	82,369	352,420	(363,369)	375,043
Financial (costs)/income-net	(176)	17,541	4,998	(553)	(2,277)	19,533
Share of net profit of associate	–	–	–	5,251	–	5,251
Profit before income tax	110,118	210,870	87,367	357,118	(365,646)	399,827
Total assets	1,053,225	10,141,501	332,116	2,850,576	(3,010,312)	11,367,106
Total liabilities	1,037,609	8,271,468	286,633	330,130	(707,735)	9,218,105

	Year ended 31 December 2021					
	Logistics and supply chain service	Supply chain financial service	Internet of Vehicle (IoV) and data service	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– Sales of goods	526,708	–	229,498	–	(554)	755,652
– Logistics and warehousing service	1,512,379	–	–	–	(52,521)	1,459,858
– Interest income from financial leasing business	–	755,755	–	–	(7,962)	747,793
– Interest income from factoring service	–	42,730	–	–	(7,509)	35,221
– Internet of vehicle (IoV) and data service	–	–	109,932	–	(1,118)	108,814
– Others	55,935	2,676	–	–	(39,099)	19,512
	2,095,022	801,161	339,430	–	(108,763)	3,126,850
Gross profit	199,590	386,822	142,125	–	3,872	732,409
Operating profit	146,000	199,684	104,116	232,368	(248,226)	433,942
Financial (costs)/income – net	(11,867)	12,824	6,073	(3,008)	1,507	5,529
Share of net profit of associate	–	–	–	5,123	–	5,123
Profit before income tax	134,133	212,508	110,189	234,483	(246,719)	444,594
Total assets	1,416,259	8,818,948	334,462	3,479,650	(3,861,292)	10,188,027
Total liabilities	1,276,552	7,011,411	220,001	791,436	(1,561,120)	7,738,280

The Group mainly operates its businesses in the PRC and earn all of the revenues from its external customers in the PRC.

5.2 Revenue

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
– Recognised at a point in time			
Sales of goods	904,871	1,010,069	755,652
Others	26,695	19,289	19,512
– Recognised over time			
Logistics and warehousing service	1,387,710	1,477,549	1,459,858
Sales-and-leaseback financing business	454,164	634,585	747,793
Interest income from factoring services	59,110	38,589	35,221
Internet of vehicle (IoV) and data service	59,481	81,592	108,814
	2,892,031	3,261,673	3,126,850

Revenue from major customer for the Track Record Period is set out below:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Customer A	394,474	370,299	277,316

For the years ended 31 December 2019, 2020 and 2021, Customer A (an entity over which the Parent Company has significant influence) was the only customer contributed 10% or above of the Group's revenue.

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Sales of goods	13,549	23,015	27,869
Logistics and warehousing service	618	1,109	6,304
Internet of vehicle (IoV) and data service	83,196	117,204	122,158
	97,363	141,328	156,331
Less: non-current portion	(34,465)	(41,531)	(28,064)
Current portion	62,898	99,797	128,267

Contract liabilities represented advanced payments received from customers for goods or services that have not yet been delivered to the customers, the following table shows the amount of the revenue recognised in the Track Record Periods related to brought-forward contract liabilities.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year			
Sales of goods	55,625	13,549	23,015
Logistics and warehousing service	825	618	1,109
Internet of vehicle (IoV) and data service	30,070	48,731	75,673
	86,520	62,898	99,797

Transaction price allocated to the unsatisfied long-term performance obligations.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied			
Internet of vehicle (IoV) and data service	83,196	117,204	122,158

The above remaining performance obligations are mainly related to the contract of internet of vehicle (IoV) and data service. Management expects that the unsatisfied obligations of RMB48,731,000, RMB75,673,000, RMB94,094,000 as of 31 December 2019, 2020 and 2021, respectively will be recognised as revenue within next one year. The remaining will be recognised in one to two year.

5.3 OTHER INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Government subsidy income			
– Income related	19,427	22,922	38,641
– Assets related *(Note 35)*	1,894	3,265	6,387
	21,321	26,187	45,028

Government subsidy income mainly represented subsidies received from the PRC government authorities for subsidising the Group's general operation, research and development activities.

6 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Gains on disposal of a subsidiary	2,647	–	–
Gains/(losses) on disposal of property, plant and equipment	(236)	423	36
Others	(794)	236	(865)
	1,617	659	(829)

On 11 June 2019, pursuant to the share purchase agreement, the Company transferred 25% equity interests of MXIB to a third party at a consideration of RMB9,731,000 and the percentage of equity interests in MXIB held by the Company decreased from 55% to 30%. As a result, the Company did not control but was still able to exercise significant influence over MXIB and accounted for the investment in MXIB as an associate since then.

7 EXPENSES BY NATURE

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Transportation expenses	1,096,764	1,060,548	1,077,715
Purchase cost of commercial automobiles	609,277	649,310	423,283
Raw materials and purchased goods consumed	216,440	287,113	264,955
Funding cost	246,367	320,764	351,072
Employee benefit expenses *(Note 8)*	254,083	278,896	246,162
Outsourced labour costs	14,891	51,414	52,890
Lease expenses	32,083	28,082	22,869
Network traffic cost	14,609	18,741	23,104
Amortisation of right-of-use asset *(Note 13)*	13,928	18,733	29,437
Depreciation of property, plant and equipment *(Note 14)*	15,963	15,826	18,172
Office expenses	9,865	12,284	7,313
Travelling expenses	9,223	7,237	8,907
Maintenance expenses	6,985	7,766	5,796
Utilities and electricity	3,262	4,198	3,472
Amortisation of intangible assets *(Note 15)*	2,838	3,206	4,335
Auditor's remuneration	206	800	400
Net impairment losses on financial assets	24,566	101,868	146,157
Provision for impairment of inventory *(Note 19)*	78	–	3,812
Provision for impairment of property, plant and equipment *(Note 14)*	–	14	–
Taxes and levies	11,143	11,300	10,276
Listing expense	–	–	2,089
Miscellaneous	43,101	35,376	34,891
Total *(Note)*	2,625,672	2,913,476	2,737,107

Note: This represents total of cost of revenue, selling expenses, administrative expenses, research and development expenses and net impairment losses on financial assets.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonus	179,000	206,273	167,265
Pension costs[(a)]	25,191	19,472	29,803
Housing funds, medical insurances and other social insurances[(b)]	26,450	24,444	30,680
Termination benefits[(c)]	1,667	2,233	–
Other benefits	21,775	26,474	18,414
	254,083	278,896	246,162

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 16% to 20% of such relevant expenses, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 8% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds are limited to the contributions paid/payable in each year.

(c) The Group offers early retirement benefits to those employees who apply early retirement before the normal retirement date. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who voluntarily retired before the normal retirement date prescribed by the State, as approved by the Group. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current year.

(d) The decrease of pension costs, medical insurances and other social insurances in 2020 was mainly due to the exemption of social insurance for the period from March to September 2020, according to security relief policies issued by the Ministry of Human Resources and Social Security and local municipal departments affected by Coronavirus Disease 2019 ("COVID-19").

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executives' emoluments

Directors' and chief executives' emoluments for the Track Record Period are set out as follows:

			Employer's contribution to		
	Fees	**Salaries and bonus**	**Contributions to retirement benefits and other social security costs**	**Employee share schemes – value of employee services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Executive directors					
Mr. Zhou Wei *(i)*	–	–	–	–	–
Mr. Yuan Hongming *(ii)*	–	–	–	–	–
Mr. Wang Yanhong *(iii)*	–	–	–	–	–
Mr. Liu Keqiang *(iv)*	–	–	–	–	–
Mr. Wang Runliang *(ix)*	–	581	100	–	681
Mr. Wang Jianbin *(vi)*	–	–	–	–	–
Mr. Zhou Yinchao *(v)*	–	–	–	–	–
Supervisors					
Mr. Wang Jing'an *(x)*	–	–	–	–	–
Ms. Liu Xiaorong *(xi)*	–	–	–	–	–
Ms. Wang Linlin *(vii)*	–	–	–	–	–
Mr. Qin Xiaohui *(viii)*	–	246	59	–	305
	–	827	159	–	986

Directors' and chief executives' emoluments for the Track Record Period are set out as follows:

			Employer's contribution to		
	Fees	**Salaries and bonus**	**Contributions to retirement benefits and other social security costs**	**Employee share schemes – value of employee services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Executive directors					
Mr. Zhou Wei *(i)*	–	–	–	–	–
Mr. Zhou Yinchao *(v)*	–	–	–	–	–
Mr. Wang Runliang *(ix)*	–	668	51	–	719
Mr. Wang Wenqi *(xiii)*	–	15	6	–	21
Non-executive directors					
Mr. Guo Wancai *(xii)*	–	–	–	–	–
Mr. Wang Jianbin *(vi)*	–	–	–	–	–
Mr. Zhou Qi *(xiv)*	–	–	–	–	–
Mr. Li Gang *(xv)*	–	–	–	–	–
Mr. Yu Qiang *(xvi)*	–	–	–	–	–
Mr. Ip Wing Wai *(xvii)*	–	–	–	–	–
Mr. Yang Weike *(xviii)*	–	246	39	–	285

	Fees	Salaries and bonus	Employer's contribution to: Contributions to retirement benefits and other social security costs	Employee share schemes – value of employee services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Mr. Wang Jing'an *(x)*	–	–	–	–	–
Ms. Liu Xiaorong *(xi)*	–	–	–	–	–
Ms. Wang Linlin *(vii)*	–	–	–	–	–
Mr. Qin Xiaohui *(viii)*	–	246	41	–	287
Mr. Zhang Yu'an *(xix)*	–	–	–	–	–
	–	1,175	137	–	1,312

Directors' and chief executives' emoluments for the Track Record Period are set out as follows:

	Fees	Salaries and bonus	Employer's contribution to: Contributions to retirement benefits and other social security costs	Employee share schemes – value of employee services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Executive directors					
Mr. Wang Runliang *(ix)*	–	752	121	–	873
Mr. Wang Wenqi *(xiii)*	–	460	67	–	527
Non-executive directors					
Mr. Guo Wancai *(xii)*	–	–	–	–	–
Mr. Wang Jianbin *(vi)*	–	–	–	–	–
Mr. Zhou Qi *(xiv)*	–	–	–	–	–
Mr. Li Gang *(xv)*	–	80	–	–	80
Mr. Yu Qiang *(xvi)*	–	80	–	–	80
Mr. Ip Wing Wai *(xvii)*	–	120	–	–	120
Mr. Yang Weike *(xviii)*	–	166	37	–	203
Ms. Feng Min *(xx)*	–	167	15	–	182
Supervisors					
Mr. Wang Jing'an *(x)*	–	–	–	–	–
Mr. Qin Xiaohui *(viii)*	–	331	57	–	388
Mr. Zhang Yu'an *(xix)*	–	–	–	–	–
	–	2,156	297	–	2,453

(i) Mr. Zhou Wei was appointed and served as the chairman of the Company from January 2015 to July 2020. Mr. Zhou was also appointed as chief accountant of SXAG on 1 August 2013 and retired on 30 November 2019.

(ii) Mr. Yuan Hongming was a director of the Company from December 2014 to April 2019. Mr. Yuan also served as the chairman of SXAG since 1 June 2015.

(iii) Mr. Wang Yanhong was a director of the Company from August 2015 to April 2019. Mr. Wang was also appointed as the general manager of SXAG on 1 June 2015, and left SXAG on 28 November 2020.

(iv) Mr. Liu Keqiang was a director of the Company from December 2014 to April 2019. Mr. Liu also served as the vice-general manager of SXAG since 1 February 2012.

(v) Mr. Zhou Yinchao was a director of the Company from December 2014 to September 2020. Mr. Zhou also served as the vice-general manager of SXHDA since 1 November 2012.

(vi) Mr. Wang Jianbin served as general manager of the Company from December 2014 to January 2019 and was appointed as a director of the Company on 15 April 2019. From January 2019 to July 2020, Mr. Wang served as general manager of SAGCV and since July 2020, Mr. Wang has served as general manager of SAGCV and deputy general manager of Shaanxi Automobile Industry Co., Ltd. (陝西汽車實業有限公司).

(vii) Mr. Wang Linlin was appointed as supervisors from December 2014 to September 2020.

(viii) Mr. Qin Xiaohui was appointed as a supervisor of the Company on 11 August 2016. Since February 2018, Mr. Qin has been serving as the chairman of the labour union, director of the integrated management department of the Company.

(ix) Mr. Wang Runliang was appointed as a director of the Company on 15 April 2019. Mr. Wang was also appointed as the general manager of the Company since January 2019.

(x) Mr. Wang Jing'an was appointed as a supervisor of the Company on 5 June 2016. Since January 2016 to February 2021, Mr. Wang served as the director of the financial management department of Shaanxi Automobile Holding Group Co., Ltd. (陝西汽車控股集團有限公司, "SAHG").

(xi) Ms. Liu Xiaorong was the chairman of supervisory committee of the Company from 14 April 2019 to 7 September 2020. Ms. Liu also served as minister of audit department of SAHG since 1 January 2016.

(xii) Mr. Guo Wancai was appointed as the chairman of the Company on 17 July 2020. Since August 2019, Mr. Guo has been serving as a chief accountant of Shaanxi Automobile Holding Group Co., Ltd. (陝西汽車控股集團有限公司, "SAHG"). From July 2020 to March 2021, Mr. Guo served as a director of Shaanxi Automobile. From July 2020 to date, he serves as the general accountant of Shaanxi Automobile.

(xiii) Mr. Wang Wenqi was appointed as director and vice general manager of the Company on 25 December 2020. Mr. Wang also served as the general manager of SXTH since January 2017 and chairman of SXTH since April 2019.

(xiv) Mr. Zhou Qi was appointed as a director of the Company on 10 September 2020. From December 2015 to July 2020, Mr. Zhou served as director of the special purpose vehicle sales department of SXAG. Mr. Zhou is currently serving as the general manager of the sales department of the SXHDA.

(xv) Mr. Li Gang was appointed as an independent director of the Company on 25 December 2020.

(xvi) Mr. Yu Qiang was appointed as an independent director of the Company on 25 December 2020.

(xvii) Mr. Ip Wing Wai was appointed as an independent director of the Company on 25 December 2020.

(xviii) Mr. Yang Weike was a director of the Company from December 2020 to August 2021. From February 2019 to March 2021, Mr. Yang served as the head of the operations and management department of the Company. Mr. Yang was appointed as the Director of Information Technology Department in March 2021.

(xvix) Mr. Zhang Yu'an was appointed as the chairman of the Board of supervisor of the Company on 25 December 2020. Since January 2016 to date of this Historical Financial Information, Mr. Zhang has been serving as director of investment and capital operations, and director of the investment securities department of SXAG.

(xx) Ms. Feng Min was appointed as a director of the Company on 27 August 2021. Ms. Feng was also appointed as the general manager of the finance department of the Company on 3 February 2017.

In addition to the directors' and chief executives' emoluments as disclosed above, certain directors and supervisors of the Company who are also directors or management of the parent company (i.e. SXAG) and certain fellow subsidiaries received emoluments from the parent company and different related companies during the years ended 31 December 2019, 2020 and 2021, part of which are in respect of their services rendered to the Group in respective years. No apportionment has been made as the directors and supervisors of the Company consider that it is impractical to apportion the emoluments between their service rendered to the Group and their services rendered to the parent company and the respective fellow subsidiaries.

(b) Directors' retirement benefits

There are no director's retirement benefits operated by the Group.

(c) Directors' termination benefits

There are no directors' termination benefits operated by the Group.

(d) During the Track Record Period, no consideration was provided to third parties for making available directors' service.

(e) During the Track Record Period, there was no loan, quasi-loan and other dealing in favour of directors, bodies corporate controlled by or entities connected with directors.

(f) No significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1, 1, 1 director for the years ended 31 December 2019, 2020 and 2021, respectively, whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining 4, 4, 4 highest paid individuals are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	1,995	2,219	2,279
Pension and other social benefits	344	218	484
	2,339	2,437	2,763

The emoluments fell within the following bands:

	Year ended 31 December		
	2019	**2020**	**2021**
Emoluments bands (in RMB)			
RMB0-RMB500,000	2	–	–
RMB500,000-RMB1,000,000	2	4	4

10 FINANCE INCOME-NET

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income:			
– Bank deposits	22,795	22,799	12,293
Total finance income	22,795	22,799	12,293
Interest expenses:			
– Bank borrowings	(5,272)	(1,587)	(3,656)
– Lease liabilities	(1,473)	(1,128)	(2,694)
– Foreign exchange losses	(865)	(191)	(179)
– Termination benefits	(373)	(360)	(235)
Total finance costs	(7,983)	(3,266)	(6,764)
Finance income – net	14,812	19,533	5,529

11 INCOME TAX EXPENSE

The amounts of income tax expense charged to profit or loss represented:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	75,126	105,641	124,671
Deferred income tax *(Note 16)*	(8,407)	(23,851)	(48,814)
Income tax expense	66,719	81,790	75,857

(a) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the statutory corporate income tax rate in the PRC is 25% from 1 January 2008. The income tax rate of 25% is applicable to all of the Group's subsidiaries during the Track Record Period, except for Shaanxi Tianxingjian IoV Information Technology Co., Ltd. and SXTH which enjoy a preferential income tax rate of 15% according to the polices of Western Area Development for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	307,865	399,827	444,594
Tax calculated at applicable corporate income tax rate of 25%	76,966	99,957	111,149
Tax effect of:			
Effects of preferential tax rates	(12,439)	(19,097)	(21,756)
Additional deduction of research and development expenses	(2,370)	(2,775)	(3,189)
Additional expenses allowable for tax deduction	–	(883)	(4,171)
Expenses not deductible for taxation purposes	1,352	2,874	2,682
Utilisation of tax loss of previous years	–	–	(2,799)
Recognised deferred tax expense of deductible tax losses of previous years	–	–	(13,551)
Tax losses upon which no deferred tax assets was recognised	3,210	1,714	7,492
Income tax expense	66,719	81,790	75,857

12 EARNINGS PER SHARE

(a) The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the Track Record Period. The Company was converted to a joint stock company on 25 December 2020, 1,629,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders as at 30 November 2020 (being the reference date for the conversion of the Company into a joint stock limited liability company). This capitalisation of share capital is applied retrospectively during the Track Record Period for the purpose of computation of earnings per share.

	Year ended 31 December		
	2019	2020	2021
Profit attributable to equity holders of the Company (RMB'000)	207,493	273,994	362,719
Weighted average number of ordinary shares in issue in thousands	1,000,145	1,188,282	1,629,000
Basic earnings per share (RMB)	0.21	0.23	0.22

(b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential share during the Track Record Period.

13 RIGHT-OF-USE ASSETS

The Group's interests in right-of-use assets represented land use rights and leased buildings located in the PRC, the net book values of which are analysed as follows:

	Land use right	Leased buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019			
Cost	13,865	40,993	54,858
Accumulated amortization	(2,022)	(11,911)	(13,933)
Net book amount	11,843	29,082	40,925
Year ended 31 December 2019			
Opening net book amount	11,843	29,082	40,925
Additions	–	11,749	11,749
Amortization *(Note 7)*	(347)	(13,581)	(13,928)
Closing net book amount	11,496	27,250	38,746
As at 31 December 2019			
Cost	13,865	52,742	66,607
Accumulated amortization	(2,369)	(25,492)	(27,861)
Net book amount	11,496	27,250	38,746
Year ended 31 December 2020			
Opening net book amount	11,496	27,250	38,746
Additions	–	14,044	14,044
Amortization (Note 7)	(346)	(18,387)	(18,733)
Closing net book amount	11,150	22,907	34,057
As at 31 December 2020			
Cost	13,865	66,786	80,651
Accumulated amortization	(2,715)	(43,879)	(46,594)
Net book amount	11,150	22,907	34,057
Year ended 31 December 2021			
Opening net book amount	11,150	22,907	34,057
Additions	–	57,527	57,527
Amortization *(Note 7)*	(347)	(29,090)	(29,437)
Closing net book amount	10,803	51,344	62,147
As at 31 December 2021			
Cost	13,865	124,313	138,178
Accumulated amortization	(3,062)	(72,969)	(76,031)
Net book amount	10,803	51,344	62,147

(a) Amortisation of right-of-use assets has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cost of revenue	8,674	13,164	23,904
Administrative expenses	5,254	5,569	4,934
Research and development expenses	–	–	599
	13,928	18,733	29,437

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019							
Cost	64,938	7,433	115,709	15,705	5,282	873	209,940
Accumulated depreciation	(12,463)	(2,126)	(90,557)	(9,596)	(952)	–	(115,694)
Impairment	–	–	(2,352)	–	–	–	(2,352)
Net book value	52,475	5,307	22,800	6,109	4,330	873	91,894
Year ended 31 December 2019							
Opening net book value	52,475	5,307	22,800	6,109	4,330	873	91,894
Additions	143	892	3,918	9,961	1,738	4,436	21,088
Transfer	–	149	4,008	–	–	(4,157)	–
Disposals	(326)	(76)	(2,150)	(192)	–	–	(2,744)
Depreciation *(Note 7)*	(2,990)	(631)	(5,504)	(4,960)	(1,878)	–	(15,963)
Closing net book value	49,302	5,641	23,072	10,918	4,190	1,152	94,275
As at 31 December 2019							
Cost	64,566	8,230	52,890	23,887	7,020	1,152	157,745
Accumulated depreciation	(15,264)	(2,589)	(29,112)	(12,969)	(2,830)	–	(62,764)
Impairment	–	–	(706)	–	–	–	(706)
Net book value	49,302	5,641	23,072	10,918	4,190	1,152	94,275
Year ended 31 December 2020							
Opening net book value	49,302	5,641	23,072	10,918	4,190	1,152	94,275
Additions	–	590	3,597	10,187	5,151	4,106	23,631
Transfer	–	1,257	963	253	–	(3,241)	(768)
Disposals	–	(1,165)	(503)	(17)	–	–	(1,685)
Depreciation *(Note 7)*	(2,671)	(685)	(4,878)	(5,458)	(2,134)	–	(15,826)
Impairment provision *(Note 7)*	–	–	(14)	–	–	–	(14)
Closing net book value	46,631	5,638	22,237	15,883	7,207	2,017	99,613

	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020							
Cost	64,566	8,183	46,247	33,786	12,171	2,017	166,970
Accumulated depreciation	(17,935)	(2,545)	(23,996)	(17,903)	(4,964)	–	(67,343)
Impairment	–	–	(14)	–	–	–	(14)
Net book value	46,631	5,638	22,237	15,883	7,207	2,017	99,613
Year ended 31 December 2021							
Opening net book value	46,631	5,638	22,237	15,883	7,207	2,017	99,613
Additions	–	399	853	8,294	271	3,329	13,146
Transfer	–	1,404	376	–	1,873	(4,739)	(1,086)
Disposals	–	(9)	(15)	(299)	–	–	(323)
Depreciation *(Note 7)*	(2,670)	(820)	(4,878)	(7,081)	(2,723)	–	(18,172)
Closing net book value	43,961	6,612	18,573	16,797	6,628	607	93,178
As at 31 December 2021							
Cost	64,566	9,916	47,097	41,117	14,315	607	177,618
Accumulated depreciation	(20,605)	(3,304)	(28,510)	(24,320)	(7,687)	–	(84,426)
Impairment	–	–	(14)	–	–	–	(14)
Net book value	43,961	6,612	18,573	16,797	6,628	607	93,178

Buildings and facilities with a net book value of RMB 6,586,000 in property, plant and equipment are the office leased by the Company to the subsidiaries and are disclosures as Investment properties in the financial statements of the Company.

(a) Depreciation of property, plant and equipment has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cost of revenue	9,133	8,524	9,456
Administrative expenses	3,482	3,579	3,765
Research and development expenses	3,328	3,712	4,071
Selling expenses	20	11	880
	15,963	15,826	18,172

15 INTANGIBLE ASSETS

	Software
	RMB'000
As at 1 January 2019	
Cost	14,085
Accumulated amortisation	(5,432)
Net book value	8,653
Year ended 31 December 2019	
Opening net book value	8,653
Additions	4,696
Amortisation *(Note 7)*	(2,838)
Closing net book value	10,511
As at 31 December 2019	
Cost	18,781
Accumulated amortisation	(8,270)
Net book value	10,511
Year ended 31 December 2020	
Opening net book value	10,511
Additions	6,312
Transfer	768
Amortisation *(Note 7)*	(3,206)
Closing net book value	14,385
As at 31 December 2020	
Cost	25,861
Accumulated amortisation	(11,476)
Net book value	14,385
Year ended 31 December 2021	
Opening net book value	14,385
Additions	11,720
Transfer	1,086
Amortisation *(Note 7)*	(4,335)
Closing net book value	22,856
As at 31 December 2021	
Cost	38,667
Accumulated amortisation	(15,811)
Net book value	22,856

Amortisation of intangible assets has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	2,260	2,433	2,396
Research and development expenses	118	534	927
Cost of revenue	460	239	501
Selling expenses	–	–	511
	2,838	3,206	4,335

16 DEFERRED INCOME TAX ASSETS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
– to be realised within 12 months	32,233	49,785	97,251
– to be realised after more than 12 months	31,264	37,357	38,500
	63,497	87,142	135,751
Deferred income tax liabilities:			
– to be realised within 12 months	94	154	53
– to be realised after more than 12 months	370	104	–
	464	258	53
	63,033	86,884	135,698

Movements in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Provision for impairment of receivables	Deferred income from government grants	Accrued expenses	Deductible tax loss	Impairment of property, plant and equipment	Impairment of inventory	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	47,059	1,410	2,395	3,038	588	136	54,626
Year ended 31 December 2019							
Credited/(charged) to profit or loss	6,154	83	1	3,163	(411)	(119)	8,871
As at 31 December 2019	53,213	1,493	2,396	6,201	177	17	63,497
Year ended 31 December 2020							
Credited/(charged) to profit or loss	25,356	(111)	(936)	(474)	(173)	(17)	23,645
As at 31 December 2020	78,569	1,382	1,460	5,727	4	–	87,142
Year ended 31 December 2021							
Credited/(charged) to profit or loss	36,674	(356)	(531)	11,869	–	953	48,609
As at 31 December 2021	115,243	1,026	929	17,596	4	953	135,751

Deferred income tax liabilities	Accelerated depreciation	Total
	RMB'000	*RMB'000*
As at 1 January 2019	–	–
Year ended 31 December 2019		
Charged to profit or loss	464	464
As at 31 December 2019	464	464
Year ended 31 December 2020		
Credited to profit or loss	(206)	(206)
As at 31 December 2020	258	258
Year ended 31 December 2021		
Credited to profit or loss	(205)	(205)
As at 31 December 2021	53	53

17 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	–	7,791	9,660
Initial recognition resulting from partial disposal of equity interests in a subsidiary	4,035	–	–
Share of profits	3,756	5,251	5,123
Dividends declared	–	(3,382)	(5,160)
End of the year	7,791	9,660	9,623

Set out below are the particulars of the associate as at 31 December 2019, 2020 and 2021.

	Place of incorporation and operation	Principal activities	Equity interest held		
			As at 31 December		
			2019	2020	2021
MXIB	PRC	Insurance brokerage business	30%	30%	30%

(a) The directors of the Company considered that the associate as at 31 December 2019 and 2020 and 2021 was insignificant to the Group and thus a summary of financial information of the associate was not disclosed.

As at 31 December 2019, 2020 and 2021, there was no significant contingent liability and commitment relating to the Group's interest in the associate.

18 INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Investments at cost			
Unlisted shares	1,407,798	2,302,053	2,302,053

Particulars of the Company's subsidiaries are set out in Note 1.2.

19 INVENTORIES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
Commercial automobiles	79,537	77,380	180,953
Intelligent internet of vehicle (IoV) terminal products	9,246	3,364	4,755
Components	1,068	852	1,572
	89,851	81,596	187,280
Provision for impairment loss:			
Commercial automobiles *(Note 7)*	(78)	–	(3,812)
Inventories – net	89,773	81,596	183,468

The cost of inventories recognised as cost of revenue amounted to approximately RMB825,795,000, RMB936,423,000, and RMB688,238,000 for the years ended 31 December 2019, 2020 and 2021, respectively.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Assets per consolidated statements of financial position			
Financial assets at amortized cost			
– Cash and cash equivalents *(Note 28)*	730,143	196,915	213,339
– Restricted bank deposits *(Note 27)*	536,312	467,452	84,816
– Trade receivables *(Note 21)*	476,527	494,156	467,505
– Other receivables *(Note 24)*	98,864	83,398	276,638
– Loan receivables *(Note 23)*	6,573,273	9,229,313	8,184,815
	8,415,119	10,471,234	9,227,113
Financial assets at fair value			
– Fair value of comprehensive income (FVOCI) *(Note 22)*	274,328	520,314	367,020
	274,328	520,314	367,020
Total	8,689,447	10,991,548	9,594,133

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Liabilities per consolidated statements of financial position			
Financial liabilities carried at amortised cost			
– Lease liabilities *(Note 32)*	26,991	22,460	48,139
– Bond payables *(Note 33)*	85,332	323,003	939,857
– Trade and other payables (not including staff salaries and welfare payables, termination benefits payables, and accrued taxes other than income tax) *(Note 36)*	3,827,083	6,846,316	2,371,559
– Borrowings *(Note 37)*	3,146,942	1,737,884	4,100,429
	7,086,348	8,929,663	7,459,984

21 TRADE RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables – related parties *(Note 41(c)(i))*	213,942	270,539	149,573
Trade receivables – third parties	275,986	244,661	334,607
	489,928	515,200	484,180
Less: allowance for impairment	(13,401)	(21,044)	(16,675)
Trade receivables – net	476,527	494,156	467,505

As at 31 December 2019, 2020 and 2021, the fair values of trade receivables of the Group approximated their carrying amounts.

As at 31 December 2019, 2020 and 2021, all the carrying amounts of trade receivables were denominated in RMB.

(a) Aging analysis of trade receivables at the respective balance sheet dates, based on the transaction date, are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within one year	457,748	500,368	475,192
One year to two years	3,345	5,203	1,510
Two years to three years	3,838	1,380	1,375
Over three years	24,997	8,249	6,103
	489,928	515,200	484,180

The Group did not hold any collateral as security over these trade receivables.

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

Movements on the provision for impairment of trade receivables are as follow:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	13,196	13,401	21,044
Provision for/(reversal of) impairment	1,723	7,643	(3,170)
Written-off of impairment	(1,518)	–	(1,199)
End of the year	13,401	21,044	16,675

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Notes receivable	274,328	520,314	337,178
Trade receivable	–	–	29,842
	274,328	520,314	367,020

As at 31 December 2019, 2020 and 2021, all the financial assets at fair value through other comprehensive income (FVOCI) were notes receivable and trade receivable, the impact of expected loss of fair value through other comprehensive income (FVOCI) was assessed to be insignificant.

As at 31 December 2021, trade receivables recognised as fair value through other comprehensive income ("FVOCI") were receivables from SXHDA which the Group intends to either held to maturity for cash collection or transferred to suppliers as settlement of its purchases of goods. Considering these financial assets are held by the Group for both collection of contractual cash flows and selling of the related financial assets, the Group has accounted for such trade receivables as financial assets at FVOCI.

23 LOAN RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Loan receivables			
– Financial leasing business	6,224,090	9,044,808	7,901,021
– Factoring service	542,532	472,308	715,763
	6,766,622	9,517,116	8,616,784
Less: Provision for impairment			
– Financial leasing business	(123,155)	(190,989)	(312,636)
– Factoring service	(70,194)	(96,814)	(119,333)
	(193,349)	(287,803)	(431,969)
Loan receivables – net	6,573,273	9,229,313	8,184,815
Less: non-current portion			
– Financial leasing business	(2,217,026)	(3,183,318)	(2,104,188)
Current portion	4,356,247	6,045,995	6,080,627

As at 31 December 2019, 2020 and 2021, the fair values of loan receivables of the Group approximated their carrying amount.

As at 31 December 2019, 2020 and 2021, the carrying amounts of loan receivables were all denominated in RMB.

Loan receivables of approximately RMB5,148,900,000, RMB8,034,747,000 and RMB6,791,022,000 were secured by the leased vehicles owned by lessees with original cost of approximately RMB9,527,387,000, RMB15,769,769,000 and RMB15,530,814,000 as of 31 December 2019, 2020 and 2021, respectively.

As at 31 December 2019, 2020 and 2021, loan receivables of RMB1,177,958,000, RMB852,561,000 and RMB2,816,032,000 were pledged for other borrowings of RMB1,128,321,000, RMB749,979,000 and RMB2,498,429,000, respectively (Note 37).

As at 31 December 2019 and 2021, loan receivables of RMB157,924,000 and RMB1,119,557,000 were transferred out but not derecognised under the Group's asset-backed security program, respectively (Note 33).

As at 31 December 2020 and 31 December 2021, loan receivables of RMB392,645,000 and RMB125,979,000 were transferred out but not derecognised under the Group's asset-backed notes program, respectively (Note 33).

The Group assesses on the expected credit losses associated with its loan receivables with forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and number of days past due. The expected credit losses also incorporate forward-looking information.

Movements on the provision for impairment of loan receivables are as follow:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	169,638	193,349	287,803
Provision for impairment	23,711	94,454	144,166
Written-off of impairment	–	–	–
End of the year	193,349	287,803	431,969

24 OTHER RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other receivables – related parties *(Note 41(c)(ii))*	7,823	13,932	13,547
Other receivables – third parties	98,444	76,640	275,426
	106,267	90,572	288,973
Less: Provision for impairment	(7,403)	(7,174)	(12,335)
Other receivables-net	98,864	83,398	276,638
Less: Non-current portion	(36,160)	(16,903)	(111,145)
Current portion	62,704	66,495	165,493

As at 31 December 2019, 2020 and 2021, the fair values of other receivables of the Group approximated their carrying amounts and the nature of these other receivables have been disclosed at Note 24(b) .

As at 31 December 2019, 2020 and 2021, all the carrying amounts of other receivables were denominated in RMB.

(a) Aging analysis of other receivables at the respective balance sheet dates, based on the transaction date, are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within one year	49,579	46,168	253,409
One year to two years	40,789	29,311	26,903
Two years to three years	433,803	2,239	2,897
Three years to four years	12,096	12,854	5,764
	106,267	90,572	288,973

The Group did not hold any collateral as security over these debtors.

(b) As at 31 December 2019 and 2020 and 2021, details of other receivables are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Lease deposits *(i)*	37,470	18,518	112,760
Non-current subtotal	37,470	18,518	112,760

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current			
Receivables from related parties *(Note 41(c)(ii))*	7,823	13,932	13,547
Advances *(ii)*	8,410	10,574	104,471
Lease deposits *(i)*	39,507	35,309	36,601
Other deposits	4,157	4,315	13,460
Interest receivable	2,022	1,476	205
Others	6,878	6,448	7,929
Current subtotal	68,797	72,054	176,213
Total	106,267	90,572	288,973

(i) Lease deposits were the deposits placed to third parties to obtain loans in the sub-lease arrangement.

(ii) As at 31 December 2020 and 2021, advances were mainly the advances for coal purchase price on behalf of customers.

(c) To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the aging days. The expected credit losses also incorporate forward-looking information.

Movements on the provision for impairment of other receivables are as follow:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	8,271	7,403	7,174
(Reversal of)/provision for impairment of other receivables	(868)	(229)	5,161
End of the year	7,403	7,174	12,335

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables from subsidiaries			
– Loan to subsidiaries *(a)*	181,400	–	790,775
– Payment of purchase price of commercial vehicles on behalf of subsidiaries *(b)*	134,305	169,120	91,230
– Dividends receivable	–	140,000	109,543
– Others	–	52	15
	315,705	309,172	991,563
Other receivables from third parties			
– Others	257	–	272
	315,962	309,172	991,835
Less: Provision for impairment	–	–	–
Other receivables – net	315,962	309,172	991,835
Less: Non-current portion	–	–	–
Current portion	315,962	309,172	991,835

(a) During the Track Record Period, loan to subsidiaries were interest bearing ranging from 4.4% to 5.5%, maturity of all the loan to subsidiaries were within one year.

(b) The repayments of these other receivables purchasing vehicles can be called on demand without interest.

25 PREPAYMENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for goods and service	38,190	45,832	66,708
Prepayments for listing expense	–	3,531	20,216
	38,190	49,363	86,924

As at 31 December 2019, 2020 and 2021, all the carrying amounts of prepayments were denominated in RMB.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Asset-backed notes	–	43,000	–
Current assets			
Asset-backed securities	44,500	–	–
Asset-backed notes	–	–	43,000
Current subtotal	44,500	–	43,000
Total	44,500	43,000	43,000

The asset-backed notes were issued by Deewin Financing Leasing Co., Ltd., a subsidiary of the Company. They were classified as financial assets at fair value through profit or loss (FVTPL) as their contractual cash flows are not solely payments of principal and interest.

27 RESTRICTED CASH AT BANKS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash at banks	536,312	467,452	84,816

As at 31 December 2019, 2020 and 2021, the breakdown of restricted cash at banks are as follow:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Deposits for the issuance of notes payables	520,473	467,452	84,816
Deposits for the insurance of asset-backed securities	15,839	–	–
	536,312	467,452	84,816

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash at banks	16,366	152,480	49,389

Restricted cash at banks of the Company represented deposits for the issuance of notes payable.

28 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and on hand	730,143	196,915	213,339

Company

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and on hand	57,588	16,650	48,645

All cash and cash equivalents were denominated in RMB.

29 PAID-IN CAPITAL/SHARE CAPITAL

	As at 31 December		
	2019	2020	2021
Registered, issued and fully paid			
Number of shares (in thousand)	N/A	1,629,000	1,629,000
Paid-in capital/share capital (in RMB'000) *(Note 30(iii))*	1,000,000	1,629,000	1,629,000

Movements on the paid-in capital/share capital are as follow:

	RMB'000
As at 31 December 2019	1,000,000
As at 1 January 2020	1,000,000
Capital injection and contribution from SXAG *(b)*	500,000
Capital injection and contribution from SAGCV *(c)*	11,677
Capital injection and contribution from SXHDA *(d)*	117,087
Conversion to share capital *(e) (Note 30(a)(iii))*	236
As at 31 December 2020	1,629,000
As at 31 December 2021	1,629,000

(a) On 14 August 2014, the Company was established by SXAG with an initial registered and paid-in capital of RMB1,000,000,000.

(b) On 11 September 2020, the Company increased its registered capital by RMB500,000,000, all of which has paid in full of monetary capital on 21 September 2020 by SXAG.

(c) On 30 November 2020, pursuant to a resolution of board of directors' meeting and shareholders' meeting, the Company, SXAG and SAGCV which is a subsidiary of SAHG entered into a capital injection agreement, SAGCV injected cash of RMB30,000,000 into the Company, and paid-in capital and capital surplus increased by RMB11,677,000 and RMB18,323,000, respectively (Note 1.2).

(d) On 30 November 2020, pursuant to a resolution of board of directors' meeting and shareholders' meeting, the Company, SXAG and SXHDA entered into an equity interests exchange agreement, SXHDA transferred 44% equity interests of SXTH to the Company in exchange of equity interests of 7.19% in the Company with the consideration of RMB300,820,000. As a result, paid-in capital and capital surplus increased by RMB117,087,000 and RMB183,733,000, respectively (Note 1.2).

(e) On 25 December 2020 the Company was converted from a limited liability company into a joint stock limited liability company with a share capital of RMB1,629,000,000. The Company issued and allotted 1,629,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at 25 December 2020 (Note 30(a)(iii)).

30 OTHER RESERVES

	Capital surplus (a)	**Statutory reserves (b)**	**Safety fund (c)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	13,054	38,144	176	51,374
Appropriation to statutory reserves	–	11,552	–	11,552
Appropriation of safety fund	–	–	1,595	1,595
Utilisation of safety fund	–	–	(740)	(740)
As at 31 December 2019	13,054	49,696	1,031	63,781
As at 1 January 2020	13,054	49,696	1,031	63,781
Business combination under common control *(a(i))*	(13,054)	–	–	(13,054)
Capital injection and contribution from equity holders of the Company *(Notes 29(c) and (d))*	202,056	–	–	202,056
Transaction with non-controlling interests *(a(ii))*	(202,056)	–	–	(202,056)
Conversion to share capital *(a(iii))*	475,108	(85,411)	–	389,697
Appropriation of statutory reserves	–	47,223	–	47,223
Appropriation of safety fund	–	–	3,012	3,012
Utilisation of safety fund	–	–	(2,540)	(2,540)
As at 31 December 2020	475,108	11,508	1,503	488,119
As at 1 January 2021	475,108	11,508	1,503	488,119
Appropriation of statutory reserves	–	23,397	–	23,397
Appropriation of safety fund	–	–	5,348	5,348
Utilisation of safety fund	–	–	(1,236)	(1,236)
As at 31 December 2021	475,108	34,905	5,615	515,628

(a) Capital surplus

(i) On 24 September 2020, pursuant to the share purchase agreement, the Company acquired 52% equity interest of SXTH from SXAG at a consideration of RMB49,613,000. This transaction was accounted as a business combination under common control using predecessor method and the capital surplus and retained earnings of RMB13,054,000 and RMB36,559,000, respectively are reversed accordingly. As Such, the Historical Financial Information includes the financial information of SXTH as if it had been considered from the date when the consolidating entities or business first came under the control of SXGA.

(ii) On 30 November 2020, the Company acquired 44% equity interests of SXTH from SXHDA, which is considered as a transaction with non-controlling interests. The consideration was based on net assets of SXTH as at 30 September 2020 and the difference between the consideration and the book value of such portion of equity interest amount to RMB202,056,000 and RMB22,083,000, respectively were debited to the capital surplus and retained earnings (Note 31).

(iii) On 25 December 2020, the Company was converted from a limited liability company into a joint stock limited liability company with share capital of RMB1,629,000,000. The Company issued and allotted 1,629,000,000 ordinary shares with par value of RMB 1 each to the respective shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at 30 November 2020. The Company has transferred retained earnings of RMB389,933,000 and statutory reserve of RMB85,411,000 into capital surplus and share capital. As a result, share capital and capital surplus of the Company increased by RMB236,000 and RMB475,108,000, respectively (Note 29(e)).

(b) Statutory reserves

In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group(the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies.

The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance and Ministry of Emergency Management of the People's Republic of China (the previous name as Safety Production General Bureau), the Group is required to set aside an amount to safety fund based on the revenue generated from transportation service provided. The fund can be used for improvements of safety and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

31 RETAINED EARNINGS

	RMB'000
As at 1 January 2019	435,060
Profit for the year	207,493
Dividends declared *(Note 38)*	(57,374)
Appropriation of statutory reserves *(Note 30)*	(11,552)
Appropriation of safety fund	(1,595)
Utilisation of safety fund	740
As at 31 December 2019	572,772

	RMB'000
As at 1 January 2020	572,772
Profit for the year	273,994
Business combination under common control *(Note 30(a)(i))*	(36,559)
Transaction with non-controlling interests *(Note 30(a)(ii))*	(22,083)
Conversion to share capital *(Note 30(a)(iii))*	(389,933)
Dividends declared *(Note 38)*	(319,760)
Appropriation of statutory reserves *(Note 30)*	(47,223)
Appropriation of safety fund *(Note 30(c))*	(3,012)
Utilisation of safety fund *(Note 30(c))*	2,540
As at 31 December 2020	30,736
As at 1 January 2021	30,736
Profit for the year	362,719
Dividends declared *(Note 38)*	(66,199)
Appropriation of statutory reserves *(Note 30)*	(23,397)
Appropriation of safety fund *(Note 30(c))*	(5,348)
Utilisation of safety fund *(Note 30(c))*	1,236
As at 31 December 2021	299,747

32 LEASE LIABILITIES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payments due			
– Within one year	18,168	11,344	26,729
– Between one and two years	6,069	6,630	14,776
– Between two and five years	6,272	7,742	13,941
	30,509	25,716	55,446
Less: future finance charges	(3,518)	(3,256)	(7,307)
	26,991	22,460	48,139

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Present value of lease liabilities			
– Within one year	17,257	10,288	24,730
– Between one and two years	4,619	5,882	13,054
– Between two and five years	5,115	6,290	10,355
	26,991	22,460	48,139

The Group leases various buildings and facilities and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases for the years ended 31 December 2019, 2020 and 2021 was RMB14,465,000, RMB19,704,000, and RMB32,027,000, respectively.

33 BOND PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Asset-backed securities *(a)*	85,332	–	897,104
Asset-backed notes *(a)*	–	323,003	42,753
	85,332	323,003	939,857
Less: maturing within 1 year	(85,332)	(248,459)	(836,072)
Non-current portion of bond payables	–	74,544	103,785

(a) As at 31 December 2019 and 2020 and 2021, bond payables of RMB85,332,000, RMB323,003,000 and RMB42,753,000 were guaranteed by SXAG respectively.

Major terms of the asset-backed securities/notes are summarised as below:

Asset-backed securities

	As at 31 December 2019
Issue date	12 September 2019
Outstanding principal amount (RMB'000)	85,332
Coupon rate (%)	4.90%
Maturity date	25 July 2020
Payment terms of principal and interests	Quarterly

	As at 31 December 2021	
Issue date	16 September 2021	9 June 2021
Outstanding principal amount (senior A1 tranches) (RMB'000)	256,926	125,178
Coupon rate (senior A1 tranches) (%)	3.50%	4.00%
Maturity date (senior A1 tranches)	29 July 2022	29 April 2022
Payment terms of principal and interests	Monthly	Monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	236,000	127,000
Coupon rate (senior A2 tranches) (%)	3.90%	4.20%
Maturity date (senior A2 tranches)	28 February 2023	31 August 2022
Payment terms of principal and interests	Monthly	Monthly
Outstanding principal amount (senior B tranches) (RMB'000)	70,000	82,000
Coupon rate (senior B tranches) (%)	4.70%	4.90%
Maturity date (senior B tranches)	28 April 2023	30 November 2022
Payment terms of principal and interests	Monthly	Monthly

Asset-backed notes

	As at 31 December 2020	As at 31 December 2021
Issue date	3 November 2020	3 November 2020
Outstanding principal amount (senior A tranches) (RMB'000)	293,003	12,753
Coupon rate(senior A tranches) (%)	4.35%	4.35%
Maturity date(senior A tranches)	28 February 2022	28 February 2022
Payment terms of principal and interests	Quarterly	Quarterly
Outstanding principal amount (senior B tranches) (RMB'000)	30,000	30,000
Coupon rate(senior B tranches) (%)	4.78%	4.78%
Maturity date(senior B tranches)	28 May 2022	28 May 2022
Payment terms of principal and interests	Quarterly	Quarterly

Deewin Financing Leasing Co., Ltd. the subsidiary of the Company, transferred its loan receivables to the asset plan administrator which issue asset-backed securities or asset-backed notes to investors.

The Group has subsequently repurchased and held all of the subordinate tranches of the issued asset-backed securities and asset-backed notes and hence the risks and rewards of the aforesaid loan receivables transferred are still substantially retained by the Group. Accordingly, the Group has not de-recognised the related loan receivables in this Historical Financial Information.

34 PROVISIONS FOR WARRANTY

The analysis of provisions for warranty is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Provisions for warranty	9,235	8,573	2,558

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	11,178	9,235	8,573
– Additions for the year	–	–	–
– Utilisation and reversal for the year	(1,943)	(662)	(6,015)
End of the year	9,235	8,573	2,558

Provision for warranty represents warranty program provided by the Group in terms of the sales of intelligent internet of vehicle (IoV) terminal products.

35 DEFERRED GOVERNMENT GRANTS

The analysis of deferred government grants is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deferred government grants	16,501	16,088	14,043

Movements in deferred government grants for the years ended 31 December 2019, 2020 and 2021 are as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Beginning of the year	15,617	16,501	16,088
Additions for the year	2,778	2,852	4,342
Credited to profit or loss *(Note 5.3)*	(1,894)	(3,265)	(6,387)
End of the year	16,501	16,088	14,043

36 TRADE AND OTHER PAYABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Notes payables *(a)*	1,362,175	1,352,574	238,103
Trade payables – related parties *(Note 41 (c)(i))*	133,783	68,979	74,175
Trade payables – third parties	570,161	645,646	331,611
Other payables – loans from related parties *(Note 41 (c)(ii))*	1,130,000	3,925,000	854,000
Other payables – advances from related parties and interest payable to related party *(Note 41 (c)(ii))*	1,678	3,991	2,355
Other payables – deposits collected from lessee of commercial automobiles	510,617	802,579	792,962
Other payables – other deposits	11,759	13,513	21,846
Other payables – down payment collected from lessee on behalf of dealers of commercial automobiles	79,467	18,926	493
Other payables – others	27,017	13,847	53,730
Staff salaries and welfare payables	67,911	73,675	47,768
Termination benefits payable	6,710	6,172	3,634
Interest payable	426	1,261	2,284
Accrued taxes other than income tax	18,697	12,818	7,068
Trade and other payables	3,920,401	6,938,981	2,430,029
Less: non-current portion:			
– Other payables – deposits collected from lessee of commercial automobiles	(335,077)	(548,052)	(381,893)
– Termination benefits payable	(3,851)	(3,045)	(1,297)
– Other payables – loans from related parties	(290,000)	(854,000)	(643,000)
Total non-current portion	(628,928)	(1,405,097)	(1,026,190)
Current portion	3,291,473	5,533,884	1,403,839

As at 31 December 2019, 2020 and 2021, all trade and other payables (except for loan from related parties) of the Group were non-interest bearing and their fair values, except for the staff salaries and welfare payables, termination benefits payable and accrued taxes other than income tax which are not financial liabilities, approximated to their carrying amounts.

(a) As at 31 December 2019, 2020 and 2021, notes payable of RMB821,025,000, RMB849,862,000 and Nil were guaranteed by SXAG respectively.

As at 31 December 2019, 2020 and 2021, notes payable of RMB50,000,000, RMB46,780,000 and RMB50,000,000 were guaranteed by SAHG respectively.

(b) The weighted average effective interest rates for loans from related parties at each balance sheet date are as follows:

	As at 31 December		
	2019	**2020**	**2021**
Loans from related parties	4.78%	3.78%	3.40%

The exposure of loans from related parties at variable interest rates at each balance sheet date are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Loans from related parties	–	865,000	854,000

(c) Maturity of loan from related parties were as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	840,000	3,071,000	211,000
One year to two years	290,000	211,000	643,000
Two years to three years	–	643,000	–
	1,130,000	3,925,000	854,000

(d) Aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on transaction date were as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	692,407	711,425	401,699
One year to two years	11,479	467	3,845
Two years to three years	36	2,675	24
Over Three years	22	58	218
	703,944	714,625	405,786

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Notes payable *(a)*	191,864	321,600	130,329
Other payables to subsidiaries	7	49	76,604
Staff salaries and welfare payables	1,781	2,983	8,732
Others	1,558	2,473	4,395
Trade and other payables	195,210	327,105	220,060

As at 31 December 2019, 2020 and 2021, all trade and other payables of the Company were non-interest bearing and their fair values approximated to their carrying amounts.

(a) As at 31 December 2019, 2020 and 2021, notes payable of approximately RMB141,864,000, RMB274,820,000 and Nil were guaranteed by SXAG respectively.

As at 31 December 2019, 2020 and 2021, notes payable of approximately RMB50,000,000, RMB46,780,000 and Nil were guaranteed by SAHG respectively.

37 BORROWINGS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Long term bank borrowings guaranteed by SXAG *(b)*	93,404	252,905	67,187
Long term other borrowings *(c)*	1,128,321	749,979	2,498,429
Subtotal	1,221,725	1,002,884	2,565,616
Less:			
– current portion of long term bank borrowings due within one year *(b)*	(76,436)	(185,718)	(67,187)
– current portion of long term other borrowings due within one year *(c)*	(954,691)	(693,098)	(2,103,410)
Total non-current portion:	190,598	124,068	395,019

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Short term bank borrowings guaranteed by SXAG *(b)*	1,760,217	725,000	560,000
Short term unsecured bank borrowings	165,000	10,000	974,813
Current portion of long term bank borrowings due within one year *(b)*	76,436	185,718	67,187
Current portion of long term other borrowings due within one year	954,691	693,098	2,103,410
Total current portion:	2,956,344	1,613,816	3,705,410
Total borrowings	3,146,942	1,737,884	4,100,429

(a) All the borrowings were denominated in RMB.

(b) As at 31 December 2019, 2020 and 2021, analysis of guaranteed borrowings are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowing guaranteed by SXAG	1,853,621	977,905	627,187

(c) Other borrowings were the loans obtained from third parties in the form of sub-lease arrangement. As at 31 December 2019, 2020 and 2021, loan receivables of RMB1,177,958,000, RMB852,561,000 and RMB2,816,032,000 were pledged for other borrowings of RMB1,128,321,000, RMB749,979,000 and RMB2,498,429,000, respectively (Note 23). As at 31 December 2019, 2020 and 2021, other borrowings of RMB688,493,000, RMB337,961,000 and RMB9,297,000 were guaranteed by SXAG.

(d) The weighted average effective interest rates for borrowings at each balance sheet date are as follows:

	As at 31 December		
	2019	2020	2021
Bank borrowings	4.72%	4.44%	4.43%
Other borrowings	5.30%	4.62%	5.18%

(e) At 31 December 2019 and 2020 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,956,344	1,613,816	3,705,410
Between 1 and 2 years	190,598	124,068	395,019
	3,146,942	1,737,884	4,100,429

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Short term bank borrowings guaranteed by SXAG *(Note (b))*	181,400	–	100,000
Short term unsecured bank borrowings	–	–	468,438
Total	181,400	–	568,438

(a) All the borrowings were denominated in RMB.

(b) As at 31 December 2019, 2020 and 2021, analysis of guaranteed borrowings of the Company are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Guaranteed by SXAG	181,400	–	100,000

(c) The maturity of borrowings of the Company is as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	181,400	–	568,438

38 DIVIDENDS

For the year ended 31 December 2019

	Dividends declared to equity holders of the Company	Dividends declared to the non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*
Company			
Dividend declared	50,614	–	50,614
Subsidiaries			
Dividend declared	6,760	5,590	12,350
Group total dividends	57,374	5,590	62,964

During the year ended 31 December 2019, the Group settled dividends of RMB62,964,000 in cash which was declared in 2019.

For the year ended 31 December 2020

	Dividends declared to equity holders of the Company	Dividends declared to the non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*
Company			
Dividend declared	300,000	–	300,000
Subsidiary			
Dividend declared	19,760	16,646	36,406
Group total dividends	319,760	16,646	336,406

During the year ended 31 December 2020, the Group settled dividends of RMB336,406,000 in cash which was declared in 2020.

For the year ended 31 December 2021

	Dividends declared to equity holders of the Company	Dividends declared to the non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*
Company			
Dividend declared	66,199	–	66,199
Subsidiary			
Dividend declared	–	1,792	1,792
Group total dividends	66,199	1,792	67,991

During the year ended 31 December 2021, the Group settled dividends of RMB67,991,000 in cash which was declared in 2021.

39 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	307,865	399,827	444,594
Adjustments for:			
– Net impairment losses on financial assets *(Note 7)*	24,566	101,868	146,157
– Provision for impairment of inventory *(Note 7)*	78	–	3,812
– Provision for impairment of property, plant and equipment *(Note 7)*	–	14	–
– Depreciation of property, plant and equipment *(Note 14)*	15,963	15,826	18,172
– Amortisation of right-of-use assets *(Note 13)*	13,928	18,733	29,437
– Amortisation of intangible assets *(Note 15)*	2,838	3,206	4,335
– (Gains)/losses on disposal of property, plant and equipment *(Note 6)*	236	(423)	(36)
– Finance income – net	(15,677)	(19,724)	(5,708)
– Share of net profit of associate accounted for using the equity method *(Note 17)*	(3,756)	(5,251)	(5,123)
– Gains on disposal of a subsidiary *(Note 6)*	(2,647)	–	–
– Increase/(decrease) of deferred government grants *(Note 35)*	884	(413)	(2,046)
– Increase/(decrease) of provisions for warranty *(Note 34)*	(1,943)	(662)	(5,172)

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Changes in working capital:			
– Restricted cash at banks *(Note 27)*	(168,805)	53,021	382,636
– Financial assets at fair value through other comprehensive income (FVOCI) *(Note 22)*	(100,828)	(255,040)	153,294
– Trade receivables	(105,850)	(25,271)	29,821
– Loan receivables	(1,517,547)	(2,750,494)	900,332
– Other receivables	(9,388)	15,695	(198,401)
– Prepayments	(10,095)	(8,667)	(21,420)
– Inventories	(27,959)	8,178	(105,684)
– Trade and other payables	1,055,561	3,017,413	(4,509,187)
– Contract liabilities	(16,855)	43,965	15,003
– Borrowings	647,124	(1,227,659)	2,350,545
– Provisions for warranty	–	–	(843)
Cash generated from/(used in) operations	87,693	(615,858)	(375,482)

(b) Major non-cash transactions

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
– Payment for inventories and services by endorsement of notes receivable	565,100	757,845	1,133,285
– Acquisition of long term assets from the endorsement of notes receivable	6,174	9,053	–
– Issue of Company shares for 44% equity interests in SXTH *(Note 29(d))*	–	300,820	–
– Acquisition of right-of-use asset *(Note 13)*	11,749	14,044	57,527
	583,023	1,081,762	1,190,812

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note 28)*	730,143	196,915	213,339
Restricted cash at banks *(Note 27)*	536,312	467,452	84,816
Borrowings *(Note 37)*	(3,146,942)	(1,737,884)	(4,100,429)
Trade and other payables – loans from related parties *(Note 36)*	(1,130,000)	(3,925,000)	(854,000)
Bond payables *(Note 33)*	(85,332)	(323,003)	(939,857)
Lease liabilities *(Note 32)*	(26,991)	(22,460)	(48,139)
Net debt *(Note 3.2)*	(3,122,810)	(5,343,980)	(5,644,270)

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash and restricted cash at banks	1,266,455	664,367	298,155
Gross debt – fixed interest rates	(4,389,265)	(5,143,347)	(5,083,425)
Gross debt – variable interest rates	–	(865,000)	(859,000)
Net debt	(3,122,810)	(5,343,980)	(5,644,270)

	Assets		Liabilities								
	Cash and cash equivalents	Restricted cash at banks	Borrowings due within 1 year	Borrowings due after 1 year	Other payables due within 1 year	Other payables due after 1 year	Lease liabilities due within 1 year	Lease liabilities due after 1 year	Bond payables due within 1 year	Bond payables due after 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	631,935	362,432	(2,214,951)	(203,466)	(679,000)	–	(13,607)	(14,628)	(33,411)	–	(2,164,696)
Cash flows	98,208	173,880	(728,525)	–	(451,000)	–	14,465	–	(51,921)	–	(944,893)
Non-cash change											
– Acquisitions of lease incentives	–	–	–	–	–	–	–	(11,748)	–	–	(11,748)
– Interest expenses on lease liabilities	–	–	–	–	–	–	–	(1,473)	–	–	(1,473)
– Reclassification	–	–	(12,868)	12,868	290,000	(290,000)	(18,115)	18,115	–	–	–
At 31 December 2019	730,143	536,312	(2,956,344)	(190,598)	(840,000)	(290,000)	(17,257)	(9,734)	(85,332)	–	(3,122,810)
At 1 January 2020	730,143	536,312	(2,956,344)	(190,598)	(840,000)	(290,000)	(17,257)	(9,734)	(85,332)	–	(3,122,810)
Cash flows	(533,228)	(68,860)	1,409,058	–	(2,795,000)	–	19,703	–	(236,228)	–	(2,204,555)
Non-cash change											
– Acquisitions of lease incentives	–	–	–	–	–	–	–	(14,044)	–	–	(14,044)
– Interest expenses on lease liabilities	–	–	–	–	–	–	–	(1,128)	–	–	(1,128)
– Interest expenses on bond payables	–	–	–	–	–	–	–	–	(1,443)	–	(1,443)
– Reclassification	–	–	(66,530)	66,530	564,000	(564,000)	(12,734)	12,734	74,544	(74,544)	–
At 31 December 2020	196,915	467,452	(1,613,816)	(124,068)	(3,071,000)	(854,000)	(10,288)	(12,172)	(248,459)	(74,544)	(5,343,980)
At 1 January 2021	196,915	467,452	(1,613,816)	(124,068)	(3,071,000)	(854,000)	(10,288)	(12,172)	(248,459)	(74,544)	(5,343,980)
Cash flows	16,424	(382,636)	(2,362,545)	–	3,071,000	–	34,541	–	(616,854)	–	(240,070)
Non-cash change											
– Acquisitions of lease incentives	–	–	–	–	–	–	–	(57,526)	–	–	(57,526)
– Interest expenses on lease liabilities	–	–	–	–	–	–	–	(2,694)	–	–	(2,694)
– Reclassification	–	–	270,951	(270,951)	(211,000)	211,000	(48,983)	48,983	29,241	(29,241)	–
At 31 December 2021	213,339	84,816	(3,705,410)	(395,019)	(211,000)	(643,000)	(24,730)	(23,409)	(836,072)	(103,785)	(5,644,270)

40 CONTINGENT LIABILITIES

As at 31 December 2019, 2020, and 2021, the Group did not have any material contingent liabilities.

41 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions. SXAG is the Company's controlling shareholder.

The Company is controlled by SXAG, which is a government-related enterprise established in the PRC by Shaanxi SASAC. In accordance with IAS 24 (Revised), "Related Party Disclosures", issued by the IASB, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the government are defined as related parties of the Group. On that basis, related parties include SXAG and its subsidiaries (other than the Group), entities controlled by Shaanxi SASAC, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include deposits and borrowings, trade and other receivables, trade and other payables and cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in the consolidated financial statements.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed. Sales of goods to related parties are at market prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material transactions or balances with related parties.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

List of related parties

Name of related parties	Relationship with the Group
SAHG	– Ultimate Controlling Shareholder
SXAG	– Parent Company
SXHDA	– Entities over which the Parent Company has significant influence
Shaanxi Jinding Casting Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Heavy Duty Automobile Import and Export Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Hande Axle Co., Ltd. Xi'an Branch	– Entities over which the Parent Company has significant influence
Shaanxi Jiahe Huaheng Thermal System Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi poly Special Vehicle Manufacturing Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Huainan Special Purpose Vehicle Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Yulin Dongfang New Energy Special Purpose Vehicle Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Xinjiang Automobile Co., Ltd.	– Entities over which the Parent Company has significant influence

Name of related parties	Relationship with the Group
Shaanxi Automobile Wuhai Special Purpose Vehicle Co., Ltd.	– Entities over which the Parent Company has significant influence
Xi'an Shanqi Wheel Co., Ltd.	– Entities over which the Parent Company has significant influence
Xi'an Desen New Energy Equipment Co., Ltd.	– Entities over which the Parent Company has significant influence
Xi'an Cummins Engine Co., Ltd.	– Entities over which the Parent Company has significant influence
Grammer Vehicle Seat (Shaanxi) Co., Ltd.	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Datong Special Purpose Vehicle Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Jianke Fangyuan Auto Parts Co., Ltd.	– Entities over which the Parent Company has significant influence/ – Entities over which the Ultimate Controlling Shareholder has significant influence *(i)*
Tongchuan Dongsen Machinery Manufacturing Co., Ltd	– Entities over which the Parent Company has significant influence/ – Entities over which the Ultimate Controlling Shareholder has significant influence *(i)*
Shaanxi Tongjia Automobile Co., Ltd	– Entities over which the Ultimate Controlling Shareholder has significant influence
Shaanxi R Duty Automobile Special Purpose Vehicle Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
Shaanxi Deshi Electronic Equipment Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
Shaanxi Deshi Auto Parts (Group) Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
SAGCV	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company*(i)*
Xi'an Huanyu Car Light Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
Xi'an Oude Rubber & Plastic Technology Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
Xi'an Deshi Auto Parts Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder/ – Entities controlled by the Parent Company *(i)*
Shaanxi Automobile City Hotel Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder

Name of related parties	Relationship with the Group
Shaanxi Automobile Technical School	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Automobile Industry Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Oushute Automobile Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Huazhen Modern Agriculture Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Huazhen Industry and Trade Service Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Dongfeng Vehicle Axle Transmission System Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Fangyuan Automobile Standard Parts Co., Ltd.	– Entities controlled by the Parent Company/ – Entities controlled by the Ultimate Controlling Shareholder *(i)*
Shaanxi Dongming Vehicle System Co., Ltd	– Entities controlled by the Parent Company/ – Entities controlled by the Ultimate Controlling Shareholder*(i)*
Shaanxi Tongli Special Purpose Automobile Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Lantong Drive Shaft Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Automobile Group Xunyang Baotong Special Vehicle Parts Co.,Ltd	– Entities controlled by the Parent Company
Shaanxi Huazhen Auto Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Huazhen Vehicle Parts Co., Ltd.	– Entities controlled by the Parent Company
Shaanxi Huazhen Automotive Filtration System Co., Ltd.	– Entities controlled by the Parent Company
Shaanxi Sanzhen Auto Parts Co., Ltd.	– Entities controlled by the Parent Company
Shaanxi Wanfang Auto Parts Co., Ltd.	– Entities controlled by the Parent Company
Shaanxi Wanfang Tianyun Automobile Electric Co., Ltd.	– Entities controlled by the Parent Company
Xi'an Zhide Automobile Electronic Control System Co., Ltd.	– Entities controlled by the Parent Company
Baoji Tongli Automobile Body Co., Ltd.	– Entities controlled by the Parent Company
MXIB.	– Associates

Save as disclosed elsewhere in this Historical Financial Information, during the Track Record Period, the Group had the following significant transactions with related parties.

(i) These related parties' relationship with the Group changed during the Track Record Period due to the impact of changes in equity relationship.

(b) Transactions with related parties

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
– Entities controlled by the Ultimate Controlling Shareholder	936	100,908	–
– Entities over which the Parent Company has significant influence	212,772	155,353	91,174
– Entities controlled by the Parent Company	126	–	113,748
	213,834	256,261	204,922
Rendering of logistics and warehousing service			
– Entities controlled by the Ultimate Controlling Shareholder	48,084	100,062	3
– Entities over which the Parent Company has significant influence	413,155	502,725	365,676
– Entities controlled by the Parent Company	8,240	13,724	115,430
– Entities over which the Ultimate Controlling Shareholder has significant influence	–	–	597
	469,479	616,511	481,706
Interest income from factoring business			
– Entities controlled by the Ultimate Controlling Shareholder	213	–	–
– Entities over which the Parent Company has significant influence	116	–	–
– Entities controlled by the Parent Company	113	–	–
– Entities over which the Ultimate Controlling Shareholder has significant influence	1,887	–	–
	2,329	–	–
Rendering of internet of vehicle (IoV) and data service			
– Entities over which the Parent Company has significant influence	2,447	488	1,757
	2,447	488	1,757
Rendering of maintenance and other services			
– Entities controlled by the Ultimate Controlling Shareholder	78	35	2
– Entities over which the Parent Company has significant influence	–	–	167
– Entities controlled by the Parent Company	–	–	3
	78	35	172

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods and services			
– Entities controlled by the Ultimate Controlling Shareholder	574,782	582,124	751
– Entities over which the Parent Company has significant influence	945	2,073	1,829
– Ultimate Controlling Shareholder	–	19	–
– Associates	3,749	9,195	7,964
– Parent Company	10,470	–	5,887
– Entities controlled by the Parent Company	9	2	462,756
	589,955	593,413	479,187
Loans advanced from related parties			
– Entities controlled by the Ultimate Controlling Shareholder	35,000	–	–
– Ultimate Controlling Shareholder	400,000	1,095,000	–
– Associates	–	15,000	35,000
– Parent Company	800,000	2,845,000	1,330,000
– Entities controlled by the Parent Company	20,000	–	–
	1,255,000	3,955,000	1,365,000
Repayment of loans to related parties			
– Entities controlled by the Ultimate Controlling Shareholder	29,000	30,000	–
– Parent Company	755,000	810,000	3,211,000
– Ultimate Controlling Shareholder	–	305,000	1,190,000
– Associates	–	15,000	35,000
– Entities controlled by the Parent Company	20,000	–	–
	804,000	1,160,000	4,436,000
Accrued interest on loans from related parties			
– Entities controlled by the Ultimate Controlling Shareholder	1,436	459	–
– Ultimate Controlling Shareholder	9,728	27,942	14,115
– Associates	–	473	746
– Parent Company	31,506	59,512	45,945
– Entities controlled by the Parent Company	374	–	–
	43,044	88,386	60,806

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Payment of interest on loans from related parties			
– Entities controlled by the Ultimate Controlling Shareholder	1,426	507	–
– Entities over which the Parent Company has significant influence	–	–	746
– Ultimate Controlling Shareholder	9,107	27,605	15,072
– Associates	–	473	–
– Parent Company	31,388	57,500	54,727
– Entities controlled by the Parent Company	374	–	–
	42,295	86,085	70,545
Loan to related parties in the form of factoring receivables			
– Entities controlled by the Ultimate Controlling Shareholder	30,000	–	–
– Entities over which the Parent Company has significant influence	–	–	10,000
– Entities controlled by the Parent Company	3,000	–	–
	33,000	–	10,000
Factoring receivables repaid from related parties			
– Entities controlled by the Ultimate Controlling Shareholder	30,000	–	–
– Entities over which the Parent Company has significant influence	10,000	–	–
– Entities controlled by the Parent Company	3,000	–	–
– Entities over which the Ultimate Controlling Shareholder has significant influence	9,547	448	–
	52,547	448	–
Cash advanced to related parties			
– Ultimate Controlling Shareholder	–	25,700	–
– Parent Company	–	436,225	–
	–	461,925	–
Cash repaid from related parties			
– Ultimate Controlling Shareholder	–	25,700	–
– Parent Company	–	436,225	–
	–	461,925	–

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Purchase of right-of-use assets			
– Entities over which the Parent Company has significant influence	–	–	19,732
– Parent Company	–	428	–
	–	428	19,732
Payment of rental expense			
– Entities controlled by the Ultimate Controlling Shareholder	1,415	4,037	–
– Entities over which the Parent Company has significant influence	10,023	9,904	9,812
– Entities controlled by the Parent Company	–	–	6,506
– Parent Company	41	50	86
	11,479	13,991	16,404
Collection of transportation fee collected by related party on behalf of the Group			
– Entities controlled by the Ultimate Controlling Shareholder	–	68,680	–
– Entities over which the Parent Company has significant influence	410,834	383,021	365,286
– Entities controlled by the Parent Company	–	–	79,665
	410,834	451,701	444,951
Repayment of social benefits expense which was previously paid by related parties on behalf of the Group			
– Entities controlled by the Ultimate Controlling Shareholder	9,213	12,336	18
– Ultimate Controlling Shareholder	–	–	7,395
	9,213	12,336	7,413

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Factoring receivables repaid by related parties on behalf of third parties			
– Entities controlled by the Ultimate Controlling Shareholder	549,802	689,790	–
– Entities over which the Parent Company has significant influence	216,892	259,629	93,060
– Entities controlled by the Parent Company	12,572	3,490	162,785
	779,266	952,909	255,845
Lease payment received from related parties on behalf of lessee			
– Entities controlled by the Ultimate Controlling Shareholder	1,842	36,044	–
– Entities over which the Parent Company has significant influence	70,077	97,297	99,539
– Entities controlled by the Parent Company	–	–	68,616
	71,919	133,341	168,155

During the Track Record Period, for the purpose of promoting the deals of commercial automobiles, the automobile manufacturers, whom are related parties, had committed and borne certain portion of lease payment to our Group for the lessee.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Commercial automobiles purchase price paid to related parties on behalf of automobiles dealers			
– Entities controlled by the Ultimate Controlling Shareholder	14,077	34,987	–
– Entities over which the Parent Company has significant influence	2,345,420	2,633,240	908,791
– Entities controlled by the Parent Company	–	–	36,680
	2,359,497	2,668,227	945,471

According to certain third-party agreements among commercial automobiles dealers, Deewin Financing Leasing Co., Ltd. and SXHDA or SAGCV, the purchase price of commercial automobiles due from commercial automobiles dealers could be paid by Deewin Financing Leasing Co., Ltd. on behalf of the commercial automobiles dealers. The commercial automobiles price paid by the Group to SXHDA in the form of notes receivable was RMB2,345,420,000, RMB2,633,240,000 and RMB908,791,000 for the years ended 31 December 2019, 2020 and 2021, respectively. The amount of commercial automobiles purchase price paid by the Group to the SAGCV in the form of notes receivable was RMB14,077,000, RMB34,987,000 and RMB36,680,000 for the years ended 31 December 2019 and 2020 and 2021, respectively.

(c) Balances with related parties

(i) Trade balances with related parties

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
FVOCI – Notes receivable			
– Entities controlled by the Ultimate Controlling Shareholder	15,100	34,251	–
– Entities over which the Parent Company has significant influence	216,599	183,525	64,553
– Entities controlled by the Parent Company	34	–	64,738
	231,733	217,776	129,291
FVOCI – Trade receivables			
– Entities over which the Parent Company has significant influence	–	–	29,842
	–	–	29,842
Trade receivables			
– Entities controlled by the Ultimate Controlling Shareholder	91,827	98,299	7
– Entities over which the Parent Company has significant influence	118,614	168,549	75,694
– Entities controlled by the Parent Company	3,213	3,403	73,616
– Entities over which the Ultimate Controlling Shareholder has significant influence	288	288	256
	213,942	270,539	149,573

As at 31 December 2019, 2020 and 2021, the carrying amount of trade receivables are RMB213,942,000, RMB270,539,000 and RMB149,573,000, and the allowance provision of RMB145,000, RMB151,000 and RMB87,000, respectively.

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Loan receivables			
– Entities over which the Parent Company has significant influence	–	–	10,000
– Entities controlled by the Parent Company	–	–	7,200
– Entities over which the Ultimate Controlling Shareholder has significant influence	50,144	49,696	54,996
	50,144	49,696	72,196

As at 31 December 2019, 2020 and 2021, the carrying amount of loan receivables are RMB50,144,000, RMB49,696,000 and RMB72,196,000 with allowance provision of RMB50,144,000 RMB49,696,000 and RMB72,196,000, respectively.

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Prepayments			
– Entities controlled by the Ultimate Controlling Shareholder	4,691	13,585	4
– Entities over which the Controlling Shareholder has significant influence	5,403	9	–
– Entities controlled by the Parent Company	–	–	24,542
	10,094	13,594	24,546
Notes payable			
– Entities over which the Ultimate Controlling Shareholder has significant influence	323,737	314,100	–
– Entities over which the Parent Company has significant influence	1,031,200	1,024,840	50,000
– Parent Company	4,000	7,500	–
– Entities controlled by the Parent Company	–	–	357
	1,358,937	1,346,440	50,357
Trade payables			
– Entities controlled by the Ultimate Controlling Shareholder	92,355	43,586	–
– Parent Company	40,628	25,392	7,098
– Entities over which the Parent Company has significant influence	800	–	7,438
– Entities controlled by the Parent Company	–	1	59,639
	133,783	68,979	74,175
Contract liabilities			
– Entities controlled by the Parent Company	–	–	307
– Entities over which the Parent Company has significant influence	–	138	783
	–	138	1,090

(ii) Non-trade balances with related parities

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
– Entities controlled by the Ultimate Controlling Shareholder	852	6,650	–
– Entities over which the Parent Company has significant influence	100	411	470
– Parent Company	6,871	6,871	26
– Entities controlled by the Parent Company	–	–	13,051
	7,823	13,932	13,547

As at 31 December 2019, 2020 and 2021, the carrying amount of other receivables were RMB7,823,000, RMB13,932,000 and RMB13,547,000 and the allowance provision were RMB4,000, RMB7,000 and RMB16,000, respectively. All of these receivables were deposits paid to related parties for the logistics and warehousing service which will not be settled before listing.

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
– Entities controlled by the Ultimate Controlling Shareholder	30,057	26	–
– Entities over which the Parent Company has significant influence	7	–	1,425
– Ultimate Controlling Shareholder	400,624	1,190,958	–
– Parent Company	700,988	2,738,005	854,888
– Entities controlled by the Parent Company	2	2	40
– Entities over which the Ultimate Controlling Shareholder has significant influence	–	–	2
	1,131,678	3,928,991	856,355

The Group expects that the other payables to parent company of RMB854,888,000 which is a loan to be repaid per the agreed agreement, and the other payables will not be settled before listing.

There was no pledge/guarantee provided to the related parties, and the pledge/guarantee provided by the related parties will be partially released upon the Listing.

(d) Key management compensation

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other short-term employee benefits	1,371	1,953	2,802
Pension costs, housing fund, medical insurances and other social insurances	255	205	445
	1,626	2,158	3,247

(e) Use of registered trademark

Pursuant to the trademark agreements with SXAG, the Company has the right to use the registered trademark of "che lun gun gun" at no cost from 28 August 2016 to 27 August 2026, Deewin Financing Leasing Co., Ltd. has the right to use the registered trademark of "Deyingtianxia" at no cost from 7 August 2012 to 6 August 2022, Shanghai Fargo Supply-chain Management(Group) Co., Ltd. has the right to use the registered trademark, which is a logo, at no cost from 21 March 2017 to 20 March 2027.

42 SUBSEQUENT EVENT

Save as disclosed elsewhere in this report, there are no other material subsequent event undertaken by the Company or by the Group after 31 December 2021.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2021 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2021.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix does not form part of the "Accountant's Report" from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of Group attributable to the equity holders of the Company as at 31 December 2021 as if the Global Offering had taken place on 31 December 2021.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2021 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2021(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2021	Unaudited pro forma adjusted net tangible assets per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.78 per H Share	2,421,519	823,125	3,172,129	1.46	1.71
Based on an Offer Price of HK$2.13 per H Share	2,421,519	984,975	3,328,626	1.53	1.80

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to the equity holders of the Company as at 31 December 2021 of approximately RMB2,444,375,000 with an adjustment for the intangible assets attributable to the equity holders of the Company as at 31 December 2021 of approximately RMB22,856,000.

(2) The estimated net proceeds from the Global Offering are based on 543,000,000 H Shares and the indicative Offer Price of HK$1.78 and HK$2.13 per H Share, being the lower end and higher end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other related expenses payable by us, but excluding listing expenses of approximately RMB2,089,000 which has been accounted for in the consolidated statements of comprehensive income up to 31 December 2021 and takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2021 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,172,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2021 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.85162 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Deewin Tianxia Co., Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Deewin Tianxia Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 June 2022, in connection with the proposed initial public offering of H shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2021 as if the proposed initial public offering had taken place at 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 31 December 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars,* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event or the transaction had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 June 2022

TAXATION OF SECURITY HOLDERS

Taxation

The following is a summary of certain PRC and Hong Kong tax consequences arising from ownership of H Shares by investors who purchase such H Shares in the Global Offering and hold the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as at the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspect of taxation of the PRC or Hong Kong other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisers regarding the PRC, Hong Kong and other tax consequences of investing in H Shares.

PRC TAXATION

Business Income Tax Laws and Regulations

The tax rate shall be 25%, pursuant to the Law of the People's Republic of China on Enterprise Income Tax promulgated by the National People's Congress in March 2007 and amended and validated in February 2017 and December 2018, respectively, and the Implementation Regulations on the Law of the People's Republic of China on Enterprise Income Tax promulgated by the State Council in December 2007 and amended and validated in April 2019. A non-resident enterprise that establishes an institution or site within the territory of China shall pay the business income tax on the income originating in China obtained by its institution or site and on the income that is incurred outside the territory of China but is actually related to such an institution or site. The applicable tax rate shall be 20% where a non-resident enterprise doesn't establish an institution or site within the territory of China or establishes an institution or site within the territory of China but the related income is not related to such an institution or site. The business income tax is levied at a reduced tax rate of 15% for a hi-tech enterprise accessing major support of the State.

The business income tax shall be collected at a reduced tax rate of 15% for an enterprise in an encouraging industry that is established in the western region from January 1, 2011 to December 31, 2020, pursuant to the Circular on Taxation Policy Issues in Implementing the Western Region Development in Depth promulgated and validated by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation in July 2011.

Value-added Tax Laws and Regulations

Unless otherwise specified by the aforesaid laws and regulations, such a taxpayer as sells goods, provides the processing, repair and assembly service or imports goods within the territory of China shall pay the value-added tax, pursuant to the Tentative Value-added Tax Regulations promulgated by the State Council in December 1993 and revised and validated in November 2008, February 2016 and November 2017 respectively as well as the Implementation Rules on the Tentative Value-added Tax Regulations promulgated by the Ministry of Finance in December 1993 and amended and validated by the Ministry of Finance and the State Administration of Taxation in December 2008 and October 2011 respectively.

As at January 1, 2012, the Ministry of Finance and the State Administration of Taxation started rolling out the Pilot Scheme for Change from Business Tax to Value-added Tax ("Business Tax-Value-added Tax Pilot Scheme"), the Business Tax-Value-added Tax Pilot Scheme stipulates that the business tax shall be changed to the value-added tax for the production-related service sectors such as "transport" in some regions and some "modern service sectors", and finally, the pilot ended up expanding to the rest regions in 2013. Such an institution or individual as sells services, intangible assets or real estate (hereinafter referred to as "taxable behavior") within the territory of the People's Republic of China shall be a value-added taxpayer and pay the value-added tax, pursuant to the Circular on Carrying Out the Pilot of Changing Business Tax to Value-added Tax in All-round Manner ("Comprehensive Business Tax-Value-added Tax Pilot Scheme") promulgated by the Ministry of Finance and the State Administration of Taxation in May 2016, amended in July 2017, December 2017 and March 2019 and validated in April 2019. After the implementation of the Comprehensive Business Tax-Value-added Tax Pilot Scheme, the tax rate shall be 6% when a taxpayer incurs a taxable behavior. In addition, if a taxpayer provides transport, post, basic telecom, construction and real estate leasing services, or sells real estate or transfers the land use right, the tax rate shall be 11%, and if the taxpayer provides the tangible asset leasing services, the tax rate shall be 17%. Furthermore, the tax rate shall be adjusted to 16% or 10% if the taxpayer incurs a sales behavior with value-added tax payable, pursuant to the Circular on Adjusting the Value-added Tax Rates promulgated by the Ministry of Finance and the State Administration of Taxation in April 2018 and validated in May 2018. If a general value-added taxpayer incurs a sales behavior with the value-added tax payable or imports goods and the original applicable tax rate is 16%, the tax rate shall be adjusted to 13%, and if the original tax rate is 10%, the tax rate shall be adjusted to 9%, pursuant to the Circular on Deepening Relevant Policies on Value-added Tax Reform promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and validated on April 1, 2019.

Pursuant to the Administrative Measures on Registration of General Value-added Taxpayers promulgated by the State Administration of Taxation in December 2017 and validated in February 2018, where the annual sales volume taxable exceeds the standard for small-sized taxpayers stipulated by the Ministry of Finance and the State Administration of Taxation, a taxpayer shall handle the general taxpayer registration with the competent tax authorities, unless otherwise specified by the aforesaid Measures. As at the effective date of general taxpayer registration, the taxpayer shall calculate the tax payable in line with the general taxation method of value-added tax and can claim the exclusive value-added tax invoice in accordance with provisions of the Measures.

Where a general value-added taxpayer sells a software product it develops and produces in house and the value-added tax is collected at a tax rate of 17%, the immediate collection and immediate rebate policy shall be implemented if its actual value-added tax burden is higher than 3%, pursuant to the Circular on Value-added Tax Policy on Software Products promulgated by the Ministry of Finance and the State Administration of Taxation in October 2011 and validated in January 2011.

Laws and Regulations On City Maintenance and Construction Tax

The urban maintenance and construction tax is designed in line with urban maintenance and construction fund needs at different levels, and implements region-based differential proportional tax rates, that is, specify different proportional tax rates according to different administrative regions where taxpayers are based, including cities, counties or towns, pursuant to the Tentative Regulations of the People's Republic of China on Urban Maintenance and Construction Tax promulgated by the State Council in February 1985 and amended and validated in August 2011 as well as its implementation rules. Specific provisions are stated as follows: (i) Where the domicile of the taxpayer is an urban area, the tax rate shall be 7%. The "city" as mentioned here means a city under the urban system approved by the State Council, and "urban area" means the scope of area under the jurisdiction of the city approved by the provincial people's government (including suburbs). (ii) Where the domicile of the taxpayer is a county or town, the tax rate shall be 5%. The "county or town" as mentioned here means a county or a town under a county (district-level town) approved by the provincial people's government, and the scope of a county or a town under county means the scope of urban area approved by the county people's government.

Laws and Regulations On Educational Surcharge

The educational surcharge is a governmental fund accrued and collected by the State to support the educational cause development and earmarked for education. The educational surcharge shall be based on the value-added tax, business tax and consumption tax actually paid by an institution or individual, the educational surcharge rate is 3%, and the surcharge shall be simultaneously paid together with the value-added tax, business tax and consumption tax, pursuant to the Tentative Regulations on the Collection of Educational Surcharge promulgated by the State Council in April 1986 and revised and validated in June 1990, August 2005 and January 2011, respectively.

Laws and Regulations On Local Educational Surcharge

The local educational surcharge is not a national uniform surcharge, and the people's government of a province, autonomous region and municipality may, pursuant to the provisions of the relevant regulations issued by the State Council, decide to collect the local educational surcharge used for education and use the earmarks for particular purposes, pursuant to the Educational Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress in March 1995, promulgated in August 2009, December 2015 and validated in June 2016.

An institution or individual paying the value-added tax, consumption tax or business tax (herein after referred to as "Three Taxes") within the administrative region of Shaanxi province shall pay the local educational surcharge at 2% of the amount of "Three Taxes" actually paid in addition to paying the educational surcharge in line with the provisions of the laws and regulations issued by the State, pursuant to the Administrative Measures of Shaanxi Province on Local Educational Surcharge promulgated and invalidated by the General Office of the Shaanxi Provincial People's Government in February 2011.

Laws and Regulations On Water Construction Fund

The water construction fund is collected at a reduced rate of 0.6‰ of the revenue from sales of commodity and rendering of service, and in particular, the fund is collected at the reduced rate of 0.4‰ of the revenue from the sales of commodity and rendering of service in China (Shaanxi) Free Trade Pilot Zone and Xi'an National Autonomous Innovation Demonstration Zone, pursuant to the Opinions of the General Office of the Shaanxi Provincial People's Government on Several Fiscal and Taxation Measures Supporting Real Estate Development promulgated and validated by the Shaanxi Provincial People's Government in November 2017.

From January 1, 2019 to December 31, 2020, an enterprise, public institution or self-employed operator that sells commodities and renders services within the territory of Shaanxi province shall be collected the water construction fund at a reduced rate of 0.5‰ of the revenue from sales of commodities and rendering of services, pursuant to the Circular on Reducing the Collection Standard for Water Construction Fund in Shaanxi Province promulgated and validated by the Finance Department of Shaanxi Province, the Water Resources Department of Shaanxi Province, Shaanxi Provincial Tax Service, State Administration of Taxation and Xi'an Branch of the People's Bank of China in June 2019. In particular, the water conservation fund is collected at a reduced rate of 0.3‰ of the revenue from sales if an enterprise, public institution or self-employed operator that sells commodities and renders services there in China (Shaanxi) Free Trade Pilot Zone and Xi'an National Autonomous Innovation Demonstration Zone.

Due to the impact of the COVID-19 pandemic, enterprises engaged in tourism, accommodation, catering, convention and exhibition, transport, education and training, cultural and artistic performance, film, television, theatre and other sectors suffering a hard hit from the epidemic shall be exempted from the water conservation fund and disabled persons' employment security fund, pursuant to the Opinions of Shaanxi Provincial Tax Service, State Administration of Taxation on Tax and Surcharge Policy Measures to Win the Epidemic Prevention, Control and Resistance Campaign with Every Effort promulgated and validated by the State Administration of Taxation in February 2020.

Laws and Regulations On Stamp Duty

Any institution or individual that establishes or claims vouchers listed under this Regulation within the territory of the People's Republic of China shall be an obligated taxpayer of stamp duty and shall pay the stamp duty, pursuant to the Tentative Regulations of the People's Republic of China on Stamp Duty promulgated by the State Council in August 1988 and amended and validated in January 2011 as well as the Implementation Rules on the Tentative Regulations of the People's Republic of China on Stamp Duty promulgated and validated by the Ministry of Finance in September 1988. Pursuant to the schedule of stamp duty items and rates, a stamp shall be attached at 0.1% of the leasing amount on a property leasing contract and a stamp of RMB1 shall be attached if the tax amount is less than RMB1, a stamp shall be attached at 0.05% of the transport expense on a cargo transport contract, a stamp shall be attached at 0.1% of the warehousing and storage expense on a warehousing and storage contract, a stamp shall be attached at 0.03% of the amount indicated in a technical contract, a stamp shall be attached at 0.03% of the sales revenue on a purchase and sales contract, a stamp shall be attached at 0.05% of the processing or contracting amount on a processing and contracting amount, and a stamp shall be attached at 0.03% of the contracting amount or engineering costs on a construction and installation engineering contract.

Taxes Involving Dividends

A Chinese enterprise shall withhold a personal income tax at 20% of the H-share dividend distributed to a personal investor, pursuant to the Individual Income Tax Law of the People's Republic of China implemented as at September 1980, last amended in August 2018 and validated in January 2019 as well as the Implementation Regulations on the Individual Income Tax Law of the People's Republic of China implemented as at January 1994, last amended in December 2018 and validated in January 2019.

If a personal investor acquires a share in a listed company on the public offering and transfer market and holds it for more than one year, the personal income tax shall be temporarily exempted against the dividend income, pursuant to the Circular on Relevant Questions about Differential Personal Income Tax Policy for Dividends from Listed Companies promulgated by the Ministry of Finance in September 2015 and amended in July 2019. If a personal investor acquires a share in a listed company on the public offering and transfer market and holds it for not longer than one month (including one month), the full amount of the dividend income shall be included in the income taxable, and if the holding term is one month to one year (including one year), the income shall be temporarily included in the income taxable at a reduced proportion of 50%. A uniform tax rate of 20% shall be used to accrue and collect the personal income tax on the aforesaid income.

If an overseas personal resident shareholder obtains a dividend income from the share issued by an enterprise without foreign investment within the territory of the Chinese Mainland, the obligor of withholding shall withhold the personal income tax as the "interest and dividend income" item according to laws, pursuant to the Circular on Personal Income Tax Collection and Administration after Abolishment of GSF [1993] No. 045 issued by the State Administration of Taxation in June 2011. At the same time, if an enterprise without foreign investment within the territory of the Chinese Mainland offers shares in Hong Kong, its overseas personal resident shareholder can enjoy related tax credit in line with the tax treaty signed by the country of its residence and China and the tax arrangements between the Chinese Mainland and Hong Kong (Macau). The aforesaid circular also specifies that when distributing a dividend on the share issued in Hong Kong, an enterprise without foreign investment within the territory of the Chinese Mainland can generally withhold the personal income tax at a tax rate of 10% without the need to handle the application affair. Besides, if the dividend tax rate is not 10%, the following provisions shall apply: (i) If a personal investor obtaining the dividend is a resident from a country that enjoys a tax rate below 10% under the treaty, the obligor of withholding can, pursuant to the provisions of the "Circular", handle the application to enjoy the treatment under related treaty on behalf of the investor, and return the excessive tax after obtaining the approval from the competent tax authority; (ii) If a personal investor obtaining the dividend is a resident from a country that enjoys a tax rate above 10% and below 20% under the treaty, the obligor of withholding shall withhold the personal income tax at the actual tax rate when distributing the dividend and have no need to handle the application affair; (iii) If the personal investor that obtains the dividend is a resident from a country without tax treaties or is true with other situations, the obligor of withholding shall withhold the personal income tax at a tax rate of 20% when distributing dividend.

The dividend paid by a resident company of one party to a resident of the other party can be taxed by such other party, pursuant to the Arrangement between the Chinese Mainland and Hong Kong Special Administrative Region to Avoid Dual Taxation on Income and Prevent Tax Evasion and Omission signed by the Chinese Mainland and Hong Kong Special Administrative Region in August 2006. However, such dividends can also be taxed by the party in accordance with the laws of such party when the company paying the dividend is a resident of the party. Nevertheless, if the dividend beneficiary is a resident of the other party, the collected tax shall not exceed: (i) 5% of the total dividend if the beneficial owner is a company that directly owns at least 25% of the capital in the company paying the dividend; (ii) 10% of the total dividend in other cases. The competent authorities of both parties shall negotiate to determine and implement the methods that restrict the tax rate.

HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

FOREIGN EXCHANGE CONTROL OF THE PRC

Foreign Exchange Control in China

Renminbi is the legal tender in China and subject to foreign exchange control. The State Administration of Foreign Exchange under the People's Bank of China is responsible for administering all affairs related to foreign exchange, including implementing foreign exchange control provisions.

In January 1996, the State Council promulgated the Foreign Exchange Control Regulations of the People's Republic of China ("Foreign Exchange Control Regulations"), which officially took effect in April 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current accounts and capital accounts. Most of the current account transactions involve no need to obtain the approval from the State Administration of Foreign Exchange, but capital account transactions shall be approved. The Foreign Exchange Control Regulations was amended in January 1997 and August 2008, and made a material change to China's foreign exchange supervision. First, the Foreign Exchange Control Regulations adopts the balance mode for the inflow and outflow of foreign exchange funds. Overseas foreign exchange incomes can be transferred to China or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital accounts shall only be used for purposes approved by the related authorities and the foreign exchange administration authorities. Second, the Foreign Exchange Control Regulations refines the formation mechanism for Renminbi exchange rate based on market supply and demand. Moreover, the Foreign Exchange Control Regulations strengthens the monitoring over foreign exchange flows across borders. The State can take necessary security or control measures when the balance of payments related to multinational transactions encounter or may encounter a serious imbalance or the economy incurs or may incur a serious crisis. In addition, the Foreign Exchange Control Regulations strengthens the supervision and administration of foreign exchange transactions and confers the State Administration of Foreign Exchange a broad array of powers and strengthens relevant supervision and administration capacity.

The Renminbi exchange rate is no longer pegged on the US dollar, China has started implementing a managed floating exchange rate regime and the exchange rate is determined in accordance with the market supply/demand and with reference to a basket of currencies, pursuant to the Circular on Refining the Reform of Formation Mechanism for Renminbi Exchange Rate promulgated by the People's Bank of China in July 2005. After closing every working day, the People's Bank of China announces the closing prices of Renminbi exchange rates against the US dollar and other trading currencies on the interbank foreign exchange market to serve as the middle price of the currency against Renminbi on the next working day.

China has cancelled the power of the State Administration of Foreign Exchange and its branches to approve the exchange settlement of the overseas proceeds under foreign capital shares of a domestic issuer listed overseas, pursuant to the Decision of the State Council to Cancel and Adjust A Batch of Administrative Approval Affairs promulgated and validated by the State Council in October 2014.

A domestic issuer shall handle the overseas listing registration with the foreign exchange administration bureau in its place of registration within 15 working days after completing the overseas listing and offering, pursuant to the Circular on Foreign Exchange Control under Overseas Listing issued and validated by the State Administration of Foreign Exchange in December 2014. A domestic issuer can transfer the overseas listing proceeds to China or deposit the proceeds overseas, and the purpose of such proceeds shall be consistent with the content listed in public disclosure documents, including prospectus document, corporate bonds offering protocol, shareholders' open letter and resolution of the board of directors or general meeting of shareholders.

In accordance with the Circular on Reforming and Standardizing the Policy on Foreign Exchange Settlement of Capital Accounts issued and validated by the State Administration of Foreign Exchange in June 2016, the elated policy makes it clear that a domestic institution can handle the exchange settlement with the bank based on its actual operation need for the foreign exchange income (including recovered overseas listing proceeds) that implements voluntary exchange settlement under the capital accounts. The voluntary exchange settlement proportion for the foreign exchange income under the capital accounts is temporarily fixed at 100%. The State Administration of Foreign Exchange can adjust the aforesaid proportion in line with the balance-of-payments situation.

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange." This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as "Constitution") and the Legislation Law of the PRC (《中華人民共和國立法法》) (hereinafter referred to as "Legislation Law"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws. The State Council is the highest administrative organs of the state, and enacts administrative regulations under the Constitution and laws. People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations. The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions supervisory committee the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate local rules and regulations based on the specific circumstances and actual needs so long as they do not contravene the constitution, laws and administrative regulations.

People's congresses of district cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations. People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The Constitution is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the districted cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the people's congress of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the NPC Standing Committee by the Constitution. According to Resolutions of the NPC Standing Committee on Improving Interpretation of Laws passed on 10 June 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the NPC Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the NPC Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent departments. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the supervisory authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorised share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorised by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30.0 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, domestic shares, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors.

Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25.00% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii)12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50.00% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50.00% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarised in the section headed "Appendix V — Summary of Articles of Association" in this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20.00% of each of the existing A shares and H shares, respectively, (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements, and (iii) where the Company issues and lists its H shares overseas, upon receiving the approval of the State Council or the securities regulatory authorities under the State Council, our shareholders may liquidate the unlisted shares they hold for dealing in overseas.

Derivative Action By Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding 1% or more of the shares in the company for more than 180 consecutive days may request in writing the Board of Supervisors to initiate proceedings in the people's court. In the event that the Board of Supervisors violates as such, the above said shareholders may send written request to the Board of Directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the Board of Supervisors or the Board of Directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10.0% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC accounting standards, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the Board of Directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt(including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

This Appendix set out summaries of the main clauses of our Articles of Association and their amendments, which shall become effective as at the date on which the H Shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for investors. As discussed in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" to this prospectus, the full text of the Articles of Association in Chinese is available on display.

SHARES

Shares and registered capital

All the shares issued by the Company are ordinary shares. The Company may create other classes of shares according to its needs, upon approval by the authorities that are authorised by the State Council. The shares of the Company shall take the form of share certificates.

The shares of the Company shall be issued in accordance with the principles of openness, equitability and fairness. Each share of the same class shall carry the same rights. Shares of the same class and the same issue shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares it/he subscribes for. The domestic shares and overseas listed foreign shares issued by the Company shall enjoy equal rights in the distribution of dividend or distribution in any other form.

The Company may offer shares to domestic investors and foreign investors subject to the approval by the securities regulatory authority of the State Council (the "CSRC"). Overseas listed foreign shares of the Company that are listed in Hong Kong are referred to as "H Shares". H Shares are shares which have been admitted for listing on the Hong Kong Stock Exchange with a par value denominated in RMB and are subscribed for and traded in Hong Kong dollars. Domestic shares can be converted into H Shares upon approval of the State Council or the institution authorised by the State Council and the consent of the Hong Kong Stock Exchange. Upon approval by the CSRC, domestic shareholders of the Company may transfer all or part of shares held by them to overseas investors and have such shares listed and traded on overseas stock exchanges. All or part of domestic shares may be converted in to foreign shares, and such converted foreign shares are allowed to listed and traded on overseas stock exchanges. Shares transferred and listed on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading on such overseas stock exchange of shares so transferred do not need approval by voting at general meetings or meetings of class shareholders. The overseas listed foreign shares converted from domestic shares shall be of the same class with the existing overseas listed foreign shares.

Increase and reduction of capital and repurchase of shares

Based on its business and development requirements and according to the requirements of the laws and regulations, the Company may increase its capital subject to respective resolutions by the general meeting, by any of the following methods:

(I) public offering of shares;

(II) private placement of shares;

(III) issue of bonus shares to existing shareholders;

(IV) increase share capital by conversion of common reserve fund;

(V) other methods permitted by laws and administrative regulations and approved by CSRC.

The Company may reduce its registered capital. If the Company reduces its registered capital, it shall do so by the procedures set forth in the Company Law, other relevant regulations and these Articles of Association. If the Company is to reduce its capital, it must prepare a balance sheet and a list of its property.

The Company shall notify its creditors within 10 days from the date of adoption of the resolution to reduce its registered capital and publish a public announcement of the resolution in newspapers, which is recognised by relevant regulatory authorities of the places where the Company's shares are listed, within 30 days, and, according to the requirements of such places where the Company's share are listed, on the Company's website and related websites of stock exchanges. Creditors shall, within 30 days of receiving written notice, or within 45 days of the date of the public announcement for those who have not received written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding security for repayment.

The reduced registered capital of the Company shall not be less than the statutory minimum.

The Company may, in the following circumstances, repurchase its own outstanding shares by the procedures provided for in laws, administrative regulations, departments rules and these Articles of Association:

(I) reduction of its registered capital;

(II) merger with another company holding shares of the Company;

(III) to grant the shares for employee shareholding scheme or as share incentives;

(IV) a shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests that the Company purchase his or her shares;

(V) to use the shares for the purpose of conversion of bonds convertible to shares;

(VI) where it is necessary to safeguard company's value and shareholders' interests;

(VII) other circumstances approved in laws or administrative regulations or by the approval authority authorised by the State Council.

Except under the above circumstances, the Company shall not trade in its own shares.

Where the Company repurchases its shares, it shall perform its information disclosure obligations in accordance with the Securities Law and the Listing Rules of the Hong Kong Stock Exchange.

The Company may repurchase its own shares by any of the following methods:

(I) issuance to all of the shareholders of a repurchase offer on a pro rata basis;

(II) repurchase through open transactions on a stock exchange;

(III) repurchase by agreements outside a stock exchange;

(IV) other circumstances approved in laws, administrative regulations or by the approval authority authorised by the State Council.

If the Company is to repurchase shares by agreements outside a stock exchange, prior approval shall be obtained from the general meeting in accordance with these Articles of Association. Upon the prior approval by the general meeting obtained in the same manner, the Company may terminate or vary a contract concluded in the manner set forth above or waive any of its rights under such contract.

If the Company cancels shares, it shall carry out the registration of the change in its registered capital with the original registrar and make relevant announcement in accordance with the law. The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

Share transfer

Save as otherwise stipulated by the laws, administrative regulations and the Hong Kong Stock Exchange, shares of the Company may be transferred freely and shall be clear of any lien.

The Company shall not accept its own share certificates as the subject matter of a pledge.

Financial assistance for the purchase of company shares

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of shares of the Company. Purchasers of shares of the Company as referred to above shall include persons that directly or indirectly assume obligations (the "obligor") as a result of purchasing shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the above obligors in order to reduce or release them from their obligations.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company's shareholders are persons that lawfully hold shares of the Company and whose names are entered in the register of shareholders. Shareholders shall enjoy rights and bear obligations according to the class and quantity of shares held by them. Holders of shares of the same class shall enjoy equal rights and bear equal obligations.

Holders of ordinary shares of the Company are entitled:

(I) to collect dividends and other distributions in other forms in proportion to the number of shares held by them;

(II) to request, convene, preside over, attend or appoint a proxy to attend general meetings in accordance with the law and to exercise the corresponding voting rights based on the proportion of paid-in capital;

(III) to oversee the business of the Company, and to make recommendations or inquiries;

(IV) to transfer, gift or pledge shares held by them in accordance with laws, administrative regulations, relevant regulations of the securities regulator of the place where the Company's shares are listed and these Articles of Association;

(V) to obtain relevant information in accordance with these Articles of Association, which shall include:

1. obtaining a copy of these Articles of Association of the Company after payment of a charge to cover costs;

2. being entitled, after payment of reasonable charges, to examine and copy:

   (1) all parts of the register of shareholders;

   (2) personal data of directors, supervisors and senior management of the Company, including:

      (a) present and former names and aliases;

      (b) principal address (residence);

      (c) nationality;

      (d) full-time and all other part-time occupations and positions;

      (e) documents of identity and their numbers.

   (3) the report of the state of the Company's issued share capital;

   (4) reports containing details of the aggregate par value, quantity, and highest and lowest prices of each class of shares repurchased by the Company since the last accounting year as well as all the expenses paid by the Company therefor (separated by domestic shares and foreign shares);

   (5) meeting minutes of the shareholders' general meeting (for inspection by shareholders only) and copies of special resolutions of the Company and resolutions at meetings of the Board and Supervisory Committee;

   (6) the latest audited financial statements, reports of the Board, accountant's report and the Supervisory Committee's report of the Company;

   (7) if applicable, a copy of the latest return filed with the State Market Supervision Administration or other competent authorities of the PRC;

   (8) stubs of corporate bonds.

   The Company shall make the foregoing documents of (1), (3), (4), (5), (6) and (7) available at its domicile and at its place of business in Hong Kong for review by the public and shareholders for free (provided that the minutes of the general meeting is available for shareholders only) pursuant to the requirements of the Listing Rules of the Hong Kong Stock Exchange. The Company may refuse to provide any of the aforementioned documents if the documents to be inspected or photocopied contain the Company's trade secrets and inside information.

(VI) in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the actual number of shares held;

(VII) shareholders having objection to resolutions of the general meeting concerning merger or division of the Company may require the Company to buy the shares held by them;

(VIII) other rights conferred by laws, administrative regulations, department rules and these Articles of Association.

The Company may not exercise any power to freeze or otherwise impair any of the rights attaching to any share by reason only that the person who is interested directly or indirectly therein has failed to disclose his interests to the Company.

If a resolution of the general meeting or Board of the Company violates a law or administrative regulation, shareholders have the right to petition a court to invalidate the resolution.

If the procedure of convening or the method of voting at a general meeting or a Board meeting of the Company violates the laws, administrative regulations or these Articles of Association, or if the content of a resolution is in breach of these Articles of Association, shareholders shall have the right to petition court to revoke such resolution within 60 days from the date on which the resolution is adopted.

In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or these Articles of Association by the directors or senior management when performing their duties, any of the shareholders who holds 1% or more of the shares individually or jointly for no less than 180 consecutive days shall have the right to request the Supervisory Committee in writing to initiate litigation before the People's Court. In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or these Articles of Association by the supervisors when performing their duties, any of the above shareholders may request the Board in writing to initiate litigation before the People's Court.

In the event that the Supervisory Committee or the Board dismisses the written request of any of the shareholders as specified in the preceding paragraph, or withholds from instituting litigation within 30 days of the receipt of the request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the Company in an urgent circumstance, such shareholder(s) as mentioned in the preceding paragraph shall have the right to directly initiate litigation before the People's Court in the name(s) of such shareholder(s) in the interest of the Company.

If a third party infringes on the lawful rights and interests of the Company, thereby causing the Company to sustain a loss, the shareholders mentioned in the first paragraph of this Article may initiate litigation before the People's Court pursuant to the preceding two paragraphs.

The holders of ordinary shares of the Company shall be subject to the following obligations:

(I) to comply with the laws, administrative regulations and these Articles of Association;

(II) to pay their subscription moneys according to the shares subscribed for by them and the method of capital contribution;

(III) to be liable to the Company to the extent of the shares they held;

(IV) save as circumstances stipulated by laws or regulations, no share refund is allowed;

(V) not to abuse their rights as shareholders to jeopardise the Company's or other shareholder's rights; not to abuse of the Company's status as an independent legal person or any abuse of the limited liability of a shareholder to jeopardise the interests of the Company's creditors;

(VI) in the event of any damage caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws;

(VII) in the event of any material damage caused to the interest of the creditors of the Company arising from any abuse of the Company's independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be jointly and severally liable for the Company's debts;

(VIII) other obligations imposed by laws, administrative regulations and these Articles of Association.

If a holder of at least 5% of the voting shares of the Company wishes to create a pledge over his or her shares, he or she shall report the same in writing to the Company on the date such pledge is created.

General provisions of general meeting

The general meeting shall be the organ of authority of the Company and shall exercise the following functions in accordance with the law:

(I) to determine the operating policies and investment plans of the Company;

(II) to elect or remove non-employee representatives directors and supervisors, and to determine the remuneration of such directors and supervisors;

(III) to consider and approve reports of the Board;

(IV) to consider and approve reports of the Supervisory Committee;

(V) to consider and approve the proposed annual financial budgets and final accounts of the Company;

(VI) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(VII) to decide on any increase or reduction of registered capital of the Company;

(VIII) to decide on the issue of corporate shares and bonds;

(IX) to decide on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(X) to amend these Articles of Association;

(XI) to decide on the engagement and dismissal of accounting firms by the Company;

(XII) to consider material matters relating to the provision of security for third parties;

(XIII) to consider matters relating to the purchase and/or sale by the Company within one year of material assets valued at more than 30% of the Company's audited total assets as at the most recent period;

(XIV) to consider matters relating to the newly added amount in total of single short-term and medium to long-term debt financing at more than 50% of the Company's audited net assets (on the consolidated basis) as at the most recent period or within an accounting year, that exceeded 50% of the Company's audited net assets as at the most recent period (excluding the wholly-owned subsidiaries and controlling subsidiaries);

(XV) to consider stock incentive plan;

(XVI) to consider other matters which require approval by the general meeting as stipulated by the laws, administrative regulations, departmental rules and these Articles of Association.

Among which, the following circumstances included in the material external guarantees as set out in (XII) item shall be reviewed by the general meeting:

(1) any guarantee provided after the total amount of the external guarantees provided by the Company and its subsidiaries reaches or exceeds 50% of the audited net assets as at the most recent period;

(2) the total external guarantee by the Company and its subsidiaries, which reaches or exceeds 30% of the audited total assets as at the most recent period as calculated by the accumulation of guarantee for 12 consecutive months;

(3) the guarantee provided to the guaranteed object with a debt-to-asset ratio of more than 70%;

(4) any single guarantee whose amount exceeds 10% of the audited net assets as at the most recent period;

(5) any guarantee provided to the shareholder, actual controller and its related party;

(6) other matters which require approval by the general meeting as stipulated by "the Articles of Association (Draft)", "the Rules of Procedure for General Meetings (Draft)" and other relevant laws and regulations.

In addition, in the circumstances where the Company provides guarantees for its wholly-owned subsidiaries, or provides guarantees for its controlling subsidiaries and other shareholders of the controlling subsidiaries provide guarantees in equal proportion to the interests they enjoyed, in the above material external guarantees, which fail to jeopardise the interests of the Company, such matters can be considered by the Board.

Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, a shareholders' general meeting may authorise or entrust the Board to handle the matters authorised or entrusted by it.

Unless in a crisis or under other special circumstances, the Company shall not, without prior approval from a general meeting by special resolution, enter into a contract with a person other than a director, supervisor or senior management members whereby the management of all or a material part of the business of the Company is delegated to such person.

The general meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months upon the occurrence of any of the following events:

(I) the number of directors is less than the minimum quorum stipulated in the Company Law or less than two-thirds of the number prescribed in these Articles of Association;

(II) the uncovered loss of the Company reaches one-third of the total paid-in share capital;

(III) upon request in writing by shareholders individually or jointly holding more than 10% of the Company's shares;

(IV) the Board may deem necessary;

(V) upon request by the Supervisory Committee;

(VI) at least one-half of all of the independent non-executive directors agree to propose that such a meeting be held;

(VII) other circumstance as specified by laws, administrative regulations, department rules, the listing rules, or these Articles of Association.

Convening of general meeting

The Supervisory Committee shall have the right to propose in writing to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the provisions of laws, administrative regulations and these Articles of Association, give a written response on whether it agrees or disagrees to the convening of such meeting within 10 days after receipt of the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice on convening such shareholders' general meeting within five days after passing the board resolutions. Changes to the original proposal as stated in the notice shall obtain the consent of the Supervisory Committee.

If the Board does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the proposal, it shall be deemed that the Board cannot perform or has failed to perform the duties to convene the general meeting, and the Supervisory Committee may itself convene and preside over such meeting.

Shareholders who request an extraordinary general meeting or a class meeting shall comply with the following procedures:

(I) two or more shareholders individually or jointly holding more than 10% of the voting shares at the proposed meeting can request the Board to convene a class meeting by signing one or several same written request(s), and stating the subjects to be considered at the meeting. The Board shall convene the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.

(II) if no notice of convening a general meeting was issued within 30 days after the Board receiving the above-mentioned written request(s), the shareholders making the request(s) can request the Supervisory Committee to convene an extraordinary general meeting or a class meeting;

(III) if the Supervisory Committee fails to issue a notice on the convening of meeting within 30 days after receiving the aforesaid written request, the shareholders individually or collectively holding more than 10% of the Company's voting shares at the proposed meeting for at least consecutive 90 days may convene the meeting on their own within four months after the Board receives the request. The convening procedures shall be the same as the procedures for the convening of general meeting by the Board.

The reasonable expenses arising from the convening and holding of meeting by shareholders due to the failure of the Board and the Supervisory Committee in response of the aforesaid request shall be assumed by the Company, and deducted from the amount payable to the directors or supervisors committing dereliction of duty.

Proposal for general meeting

The Board, Supervisory Committee and shareholders individually or jointly holding more than 3% of shares in the Company are entitled to make proposals at the general meeting.

Shareholders individually or jointly holding at least 3% of the shares of the Company may submit extempore proposals in writing to the convener in 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore proposal within two days after receipt of the proposal.

Except as circumstances provided in the preceding paragraph, the convener shall not make any changes to the proposals set forth in the notice of the general meeting or add any new proposals once the notice of the general meeting has been issued.

Any proposals which are not stated in the notice of shareholders' general meeting or not in compliance with these Articles of Association shall not be voted and passed as resolutions at the shareholders' general meeting.

The Company shall, on the basis of the written replies received from shareholders prior to general meeting, calculate the number of shares carrying rights to vote held by shareholders proposing to attend the meeting. If the number of shares carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if such requirement is not satisfied, the Company shall within 5 days notify shareholders again of the matters to be considered at the meeting, as well as date and place of the meeting, by way of public announcement, and after such public announcement has been made, the Company may proceed to hold the shareholders' general meeting.

No extraordinary general meeting shall resolve matters not stipulated in its notice.

Resolutions of a general meeting

Resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding more than half of the voting rights.

Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding more than two-thirds of the voting rights.

The following matters shall be passed as ordinary resolutions at a general meeting:

(I) to determine the operating policies and investment plans of the Company;

(II) to elect or remove non-employee representatives directors and supervisors, and to determine the remuneration of such directors and supervisors;

(III) to consider and approve reports of the Board;

(IV) to consider and approve reports of the Supervisory Committee;

(V) to consider and approve the proposed annual financial budgets and final accounts of the Company;

(VI) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(VII) matters other than those which laws, administrative regulations or these Articles of Association require to be adopted by special resolution.

The following matters shall be passed as special resolutions at a general meeting:

(I) to decide on any increase or reduction of registered capital of the Company;

(II) to decide on the issue of corporate shares and bonds;

(III) to decide on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(IV) to amend these Articles of Association;

(V) to decide on the engagement and dismissal of accounting firms by the Company;

(VI) to consider material matters relating to the provision of security for third parties;

(VII) to consider matters relating to the purchase and/or sale by the Company within one year of material assets valued at more than 30% of the Company's audited total assets as at the most recent period;

(VIII) to consider matters relating to the newly added amount in total of single short-term and medium to long-term debt financing at more than 50% of the Company's audited net assets (on the consolidated basis) as at the most recent period or within an accounting year, that exceeded 50% of the Company's audited net assets as at the most recent period (excluding the wholly-owned subsidiaries and controlling subsidiaries);

(IX) to consider stock incentive plan;

(X) to consider other matters decided by the general meeting as required by laws, administrative regulations departmental rules, the listing rules or these Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Company and should be adopted by special resolution.

When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. When the general meeting considers matters relating to a connected transaction, the connected shareholders shall abstain from voting. If required to attend the meeting for explanation, the connected shareholders shall have the responsibility and obligation to attend the meeting and make truthful statement.

Special voting procedures for class shareholders

Shareholders that hold different classes of shares shall be class shareholders. Class shareholders shall enjoy rights and bear obligations in accordance with laws and these Articles of Association.

In addition to the holders of other classes of shares, holders of domestic shares and holders of overseas listed foreign shares shall be deemed to be different classes of shareholders.

If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class meeting convened by the affected class shareholders in accordance with these Articles of Association.

Neither the approval of the general meeting nor a class meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulator.

The transfer by the Company's holders of all or part of domestic shares held thereby to foreign investors for listing and trading overseas, or the conversion of all or part of domestic shares into overseas listed foreign shares for listing and trading on overseas stock exchange(s), shall not be deemed as the Company's intention to vary or abrogate the rights of any class of shareholders.

The rights of a certain class of shareholders shall be deemed to have been changed or nullified in the following circumstances:

(I) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(II) to convert part or whole of the shares of that class into another class, convert part or whole of the shares of another class into that class, or grant such conversion rights;

(III) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;

(IV) to reduce or nullify the privileged rights of that class of shares to acquire dividends or to obtain distribution of assets during liquidation of the Company;

(V) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Company;

(VI) to nullify or reduce the rights of that class of shares to receive amounts payable by the Company in a particular currency;

(VII) to create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges as compared with that class of shares;

(VIII) to restrict the transfer and ownership of that class of shares, or increase the restrictions;

(IX) to grant the share subscription options or share conversion options of that class or another class of shares;

(X) to increase the rights or privileges of another class of shares;

(XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring;

(XII) to revise or nullify the provisions in these Article of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) of Article 131, but interested shareholders shall not be entitled to vote at such shareholders' class meetings.

Resolutions of a class meeting may be passed only by shareholders present at the meeting representing two-thirds or more of the voting rights.

The special voting procedures for class shareholders shall not apply to the following circumstances:

(I) the Company independently or simultaneously, upon the approval by way of special resolution by general meeting, issues domestic shares and overseas listed foreign shares every 12 months, provided that the amount of each of the domestic shares and overseas listed foreign shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;

(II) the Company's plan on issuing domestic shares and overseas listed foreign shares at time of its incorporation, which is completed within 15 months upon the date of approval from the CSRC;

(III) subject to the approval from the CSRC, shareholders of domestic shares of the Company may transfer their shares to foreign investors and have the shares listed and traded on overseas stock exchanges.

DIRECTOR AND BOARD

Director

The non-employee representative directors shall be elected or replaced at general meeting, while employee representative directors shall be elected or replaced at the general meeting of employees' representatives of the Company, for a term of office of three years. Upon the expiry of the term of office, a director shall be eligible to offer himself for re-election. Prior to the expiry of the term of office of the director, he/she shall not be removed by the shareholders' general meeting without appropriate reasons.

The Company shall establish an independent non-executive director system. The term "independent non-executive director of the Company" means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its substantial shareholder(s) (only provided under this Article that substantial shareholders are those shareholders individually or jointly holding more than 5% of total number of the Company's shares with voting rights) that could hinder his or her independent and objective judgments, and who is in compliance with independence provisions of the listing rules in the place where the Company's shares are listed. Independent non-executive directors shall account for more than one third of the members of the Board of the Company and shall not be less than three, at least one of whom shall be a financial or accounting professional. Moreover, at least one of the independent non-executive directors of the Company must be ordinarily resident in Hong Kong. Independent non-executive directors shall faithfully fulfill their duties and protect the Company's interests, and in particular prevent the legal interests of public shareholders from being harmed, so as to ensure that the interests of all shareholders are fully represented.

The term of office for independent non-executive directors shall be three years, and eligible to offer himself for re-election, but shall not exceed six years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company's shares are listed.

If an independent non-executive director fails to meet the conditions of independence or other circumstance arises which makes it inappropriate for him or her to perform his or her duties and responsibilities as an independent non-executive director, thereby causing the failure of the Company to meet the requirements of these Articles of Association concerning the number of independent non-executive directors, the Company shall make up the number of independent non-executive directors in accordance with regulations.

Board

The Company has established the Board, which shall be accountable to the general meeting.

The senior management may serve concurrently as directors, provided that the total number of such directors who concurrently serve as the senior management shall not exceed 1/2 of the total number of the directors of the Company.

The Board shall perform the following duties and powers:

(I) to convene the general meeting and report its performance at the general meetings;

(II) to implement resolutions adopted at the general meetings;

(III) to make decisions on the Company's business plans and investment plans;

(IV) to formulate the Company's annual financial budgets and annual final accounting plans;

(V) to formulate the Company's profit distribution plans and loss recovery plans;

(VI) to formulate the proposals on the increase or reduction of the Company's registered capital, the issuance of bonds or other securities, and listing plans;

(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;

(VIII) to decide on the matters of the Company other than external investment, acquisition and disposal of assets, assets pledge, external guarantee, entrustment of financial services, debt financing and connected transactions that must be considered and approved by the general meeting;

(IX) to determine on the establishment of the Company's internal management bodies

(X) to engage or dismiss the Company's general manager and secretary to the Board; to engage or dismiss deputy general manager and financial officer as proposed by the general manager, and deciding on matters relating to their remuneration, rewards and punishments;

(XI) to formulate the basic management system of the Company;

(XII) to formulate proposals for amendments to these Articles of Association;

(XIII) to manage the information disclosure of the Company;

(XIV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit service to the Company;

(XV) to listen to the work reports of the Company's general manager and inspect his or her work;

(XVI) to exercise other functions and powers conferred by the laws, administrative regulations, departmental rules or these Articles of Association.

Resolutions relating to the preceding paragraph adopted by the Board, with the exception of items (VI), (VII), (VIII) and (XII) above which shall be approved by more than two thirds of the directors, shall be approved by more than half of the directors.

The Board shall formulate the rules of procedures of meetings of the Board to ensure the implementation of the resolutions of the general meeting, its work efficiently and decision making in proper manner. The rules of procedures provide for the convening and voting procedures for the meeting of the Board, which shall be formulated by the Board and approved at the general meetings.

In cases where the expected value of fixed assets proposed for disposal by the Board, when aggregated with value of fixed assets disposed within four months before the proposed disposal, exceeds one third of the fixed assets value set out in the latest balance sheet reviewed by the general meetings, the Board shall not dispose or consent to dispose such fixed assets without prior approval at the general meetings.

The Board shall decide the authority of foreign investment, acquisition and disposal of assets, asset mortgages, the provision of security for third parties, entrustment of financial services and connected transactions, and set up strict review and decision-making procedures; for important investment projects, the Board shall organise the relevant experts and professionals for review and report at general meeting for approval; important matters and material connected transactions shall report at general meeting for approval after being considered and approved by the Board.

The Board formulates a detailed investment decision system for the Company's investment decision power division, decision-making procedures and decision contents, to the extent authorised by the general meeting.

The chairman of the Board shall be elected by a majority of votes casted by all directors at the meeting of the Board for a term of three years, and eligible to offer himself for re-election.

The chairman of the Board shall perform the following duties and powers:

(I) to preside over the general meetings, and to convene and preside over Board meetings;

(II) to supervise and inspect the execution of the resolutions of the Board;

(III) to sign the important documents of the Board and other documents required to be signed by the legal representative of the Company;

(IV) to approve, or authorise the general manager to approve transactions other than those considered and approved by the general meeting and the Board;

(V) to approve, or authorise the general manager to approve the Company's ordinary production and operation activities according to the authorisation stipulated by its internal control system;

(VI) in case of emergency arising from force majeure such as catastrophic natural disasters, he/she shall exercise special right of disposal of the Company's affairs that conform to laws as well as the Company's interests and report to the Board timely afterwards;

(VII) to sign share certificates, debentures and other quoted securities of the Company;

(VIII) to exercise the authority and powers of a legal representative and other authority and powers conferred by the Board;

The Board meetings shall be held at least twice every year and shall be convened by the Chairman. The written notice for such meeting shall be given to all directors and supervisors ten days in advance. An interim board meeting may be convened upon the proposal of shareholders holding more than one tenth of the total number of shares carrying voting rights of the Company, and more than one third of the Board or the Supervisory Committee. Chairman of the Board shall convene and chair the board meeting within ten days after receiving such proposal.

The notice of interim board meeting held by the Board shall be served by hand, email or facsimile 5 days before the date of the meeting. If an interim meeting of the Board needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral method, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes.

Meetings of the Board may be held only if more than half of the directors are present. Except as otherwise provided under these Articles of Association as well as laws and regulations, resolutions adopted by the Board must be passed by more than half of all directors. When voting on board resolutions, each director shall have one vote.

If a director has a connected relationship with an enterprise involved in a matter on which a resolution is to be made at a meeting of the Board, he or she shall not exercise his or her right to vote regarding such resolution, nor shall he or she the voting right of another director as such director's proxy thereon. Such a Board meeting may be held only if more than half of the directors without a connected relationship are present, and the resolutions made at such a Board meeting shall require adoption by more than half of the directors without a connected relationship. If the Board meeting is attended by less than three directors without a connected relationship, the matter shall be submitted to the general meeting for consideration.

Votes on the resolutions at meetings of the Board shall be cast by disclosed ballot. If a director attends a meeting held in person by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he or she says and communicate with him or her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the Board, votes may be held and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the directors in attendance, but a regular meeting of the Board, a meeting at which a major shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or jointly hold more than 10% of total voting shares of the Company) or a director has a conflict of interest in a matter to be considered which the Board has determined to be material and a meeting held to discuss the appointment and dismissal of the company secretary shall not be held by means of correspondence. A deadline shall be set for votes held by means of correspondence, and if a director fails to express his or her opinion by the specified deadline, he or she shall be deemed to abstain.

For a proposal deliberated on at a meeting of the Board to be carried and constituted the corresponding resolution, more than half of all of the Company's directors must cast an affirmative vote therefore. When the numbers of votes for and against are equal, the chairman of the meeting is entitled to cast an additional vote. If laws and these Articles of Association require the consent of a larger number of directors for the adoption of a resolution, such provisions shall prevail.

In the event of a conflict between the content and import of different resolutions, the resolution adopted the later in time shall prevail.

The Board may hold an extraordinary general meeting and make resolutions by means of facsimile or other correspondence means signed by the directors in presence and attending the meeting, provided that the directors have fully expressed his or her opinions.

Directors shall attend meetings of the Board in person. In the event of a director is unable to attend a meeting in person for any reason, he may appoint in writing another director to attend the meeting on his behalf. The power of attorney shall contain the name of proxy, subject matters of representation, the scope of the authorisation and validity, and signed or sealed by the appointer. The proxy shall exercise the rights of a director within the scope of the authorisation. A director failing to attend the board meeting in person or by proxy shall be deemed as having waived his voting rights at such meeting.

Supervisors may attend meetings of the Board. The general manager and the secretary to the Board, if they do not concurrently serve as directors, shall attend meetings of the Board. When he or she deems it necessary, the meeting convener may notify other relevant persons to attend a meeting of the Board.

For any important matter subject to decision by the Board, all directors must be given advance notice by the time as stipulated in the Articles and Association and provided with sufficient information, which shall be conducted in strict compliance with the prescribed procedures. The directors are entitled to request supplementary information. If at least one-quarter of the directors in attendance or at least two independent non-executive directors believe that they are unable to reach a determination on a relevant matter because the proposal before the Board is unclear or unspecific, the meeting materials are insufficient or other such reason, they may jointly propose that discussion of the proposal in question be postponed to a later time. In such circumstances the Board shall accept the proposal. The directors who proposed postponement of the discussion shall put forth clear requirements in respect of the conditions that are to be satisfied for the proposal to be submitted again for consideration.

Matters determined in a board meeting shall be recorded in minutes of meetings. Minutes of meetings shall be signed by directors attending such meetings.

The Board may accept the Board meetings in the form of written resolutions in lieu of meetings on site. However, draft proposals of the meeting must be delivered to each director by hand, post, fax or e-mail. If the proposal has been sent to all the directors by the Board, and the number of the directors who have signed the proposal sent to the secretary to the Board by the aforesaid means satisfies the statutory quorum, the said proposal shall be deemed to be a resolution of the Board and have the same legal effect as a resolution passed at a Board meeting held in accordance with the procedures specified in relevant provisions of these Articles of Association. The Board shall keep minutes of its decisions on the matters considered at its meetings. The directors and recorder attending a meeting shall sign the minutes of the meeting. The directors shall be liable for the resolutions of the Board. If a resolution of the Board is in violation of laws, administrative regulations or these Articles of Association, thereby causing the Company to sustain a material loss, the directors who took part in the resolution shall be liable to the Company for damages. However, if a director is proved to have expressed his opposition to such resolution when it was put to the vote, and such opposition is recorded in the minutes of the meeting, such director may be released from such liability.

The minutes of Board meetings shall be kept in corporate archives for a period of no less than ten years.

Where necessary, the Board establishes three special committees, including the nomination committee, audit committee and remuneration committee, to provide advice and suggestions for the material decisions of the Board and the exercise of duties by the chairman of the Board within the scope of authorisation of the Board. The Board may establish other special committees as required. The Board shall formulate separate terms of reference for each of the special committees of the Board to determine the composition, duties and procedures of meetings of such special committees. These special committees shall not make any decision in the name of the Board. However, the committees may exercise the right to make decision according to the special authorisation of the Board.

Secretary to the board

Where necessary, the Company shall have one secretary to the Board nominated by the chairman of the Board, who shall be engaged and dismissed by the Board. The secretary to the Board shall be a member of the senior management of the Company and be accountable to the Company and the Board.

The secretary to the Board shall be a natural person with the necessary professional knowledge and experience. He or she shall be appointed by the Board. His or her main duties shall be as set forth below:

(I) to prepare and deliver reports and documents issued by the Board and general meetings as required by competent authorities;

(II) to prepare and deliver reports and documents of the Board and general meetings;

(III) to prepare the Board and general meetings according to legal procedures, attend the Board meeting and take minutes, and sign on the minutes of meeting to ensure its accuracy;

(IV) to be responsible for the confidentiality of information and draw up security measures. Take timely remedial measures to explain and clarify it upon divulging of insider information;

(V) to be responsible for coordination and organisation of company information disclosure matters, establish and improve the information disclosure system, to participate in all relevant disclosure of information meeting, aware of the company's major business decisions and relevant information in a timely manner;

(VI) to be responsible for keeping the register of the shareholders, the register of directors, the materials on the holding of shares by substantial shareholders and directors, and the seals of the Board, and keeping documents and minutes of the Board of the Company and general meetings;

(VII) to help directors, supervisors, senior management members of the Company to understand their responsibilities conferred by laws, regulations, these Articles of Association and regulations;

(VIII) to assist the Board in exercising its powers legally, and where the resolution of the Board violates the laws and regulations, these Articles of Association and relevant stipulations, raise a timely objection, and if the Board insists on making such resolution, take minutes about such situation and submit it immediately to all the directors and supervisors of the Company;

(IX) to provide advices and suggestion for making significant decisions;

(X) to perform other duties as stipulated in laws, regulations and these Articles of Association, and as required by security regulator of locality on which the Company's shares are listed.

A director or senior management member of the Company other than the general manager may also act as the secretary to the Board of the Company. Any accountant from accountancy firm or lawyer from law firm which has been appointed by the Company shall not act as the secretary to the Board.

Where the office of secretary is held concurrently by a director, and an act is required to be done by a director and a secretary separately, the person who holds the office of director and secretary shall not perform the act in a dual capacity.

General manager and other senior management members

The Company has one general manager, who will be appointed or dismissed by the Board. The Company has several deputy general managers and one chief financial officer, who will be appointed or dismissed by the Board.

Staff of the controlling shareholder and actual controller of the Company and other related parties who serve administrative positions other than directors and supervisors, shall not serve as senior management of the Company.

The general manager shall serve terms of three years and may serve consecutive terms if reappointed.

The general manager shall be accountable to the Board and exercise the following functions and powers:

(I) to be in charge of the production, operation and management of the Company, to organise the implementation of the resolutions of the Board, and to report on his or her work to the Board;

(II) to arrange for the implementation of the Company's annual business plans and investment plans;

(III) to draft the plan for establishment of the Company's internal management organisation;

(IV) to draft the Company's basic management system;

(V) to formulate the detailed rules and regulations of the Company;

(VI) to request the Board to engage or dismiss deputy general manager and chief financial officer;

(VII) to decide on the appointment or dismissal of management personnel other than those to be engaged or dismissed by the Board;

(VIII) other functions and powers granted by these Articles of Association or the Board.

The general manager shall attend meetings of the Board. If the general manager is not also a director, he shall not have the right to vote at Board meetings.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

Directors and senior management members may not concurrently serve as supervisors.

Shareholder representative supervisors shall be elected or replaced at general meetings, and employee representative supervisors shall be elected or replaced through democratic election by the employees of the Company. Supervisors shall serve terms of three years. Upon expiration of their term, supervisors may serve consecutive terms if re-elected.

Supervisory Committee

The Company shall have a Supervisory Committee, which shall consist of three supervisors. The Supervisory Committee shall have one chairman, whose appointment and dismissal shall be subject to the affirmative vote of more than two-thirds of the members of the Supervisory Committee. The chairman of the Supervisory Committee shall convene and chair the meetings of Supervisory Committee; where the chairman of Supervisory Committee cannot or does not fulfill the duty thereof, more than half of the supervisors may elect a supervisor to convene and chair the meetings of Supervisory Committee.

The Supervisory Committee shall comprise the shareholder representative and an appropriate ratio of the employee representative of the Company, including two shareholder representative supervisors and one employee representative supervisor. The employee representative of Supervisory Committee shall be elected by staff of the Company at its employee representative meeting of the Company or through democratic election.

The Supervisory Committee shall exercise the following functions and powers:

(I) to review the regular reports of the Company prepared by the Board and to submit written review opinions thereon;

(II) to check the finance of the Company;

(III) to supervise the directors and senior management members in the performance of their duties and to propose the removal of directors or senior management members who violate laws, administrative regulations or these Articles of Association or resolutions of the general meeting;

(IV) if an act of a director and senior management is detrimental to the Company's interests, to require him or her to correct such act;

(V) to propose the holding of extraordinary general meetings and, in the event that the Board fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the Company Law;

(VI) to submit proposals to the general meeting;

(VII) to sue directors or senior management members in accordance with Article 151 of the Company Law;

(VIII) to conduct an investigation and, if necessary, engage professional organisations, such as accounting firms and law firms, to assist it in its work at the cost of the Company, in the event that

(IX) other functions and powers as stipulated by laws, administrative regulations, the listing rules and these Articles of Associations.

Regular meetings of the Supervisory Committee shall be held at least once every six months. Supervisors may propose the calling of interim meetings of the Supervisory Committee.

The resolutions of the Supervisory Committee shall be approved by more than half of the members of the Supervisory Committee.

In convening the regular or interim meetings of the Supervisory Committee, the staff member of the Supervisory Committee shall give a written notice of the meeting a reasonable period before the meeting date. The notice of meeting shall be given to all supervisors by hand, facsimile, email or other means. If a notice is not given by hand, a subsequent telephone call shall be made for confirmation and corresponding records shall be made.

The Supervisory Committee shall formulate the Rules of Procedure for the Supervisory Committee, which shall specify the procedures for the discussion of matters and voting of the Supervisory Committee so as to ensure the efficiency of work and rationality of the decisions of the Supervisory Committee. The Rules of Procedure for the Supervisory Committee shall be formulated by the Supervisory Committee and approved by the general meeting.

The Supervisory Committee shall record the decisions of all matters considered at the meeting into the meeting minutes. Participating supervisors shall sign the meeting minutes for confirmation. A supervisor is entitled to request for some descriptive record to be made with regard to his speech in the meeting.

The minutes of Supervisory Committee meetings shall be kept in corporate archives for a period of no less than ten years.

Qualifications and obligations of the directors, supervisors and other senior management members of the Company

In the conditions as set out below, the following persons shall not serve as directors, supervisors or senior management members of the Company:

(I) persons without civil capacity or with limited civil capacity;

(II) persons who have committed corruption, bribery, embezzlement, misappropriation of property or disruption of the order of socialist market economy and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;

(III) persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked and had been ordered to shut down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;

(V) persons who have a substantial amount of debts due and outstanding;

(VI) persons who were investigated by judicial offices and the lawsuit is not settled yet;

(VII) persons who cannot serve as corporate leaders according to laws;

(VIII) non-natural person;

(IX) persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

(X) the person is currently being prohibited from participating in securities market by the CSRC and such barring period has not elapsed; or

(XI) circumstances as required by the relevant laws and regulations of a place where the Company's shares are listed.

If a director, supervisor or senior management member is elected or appointed in violation of this Article, such election, appointment or engagement shall be invalid.

Besides the obligations as stipulated in the laws, administrative regulations or the listing rules of the stock exchanges where the stocks of the Company are listed, the Directors, Supervisors and senior management of the Company shall perform the following obligations on each shareholder when exercising the powers conferred on them by the Company:

(I) not to allow the Company to operate beyond the scope stated in the business license;

(II) to act, bona fide, in the best interests of the Company;

(III) not to deprive in any way the properties of the Company, including but not limited to opportunities advantageous to the Company;

(IV) not to deprive the personal interests of shareholders, including but not limited to the right to distributions and the right to vote; however, company restructuring proposed to the general meeting for approval in accordance with these Articles of Association is excluded.

The directors, supervisors and senior management of the Company shall perform their duties in accordance with the principle of honesty and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

(I) to act, bona fide, in the best interests of the Company;

(II) to exercise powers within the scope of their powers;

(III) to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws or with the informed consent of shareholders' general meeting, not to delegate others to exercise their discretion;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by these Articles of Association or with the informed consent of shareholders' general meeting;

(VI) not to use the Company's property for their own benefit without the informed consent of shareholders' general meeting;

(VII) not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;

(VIII) not to accept commissions in connection with the transactions of the Company without the informed consent of shareholders' general meeting;

(IX) to abide by these Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;

(X) not to use the advantages of his or her office to appropriate for himself/herself or for others, business opportunities which rightly belong to the Company, operate a business for his own account or on behalf of others which is of the same type as the Company's business or compete with the Company in any way without the informed consent of the general meeting;

(XI) not to misappropriate the Company's funds, not to open accounts in their own names or other names for the deposit of the assets or funds of the Company; not to provide guarantees to the Company's shareholders' or other individual(s)' debts with the assets of the Company;

(XII) unless otherwise permitted by shareholders' general meeting, to keep confidential the information acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

1. by order of the laws;

2. in the interests of the public;

3. in the interest of the relevant Director, Supervisor or senior management.

Proceeds from persons violating the above shall belong to the Company; losses caused to the Company by such persons shall be indemnified by the same.

Directors, supervisors or senior management of the Company shall not direct the following persons or bodies (hereinafter referred to as "Relevant Person") to do anything to which the directors, supervisors or senior management are not permitted:

(I) the spouse or a minor child of such director, supervisor or senior management of the Company;

(II) a trustee of such director, supervisor or senior management of the Company or of any person referred to in item (I) of this Article;

(III) a partner of such director, supervisor or senior management of the Company or of any person referred to in items (I) and (II) of this Article;

(IV) a company over which such director, supervisor or senior management of the Company, alone or jointly with any person referred to in items (I), (II) and (III) of this Article or any other director, supervisor or senior management of the Company, has de facto control;

(V) a director, a supervisor or senior management of a company being controlled as referred to in item (IV) of this Article.

FINANCIAL AND ACCOUNTING SYSTEMS, DISTRIBUTION OF PROFITS AND AUDIT

Financial and accounting systems

The Company shall formulate its financial and accounting systems in accordance with the laws, administrative regulations and the standards formulated by relevant state authorities.

The Company shall prepare its interim financial report within 60 days after the end of the first six months of the fiscal year and its annual financial report within 120 days after the end of each fiscal year.

The Company shall prepare its financial statements in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas. In case of any material difference between the financial statements respectively in accordance with the two accounting standards, explanations shall be made in the notes to the financial statements. Distribution of the profit after tax for the relevant fiscal year shall be based on the lesser of the profit after tax as shown in the two sets of financial statements.

The interim results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas.

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Distribution of profits

During the distribution of its after-tax profit for the current year, the Company shall withdraw 10% after-tax profit as statutory common reserve fund. The Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory common reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory common reserve fund in accordance with the above provisions.

After withdrawing the statutory common reserve fund from the after-tax profit by the Company, the discretionary reserve may be withdrawn from the after-tax profit with the approval from the general meeting.

After the Company has made up its losses and made allocations to its common reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless these Articles of Association provide that distributions are to be made otherwise than proportionally. If the general meeting violates the preceding paragraph and distributes profits to shareholders before the Company recovers losses and withdraws statutory common reserve fund, the shareholders shall return the profits distributed in violation of the provisions to the Company.

The Company's shares held by the Company shall not be subject to profit distribution.

The Company's common reserves shall be used to make up the Company's losses, to expand the Company's production and operations or, through conversion into capital, to increase the Company's capital. However, the capital common reserve will not be used to make up the Company's losses.

When funds in the statutory common reserve are converted into capital, the funds remaining in such reserve will not be less than 25% of the Company's registered capital before the conversion.

The Company may distribute dividends in either of the following manners (or both of them):

(I) cash; and

(II) share certificates.

The Company shall appoint one or more receiving agents for holders of overseas listed foreign shares in Hong Kong to collect on behalf of the relevant shareholders the dividends distributed and other moneys payable in respect of overseas listed foreign shares, and hold the same until they can be paid to the relevant shareholders.

After the Company's general meeting has passed a resolution on the profit distribution plan, the Company's Board must complete the dividend (or share) distribution within three months after the general meeting.

Cash dividends and other payments by the Company to holders of domestic shares shall be distributed and paid in Renminbi, whereas those to holders of overseas listed foreign shares shall be denominated and declared in Renminbi and paid in foreign currency. The foreign currency for the cash dividends and other payments by the Company to holders of overseas listed foreign shares and other holders of foreign shares shall be handled in accordance with state regulations on foreign exchange control.

Engagement of accounting firms

The Company shall engage an independent accounting firm that complies with relevant provisions of PRC laws to audit the annual financial reports and review other financial reports of the Company.

The Company's appointment of an accounting firm shall be decided by the shareholders' general meeting. The Board shall not appoint any accounting firm prior to a decision made by the shareholders' general meeting. The term of engagement of an accounting firm engaged by the Company shall commence upon the conclusion of the annual general meeting of the Company and end upon the conclusion of the next annual general meeting.

An accounting firm engaged by the Company shall have the following rights:

(I) the right of accessing to the account books, records or vouchers of the Company and the right to require directors or senior management of the Company to provide relevant information and explanations;

(II) the right to require the Company to take reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;

(III) the right to attend shareholders' meetings in a non-voting capacity, to receive notice of or other information concerning any meetings of or concerning which shareholders have a right to receive notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

The Company must provide true and complete accounting vouchers, books and accounts, financial and accounting reports and other accounting data to the certified public accountants' firm engaged without any refusal, withholding and misrepresentation.

If the position of accounting firm becomes vacant, the Board may appoint an accounting firm to fill such vacancy before a general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy persists, such accounting firms may continue to act.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders at a shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The audit fee of the accounting firm shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

The engagement, dismissal or non-renewal of engagement of an accounting firm shall be decided upon by the general meeting and be reported to the State Council's securities authority for the record.

The accounting firm that is leaving its post is entitled to receive all notices of, and other information relating to, any such meeting, and to be heard at any such meeting on matters which concern it as former accounting firm of the Company.

Where the Company dismisses or does not continue engaging the accounting firm, 30 days of prior notice shall be issued to the accounting firm, and the accounting firm has the right to state its opinions when the shareholders' general meeting is voting on the dismissal of the accounting firm.

If an accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

(I) an accounting firm may resign its office by depositing a written resignation notice at the registered address of the Company. Resignation of the accounting firm shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements: (1) a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or (2) a statement of any other circumstances requiring an explanation.

(II) where a notice is deposited under the paragraph (I) of this Article, the Company shall within 14 days send a copy of the notice to the competent authority. If the notice contains a representation referred to in item (2) of paragraph (I) of this Article, a copy of such representation shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such representation to every shareholder entitled to the Company's report of financial position by prepaid post, and it shall be sent to the addresses recorded in the register of shareholders.

(III) where the notice of resignation of an accounting firm contains a statement referred in item (2) of paragraph (I) of this Article, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Merger, division, capital increase, capital decrease, dissolution and liquidation of the Company

The merger or division of the Company shall require the preparation of a proposal by the Board. After such proposal has been adopted in accordance with the procedures specified in these Articles of Association, relevant approval procedures shall be carried out in accordance with the law. Shareholders that oppose the proposal for the merger or division of the Company shall have the right to require the Company or shareholders that are in favor of such proposal to purchase their shares at a fair price. The contents of resolutions approving the merger or division of the Company shall be compiled in a special document for inspection by shareholders.

The Company shall be dissolved in accordance with the law if:

(I) the term of operation for the Company as specified in this Articles of Association expires;

(II) the general meeting resolves to dissolve the Company;

(III) merger or division of the Company entails dissolution;

(IV) the Company is legally declared insolvent due to its failure to repay due debts;

(V) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law;

(VI) when serious difficulties occur to our Company's operation and management and significant losses will be incurred to the shareholders by its continuance, and such difficulties cannot be solved by other means, the shareholders holding more than 10% of the total voting rights of all the shareholders may request the people's court to dissolve our Company;

(VII) other circumstances in which the Company is required to dissolve according to laws and regulations.

If the Company is dissolved pursuant to item (I), (II), (V) or (VI) above, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be composed of directors or persons determined by the general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

If the Company is to be dissolved pursuant to item (IV) above, the People's Court shall, in accordance with relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

The liquidation committee shall exercise the following functions and powers during liquidation:

(I) to liquidate the Company's property, and to prepare a balance sheet and property list;

(II) to notify creditors by notice and public announcement;

(III) to dispose of unfinished business of the Company relating to the liquidation;

(IV) to make full payment of taxes owed and of taxes incurred during the liquidation process;

(V) to liquidate claims and debts;

(VI) to dispose of the Company's property remaining after the debts are paid in full;

(VII) to represent the Company in civil proceedings.

The liquidation committee shall notify all creditors within ten days after its establishment and shall make a public announcement in a newspaper within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors have not received the notice.

The creditors shall explain matters relating to their rights and provide relevant supporting documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

After the Company has examined and taken possession of its assets and prepared a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for approval of the shareholders' general meetings or the People's Court.

The Company shall, in proportion to the shares held by the shareholders, distribute the properties of the Company remaining after successive payment of the liquidation expenses, employees' wages, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

During liquidation, the Company shall continue to exist but shall not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until it has been applied to the making of the payments mentioned in the preceding paragraph.

If the liquidation committee, having inventoried the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, as well as a revenue and expenditure statement and financial account books in respect of the liquidation period, and, after verification thereof by a PRC certified public accountant, submit the same to the general meeting or the People's Court for confirmation. Within 30 days from the date of confirmation of the aforementioned documents by the general meeting or the People's Court, the liquidation committee shall submit the same to the company registrar, apply for cancelation of the Company's registration and publicly announce the Company's termination.

Amendment to these Articles of Association

The Company shall amend these Articles of Association if:

(I) provisions of these Articles of Association conflict with the Company Law or related laws and administrative regulations after such laws and administrative regulations are amended;

(II) a change occurs in the Company's situation and such change is inconsistent with the matters stated herein;

(III) the general meeting decides to amend these Articles of Association.

Settlement of disputes

Unless otherwise provided in these Articles of Association, the Company shall comply with the following rules for dispute resolution:

(I) all disputes and claims arose between the Company and directors, supervisors or senior management of the Company, between holders of overseas-listed foreign shares and the Company, between holders of overseas-listed foreign shares and the Company's directors, supervisors, or senior management, or between holders of overseas-listed foreign shares and holders of domestic shares arising from any rights or obligations conferred or imposed by these Articles of Association, the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the claim or dispute must be referred to arbitration as a whole, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is our Company or our Company's shareholders, directors, supervisors or senior management, comply with the decisions made in the arbitration.

Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

(II) a claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant.

If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(III) if any disputes or claims of rights as set out in (I) are referred to arbitration, the laws of the PRC shall apply, unless otherwise provided in the laws and administrative regulations.

(IV) the arbitration award of an arbitral institution shall be final and conclusive and binding on parties thereto.

(V) the arbitration agreement was entered into between directors, supervisors and senior management on one hand and the Company, on behalf of both itself and each shareholder, on the other.

(VI) any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearing in open session and to publish its award.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were established in the PRC under PRC Company Law as a limited liability company on 14 August 2014. On 25 December 2020, our Company was converted into a joint stock Company with limited liability and was renamed as Deewin Tianxia Co., Ltd (德銀天下股份有限公司). We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 February 2021 under the same address. Ms. Mak Po Man Cherie has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As we were established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix IV to this Prospectus.

2. Changes in our share capital

For details relating to the changes in our share capital, please refer to the section headed "History and Development — Corporate History and Shareholding Changes of Our Company and Major Subsidiaries" in this prospectus.

Save as disclosed above, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

For details relating to the changes in the share capital of our major subsidiaries, please refer to the section headed "History and Development — Corporate History and Shareholding Changes of Our Company and Major Subsidiaries" in this prospectus.

Save as disclosed above, there has been no alteration in the share capital of our major subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our Shareholders passed at our Company's Extraordinary General Meeting on 8 February 2021

At the extraordinary general meeting of the Shareholders held on 8 February 2021, the following resolutions, among others, were duly passed:

(a) the issue by the Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall no less than 25% of the total share capital of the Company after the Global Offering (assuming the Over-allotment Option for the Global Offering is not exercised), and the grant to the International Underwriters the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) authorisation of the Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares; and

(d) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

5. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set out in the Accountant's Report in Appendix I to this prospectus. Save as disclosed in Appendix I to this prospectus, we do not have any other subsidiaries.

6. Corporate Reorganisation

For details relating to our corporate reorganisation, please refer to the section headed "History and Corporate Development — Reorganisation" in this prospectus.

7. Restriction on Share Repurchase

For details of the restrictions on share repurchase by the Company, please refer to "Appendix V — Summary of the Articles of Association" to this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the equity transfer agreement (股權轉讓協議) dated 24 September 2020 entered into between Shaanxi Automobile Group Co., Ltd. (陝西汽車集團有限責任公司) (now known as Shaanxi Automobile) (as the transferor) and Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司) (now known as the Company) (as the transferee) in relation to the transfer of the 52.00% equity interest in Tonghui from Shaanxi Automobile to our Company in the consideration of RMB49,612,530.82;

(b) the equity transfer agreement (股權轉讓協議) dated 24 September 2020 entered into between Wang Wenqi (as the transferor) and Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司) (now known as the Company) (as the transferee) in relation to the transfer of the 4.00% equity interest in Tonghui from Wang Wenqi to our Company in the consideration of RMB12,600,000;

(c) the capital injection agreement of Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司增資擴股協議) dated 30 November 2020 entered into among Shaanxi Automobile Group Co., Ltd. (陝西汽車集團有限責任公司) (now known as Shaanxi Automobile), Shaanxi Commercial Automobile, Shaanxi Heavy Duty Automobile and Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司) (now known as the Company), pursuant to which (i) our Company shall increase its registered capital to RMB1,628,764,396.7; (ii) Shaanxi Commercial Automobile shall pay RMB30,000,000 in cash in exchange of 0.72% equity interest in the Company; and (iii) Shaanxi Heavy Duty Automobile shall pay RMB300,821,488 by way of transferring its 44.00% equity interest in Tonghui to our Company in exchange of 7.19% equity interest in the Company (the "**Capital Injection Agreement**");

(d) the agreement on equity transfer of Shaanxi Tonghui Automobile Logistics Co., Ltd. involved in the capital injection (關於增資所涉陝西通匯汽車物流有限公司股權轉讓之協議) dated 30 November 2020 entered into between Shaanxi Heavy Duty Automobile, Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司) (now known as the Company), and Tonghui in relation to the transfer of the 44.00% equity interest in Tonghui from Shaanxi Heavy Duty Automobile to the Company as the capital injection pursuant to the Capital Injection Agreement;

(e) the cornerstone investment agreement dated 28 June 2022 entered into among our Company, Sole Sponsor and Shaanxi Tide pursuant to which Shaanxi Tide agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US$11.0 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);

(f) the cornerstone investment agreement dated 28 June 2022 entered into among our Company, Sole Sponsor and Xi'an Yuanda pursuant to which Xi'an Yuanda agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US$10.0 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);

(g) the cornerstone investment agreement dated 28 June 2022 entered into among our Company, Sole Sponsor and Streamax Electronics pursuant to which Streamax Electronics agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US$5.0 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy in respect of such number of H Shares of our Company); and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

As at the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks:

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
1.	The Company	德银天下	16239016	42	PRC	21 September 2016-20 September 2026
2.	The Company	德银天下	16239017	09	PRC	28 March 2016-27 March 2026
3.	The Company	德银	56117660	42	PRC	7 December 2021-6 December 2031
4.	The Company	DEEWIN TIANXIA	56098533	9	PRC	7 December 2021-6 December 2031

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
5.	The Company	DEEWIN TIANXIA	56108538	35	PRC	7 December 2021-6 December 2031
6.	The Company	DEEWIN TIANXIA	56092629	42	PRC	7 December 2021-6 December 2031
7.	The Company		56117553	9	PRC	7 April 2022-6 April 2032
8.	The Company	DeeWin	56117907	9	PRC	7 April 2022-6 April 2032
9	The Company	DeeWin	56096099	42	PRC	7 February 2022-6 February 2032
10.	Deewin Financial Leasing	德银	10769584	12	PRC	21 June 2013-20 June 2023
11.	Deewin Financial Leasing	德银	1077459	37	PRC	28 June 2013-27 June 2023
12.	Deewin Financial Leasing	德银	10777479	39	PRC	28 June 2013-27 June 2023
13.	Deewin Financial Leasing	德银	10769610	36	PRC	7 May 2015-6 May 2025
14.	Deewin Financial Leasing	德银	41760909	45	PRC	14 August 2020-13 August 2030
15.	Deewin Financial Leasing	德银天下	16215901	39	PRC	14 December 2016-13 December 2026
16.	Deewin Financial Leasing	德银天下	16215902	37	PRC	14 December 2016-13 December 2026
17.	Deewin Financial Leasing	德银天下	16215903	36	PRC	14 December 2016-13 December 2026
18.	Deewin Financial Leasing	德银天下	16215904	12	PRC	14 December 2016-13 December 2026
19.	Deewin Financial Leasing		11440880	12	PRC	7 February 2014-6 February 2024
20.	Deewin Financial Leasing		41742854	35	PRC	28 October 2020-27 October 2030
21.	Deewin Financial Leasing		11440928	36	PRC	14 February 2014-13 February 2024
22.	Deewin Financial Leasing		11440967	37	PRC	14 February 2014-13 February 2024
23.	Deewin Financial Leasing		11441029	39	PRC	14 February 2014-13 February 2024

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
24.	Deewin Financial Leasing		41749088	45	PRC	28 November 2020-27 November 2030
25.	Deewin Financial Leasing	DeeWin	11440892	12	PRC	7 February 2014-6 February 2024
26.	Deewin Financial Leasing	DeeWin	11440910	36	PRC	7 February 2014-6 February 2024
27.	Deewin Financial Leasing	DeeWin	11440978	37	PRC	7 February 2014-6 February 2024
28.	Deewin Financial Leasing	DeeWin	11441015	39	PRC	7 February 2014-6 February 2024
29.	Deewin Financial Leasing	DeeWin	41755282	45	PRC	28 October 2020-27 October 2030
30.	Deewin Financial Leasing	DeeWin	45430922	35	PRC	28 February 2021-27 February 2031
31.	Deewin Financial Leasing	DeeWin	47252732	12	PRC	7 March 2021-6 March 2031
32.	Deewin Financial Leasing	DeeWin	47253156	36	PRC	7 March 2021-6 March 2031
33.	Deewin Financial Leasing	DeeWin	47272551	37	PRC	7 March 2021-6 March 2031
34.	Deewin Financial Leasing	DeeWin	47280905	39	PRC	7 March 2021-6 March 2031
35.	Deewin Financial Leasing	DeeWin	47271020	45	PRC	14 March 2021-13 March 2031
36.	Deewin Financial Leasing	DEYIN	11432256	12	PRC	7 July 2014-6 July 2024
37.	Deewin Financial Leasing	DEYIN	11432284	36	PRC	7 July 2014-6 July 2024
38.	Deewin Financial Leasing	DEYIN	11432317	37	PRC	7 July 2014-6 July 2024
39.	Deewin Financial Leasing	DEYIN	11432335	39	PRC	7 July 2014-6 July 2024
40.	Deewin Financial Leasing	DEYIN	41769052	45	PRC	21 August 2020-20 August 2030
41.	Deewin Financial Leasing	DEYIN	47257780	39	PRC	7 March 2021-6 March 2031
42.	Deewin Financial Leasing	DEYIN	47255956	45	PRC	7 March 2021-6 March 2031
43.	Deewin Financial Leasing	德银	47259380	12	PRC	14 March 2021-13 March 2031

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
44.	Deewin Financial Leasing	德银	47262738	36	PRC	7 March 2021- 6 March 2031
45.	Deewin Financial Leasing	德银	47266518	37	PRC	14 March 2021- 13 March 2031
46.	Deewin Financial Leasing	德银	47271804	39	PRC	14 March 2021- 13 March 2031
47.	Deewin Financial Leasing	德银	47278068	45	PRC	14 March 2021- 13 March 2031
48.	Deewin Factoring	汇融保	42275859	35	PRC	14 September 2020- 13 September 2030
49.	Deewin Factoring	汇融保	42288394	36	PRC	7 September 2020- 6 September 2030
50.	Deewin Factoring	汇融保	42273597	45	PRC	7 September 2020-6 September 2030
51.	Deewin Factoring	车顺达	56997122	35	PRC	14 April 2022- 13 April 2032
52.	Deewin Factoring	车顺达	56958284	36	PRC	7 January 2022- 6 January 2032
53.	Fargo	远行YXL	11880115	39	PRC	21 July 2014- 20 July 2024
54.	Fargo	车轮滚滚	14036697	39	PRC	28 April 2015-27 April 2025
55.	Fargo	D-TMS	15814471	9	PRC	21 January 2016-20 January 2026
56.	Fargo	D-TMS	15806788	35	PRC	21 January 2016-20 January 2026
57.	Fargo	D-TMS	15807007	39	PRC	21 January 2016-20 January 2026
58.	Fargo	D-TMS	15807048	42	PRC	21 January 2016-20 January 2026
59.	Fargo	Smart Dispatching	16134094	35	PRC	14 March 2016-13 March 2026
60.	Fargo	Smart Dispatching	16133987	39	PRC	14 March 2016-13 March 2026
61.	Fargo	Smart Dispatching	16133902	42	PRC	14 March 2016-13 March 2026
62.	Fargo	Smart Driving	15806799	35	PRC	28 September 2016-27 September 2026
63.	Fargo	Smart Driving	15806912	39	PRC	21 October 2016-20 October 2026

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
64.	Fargo		42185676	38	PRC	7 November 2020-6 November 2030
65.	Fargo	CLGG	42433723	12	PRC	28 October 2020-27 October 2030
66.	Fargo	FSCM	42441654	12	PRC	14 August 2020-13 August 2030
67.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	货翼发	46970833	9	PRC	7 February 2021-6 February 2031
68.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	货翼发	46962425	35	PRC	21 January 2021-20 January 2031
69.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	货翼发	46970852	38	PRC	7 February 2021-6 February 2031
70.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	货翼发	46977376	39	PRC	7 February 2021-6 February 2031
71.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	货翼发	46965832	42	PRC	21 January 2021-20 January 2031
72.	Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)		11980878	39	PRC	21 March 2015-20 March 2025
73.	Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)		11980239	6	PRC	21 July 2014-20 July 2024
74.	Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)		11980206	4	PRC	7 July 2014-6 July 2024

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
75.	Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)		11980342	19	PRC	21 June 2014-20 June 2024
76.	Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司)		11980269	7	PRC	21 June 2014-20 June 2024
77.	Tonghui		5603989	39	PRC	14 October 2009-13 October 2029
78.	The Company	德银天下股份有限公司 DEEWIN TIANXIA CO.,LTD 德银天下股份有限公司 DEEWIN TIANXIA CO.,LTD	305517108	9, 12, 35, 36, 37, 39, 42	Hong Kong	26 January 2021-25 January 2031
79.	The Company	德銀天下股份有限公司	305598145	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031
80.	The Company	DEEWIN TIANXIA	305598154	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031
81.	The Company	DEEWIN	305598163	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031
82.	The Company	德銀天下	305598172	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031
83.	The Company		305598181	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031
84.	The Company	車輪滾滾	305598190	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021-19 April 2031

No.	Name of Proprietor	Name of Trademarks/Graphics	Registration Number	Class	Place of Registration	Expiry Date
85.	The Company		305598217	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021- 19 April 2031
86.	The Company	CLGG	305598226	9, 12, 35, 36, 37, 39, 42	Hong Kong	20 April 2021- 19 April 2031
87.	Deewin Financial Leasing	DEEWIN TIANXIA	55538624	12	PRC	28 November 2021- 27 November 2031
88.	Deewin Financial Leasing	DEEWIN TIANXIA	55544093	37	PRC	28 November 2021- 27 November 2031
89.	Deewin Financial Leasing	DEEWIN TIANXIA	55566256	39	PRC	28 November 2021- 27 November 2031
90.	Deewin Financial Leasing	DEYIN	47275680	12	PRC	14 October 2021- 13 October 2031
91.	Deewin Financial Leasing	DEYIN	47251551	37	PRC	28 May 2021- 27 May 2031
92.	Deewin Financial Leasing	DEEWIN TIANXIA	55565853	36	PRC	7 December 2021- 6 December 2031
93.	Fargo	远行通	53317084	35	PRC	7 October 2021- 6 October 2031

As at the Latest Practicable Date, we have applied for the registration of the following trademark:

No.	Name of Applicant	Name of Trademarks/Graphics	Application Number	Class	Place of Application	Application Date
1.	The Company	德银	56106537	35	PRC	17 May 2020

(b) Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

No.	Name of Registered Owner	Domain Name	Type of Certificate	Registration Date	Expiry Date
1.	The Company	deewintianxia.cn	China National Top-level Domain Certificate	13 January 2021	13 January 2024
2.	The Company	deewintianxia.com	International top-level Domain Certificate	13 January 2021	13 January 2024
3.	The Company	deewintx.cn	China National Top-level Domain Certificate	13 January 2021	13 January 2024
4.	The Company	deewintx.com	International top-level Domain Certificate	13 January 2021	13 January 2024
5.	The Company	deewinkg.com	International top-level Domain Certificate	11 April 2017	11 April 2023
6.	Tianxingjian	陝汽天行健.中國	China National Top-level Domain Certificate	26 July 2011	26 July 2022
7.	Tianxingjian	陝汽天行健.cn	China National Top-level Domain Certificate	26 July 2011	26 July 2022
8.	Tianxingjian	陝汽天行健.com	International Top-level Domain Certificate	26 July 2011	26 July 2022
9.	Tianxingjian	陝汽天行健.net	International Top-level Domain Certificate	26 July 2011	26 July 2022
10.	Tianxingjian	sqtxj.cn	China National Top-level Domain Certificate	26 July 2011	26 July 2022
11.	Tianxingjian	sqtxj.com.cn	China National Top-level Domain Certificate	26 July 2011	26 July 2022
12.	Tianxingjian	sqtxj.com	International Top-level Domain Certificate	26 July 2011	26 July 2022
13.	Tianxingjian	sqtxj.net.cn	China National Top-level Domain Certificate	26 July 2011	26 July 2022
14.	Tianxingjian	sqtxj.net	International Top-level Domain Certificate	26 July 2011	26 July 2022
15.	Tianxingjian	txjiov.com	International Top-level Domain Certificate	6 November 2019	6 November 2022
16.	Tianxingjian	txjpt.com	International Top-level Domain Certificate	15 December 2017	15 December 2025
17.	Tianxingjian	txjptyy.com	International Top-level Domain Certificate	15 December 2017	15 December 2025
18.	Tianxingjian	txjstq.com	International Top-level Domain Certificate	6 November 2019	6 November 2022

No.	Name of Registered Owner	Domain Name	Type of Certificate	Registration Date	Expiry Date
19.	Tianxingjian	txjtsp.com	International Top-level Domain Certificate	6 November 2019	6 November 2022
20.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	huoefa.com	International Top-level Domain Certificate	10 December 2019	10 December 2022
21.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	huoefa.cn	China National Top-level Domain Certificate	10 December 2019	10 December 2022
22.	Shanghai Fargo Logistics Service Co., Ltd.* (上海遠行物流服務有限公司)	clgghy.com	International top-level Domain Certificate	17 March 2020	17 March 2023
23.	Deewin Financial Leasing	deewinfl.cn	China National Top-level Domain Certificate	4 July 2012	4 July 2027
24.	Deewin Financial Leasing	deewinfl.com.cn	China National Top-level Domain Certificate	4 July 2012	4 July 2027
25.	Deewin Financial Leasing	deewinfl.com	International top-level Domain Certificate	4 July 2012	4 July 2026
26.	Fargo	clgg.com	International top-level Domain Certificate	29 October 2000	30 October 2023
27.	Fargo	clgg.com.cn	China National Top-level Domain Certificate	10 January 2014	10 January 2024
28.	Fargo	yuanxinggroup.com	International top-level Domain Certificate	12 November 2013	12 November 2023
29.	Tonghui	sxtonghui.com	International top-level Domain Certificate	4 July 2006	4 July 2023
30.	Tonghui	th56.net	International top-level Domain Certificate	26 March 2015	26 March 2023
31.	Tonghui	sxthl.com	International top-level Domain Certificate	31 March 2009	31 March 2023
32.	Tonghui	sxtonghui.com.cn	China National Top-level Domain Certificate	11 May 2012	11 May 2023
33.	Tonghui	陝西通匯.中國	China National Top-level Domain Certificate	11 May 2012	11 May 2023

No.	Name of Registered Owner	Domain Name	Type of Certificate	Registration Date	Expiry Date
34.	Tonghui	通匯.中國	China National Top-level Domain Certificate	26 March 2015	26 March 2023
35.	Tonghui	陝西通匯汽車物流有限公司.中國	China National Top-level Domain Certificate	11 May 2012	11 May 2023
36.	Tonghui	陝西通匯汽車物流有限公司.net	International top-level Domain Certificate	11 May 2012	11 May 2023
37.	Tonghui	陝西通匯汽車物流有限公司.com	International top-level Domain Certificate	11 May 2012	11 May 2023
38.	Tonghui	陝西通匯.net	International top-level Domain Certificate	11 May 2012	11 May 2023
39.	Tonghui	陝西通匯.com	International top-level Domain Certificate	11 May 2012	11 May 2023
40.	Tonghui	sxtonghui.net	International top-level Domain Certificate	11 May 2012	11 May 2023
41.	Tonghui	sxtonghui.info	International top-level Domain Certificate	11 May 2012	11 May 2023
42.	Tonghui	sxtonghui.cn	China National Top-level Domain Certificate	11 May 2012	11 May 2023

Note:

(1) Domain names in item 6 to 14 above will expire in July 2022. Prior to expiration, the Company is legally entitled to these domain names. The Company confirms that it and its relevant subsidiaries are currently applying for the renewal of these domain names.

(c) Computer Software Copyrights

As at the Latest Practicable Date, we had registered the following computer software copyrights:

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
1.	The Company	Deewin-Fargo SMS Delivery Platform Application Software V1.0	2019SR1037163	PRC	12 October 2019
2.	The Company	Deewin Automobile Sales System Application Software V2.0	2019SR1037180	PRC	12 October 2019

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
3.	The Company	Deewin CLGG Platform Application Software V2.1	2019SR1037145	PRC	12 October 2019
4.	The Company	Deewin CLGG Platform Application Software (Android Version) V2.1	2019SR1036796	PRC	12 October 2019
5.	The Company	Deewin CLGG Platform Application Software (iOS Version) V2.1	2019SR1036790	PRC	12 October 2019
6.	The Company	Deewin ETC Lutong B Card Software V1.1	2019SR1037153	PRC	12 October 2019
7.	The Company	Deewin Automobile Sales System Application Software V3.0	2020SR1187814	PRC	29 September 2020
8.	The Company	Deewin Tianxia Investment Holding Co., Ltd. Data Analysis Platform V1.0	2020SR1168807	PRC	27 September 2020
9.	Deewin Financial Leasing	Deewin Finance Lease Yinjinfu APP Software (iOS Version) V1.2.3	2020SR1258595	PRC	20 November 2020
10.	Deewin Factoring	Deewin Supply Chain Platform Internal Management System V1.0	2022SR0393069	PRC	25 March 2022
11.	Deewin Factoring	Deewin Supply Cloudchain Customer Mobile Platform v1.0	2022SR0393070	PRC	25 March 2022
12.	Fargo	Fargo Intelligent Driving Service System Software V1.0	2015SR056345	PRC	30 March 2015
13.	Fargo	Fargo Intelligent Distribution System Software V1.0	2015SR057461	PRC	30 March 2015
14.	Fargo	Fargo Dynamic Automobile Management Platform Software V1.0	2015SR057557	PRC	31 March 2015

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
15.	Fargo	Fargo Automobile Rental System Management Software V1.0	2015SR169967	PRC	1 September 2015
16.	Fargo	Fargo CLGG O2O E-commerce Platform Software V1.0	2015SR251734	PRC	9 December 2015
17.	Fargo	Fargo Dynamic Transportation System Management and Control Platform Software V1.0	2015SR251571	PRC	9 December 2015
18.	Fargo	Fargo Automobile APP Platform Software (iOS Version) V1.0	2016SR376198	PRC	16 December 2016
19.	Fargo	Fargo Automobile APP Platform Software (Android Version) V1.0	2016SR376116	PRC	16 December 2016
20.	Fargo	Fargo Insurance Pass Business Management Software (Management Version) V1.0	2016SR376043	PRC	16 December 2016
21.	Fargo	Fargo Insurance Pass Business Management Software (User Version) V1.0	2016SR379130	PRC	19 December 2016
22.	Fargo	Fargo Transportation Fleet Store Buyer Terminal Platform Software V1.0	2016SR379137	PRC	19 December 2016
23.	Fargo	Fargo Fleet Store Merchant Terminal Platform Software V1.0	2016SR376013	PRC	16 December 2016
24.	Fargo	Fargo Truck Purchase Merchant Terminal Software V2.0	2016SR377796	PRC	16 December 2016
25.	Fargo	Fargo Truck Purchase User Terminal Software V2.0	2016SR376046	PRC	16 December 2016

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
26.	Tianxingjian	Automobile Loan Management Service System V1.0	2014SR212151	PRC	26 December 2014
27.	Tianxingjian	Dump Truck Management Service System V1.0	2014SR207119	PRC	23 December 2014
28.	Tianxingjian	Automobile-mounted Terminal Embedded Software V1.0	2014SR035976	PRC	31 March 2014
29.	Tianxingjian	Automobile-mounted Intelligent Display Screen Embedded Software V1.0	2014SR035971	PRC	31 March 2014
30.	Tianxingjian	Driving Behaviour Evaluation Software V1.0	2014SR039265	PRC	8 April 2014
31.	Tianxingjian	Area Alarm Software V1.0	2014SR039491	PRC	8 April 2014
32.	Tianxingjian	Abnormal Fuel Level Alarm Software V1.0	2014SR039516	PRC	8 April 2014
33.	Tianxingjian	Deviation Alarm Software V1.0	2014SR046732	PRC	22 April 2014
34.	Tianxingjian	Coal Logistics Management Software V1.0	2014SR048220	PRC	23 April 2014
35.	Tianxingjian	Tianxingjian IoV Service System V2.0	2014SR203469	PRC	20 December 2014
36.	Tianxingjian	Intelligent Distribution Service System V1.0	2014SR203786	PRC	20 December 2014
37.	Tianxingjian	Dump Truck Management Service System V2.0	2016SR075792	PRC	13 April 2016
38.	Tianxingjian	Tianxingjian Mobile APP V1.0	2016SR075059	PRC	13 April 2016
39.	Tianxingjian	Trip Management System V1.0	2016SR234180	PRC	25 August 2016
40.	Tianxingjian	Logistics Fleet Refined Operation Management System V1.0	2016SR233872	PRC	25 August 2016
41.	Tianxingjian	SIM Card Integrated Management System V1.0	2017SR565733	PRC	13 October 2017

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
42.	Tianxingjian	Engine Dynamics Analysis System V1.0	2017SR232432	PRC	5 June 2017
43.	Tianxingjian	Tianxingjian Automobile Loan Pass Management Platform V1.0	2018SR943287	PRC	26 November 2018
44.	Tianxingjian	Tianxingjian Beyond Version IoV Service System Platform V2.0	2019SR0079211	PRC	23 January 2019
45.	Tianxingjian	Dump Truck Management Assistant APP Software	2019SR0136423	PRC	13 February 2019
46.	Tianxingjian	Tianxingjian 2G IoV Application Software V1.0	2019SR0290979	PRC	29 March 2019
47.	Tianxingjian	Tianxingjian Overseas IoV Application Software V1.0	2019SR0490188	PRC	21 May 2019
48.	Tianxingjian	Tianxingjian Sanyi Automobile Locking Application Software V1.0	2019SR0487123	PRC	20 May 2019
49.	Tianxingjian	Tianxingjian Remote Emission Management Application Software V1.0	2019SR0483974	PRC	20 May 2019
50.	Tianxingjian	Tianxingjian 3G IoV Application Software V1.0	2019SR0485242	PRC	20 May 2019
51.	Tianxingjian	Tianxingjian Special Purpose Automobile Display Screen Application Software V1.0	2019SR0439444	PRC	8 May 2019
52.	Tianxingjian	Tianxingjian Display Screen Application Software V1.0	2019SR0439466	PRC	8 May 2019
53.	Tianxingjian	Tianxingjian English Display Screen Application Software V1.0	2019SR0439457	PRC	8 May 2019

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
54.	Tianxingjian	Dump Waste Big Data Intelligent Analytical Management Platform V1.0	2019SR0585235	PRC	10 June 2019
55.	Tianxingjian	Urban Construction Waste Comprehensive Management Platform V1.0	2019SR0624461	PRC	18 June 2019
56.	Tianxingjian	Automobile Operation Data Analytical System V1.0	2020SR0441434	PRC	12 May 2020
57.	Tianxingjian	Tianxingjian IoV Application Software V1.0	2019SR0670058	PRC	28 June 2019
58.	Tianxingjian	Tianxingjian Automobile Locking Application Software V1.0	2019SR0670063	PRC	28 June 2019
59.	Tianxingjian	Tianxingjian Overseas Display Screen Application Software 1.0	2019SR0669958	PRC	28 June 2019
60.	Tianxingjian	Axle Intelligent Dynamic Monitoring System V1.0	2019SR1104980	PRC	31 October 2019
61.	Tianxingjian	Construction Waste Intelligent Statistics Platform V1.0	2020SR0253843	PRC	13 March 2020
62.	Tianxingjian	Remote Emission Management Terminal (National-V/Tangshan) Application Software V1.0	2020SR1139373	PRC	22 September 2020
63.	Tianxingjian	Tangshan National-V Emission Management Application Software	2020SR0884030	PRC	5 August 2020
64.	Tianxingjian	Tianxingjian Terminal BR4HQ18 Application Software V1.0	2020SR1649900	PRC	26 November 2020
65.	Tianxingjian	Tianxingjian IoV BR3YW04_HW Application Software V1.0	2020SR1649896	PRC	26 November 2020

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
66.	Tianxingjian	Tianxingjian IoV (BR4HQ08) Application Software V1.0	2020SR1649792	PRC	26 November 2020
67.	Tianxingjian	Tianxingjian Remote Emission Management Application Software V3.0	2020SR1645003	PRC	25 November 2020
68.	Tianxingjian	Tianxingjian Overseas Mobile APP Software V1.0	2020SR1243858	PRC	26 October 2020
69.	Tianxingjian	Tianxingjian Data Development Platform V1.0	2020SR1075426	PRC	10 September 2020
70.	Tianxingjian	Real-time Data Collection and Testing System V1.0	2020SR1256599	PRC	19 November 2020
71.	Tianxingjian	Tianxingjian Terminal TXJ-BR4-HQ18 Application Software V1.0	2020SR1525543	PRC	28 October 2020
72.	Tianxingjian	Tianxingjian Publicity Website System V1.0	2020SR0712929	PRC	2 July 2020
73.	Tianxingjian	Tianxingjian Automobile Tail Gas Emission Dynamic Supervision System V1.0	2020SR0754870	PRC	10 July 2020
74.	Tianxingjian	Tianxingjian Aftersales System V1.0	2020SR0548366	PRC	2 June 2020
75.	Tianxingjian	Tianxingjian Aftermarket Service System V1.0	2020SR0703296	PRC	1 July 2020
76.	Tianxingjian	Tianxingjian Order Management System V1.0	2020SR0712917	PRC	2 July 2020
77.	Tianxingjian	Commercial Auto Parts Operation Service System V1.0	2020SR0718942	PRC	3 July 2020
78.	Tianxingjian	Tangshan National-V Emission Management Application Software V3.0	2020SR1805333	PRC	14 December 2020

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
79.	Tianxingjian	Server System Functionality Monitoring Platform V1.0	2021SR0170796	PRC	1 February 2021
80.	Tianxingjian	Tianxingjian Overseas IoV Application Software V3.0	2021SR0273645	PRC	22 February 2021
81.	Tianxingjian	Tianxingian IoV BR3YW04 Application Software V1.0	2021SR0423723	PRC	19 March 2021
82.	Tianxingjian	Commercial Automobile 4.5T Pure Electric Vehicle Automobile-mounted Terminal Embedded Software V1.1.1	2021SR0423724	PRC	19 March 2021
83.	Tianxingjian	Tianxingjian Big Data Analysis Platform V1.0	2021SR0784355	PRC	27 May 2021
84.	Tianxingjian	Intelligent Shipment Management System V1.0	2021SR0784354	PRC	27 May 2021
85.	Tianxingjian	Tianxingjian (HQ08) Internet of Vehicles Application Software V1.0	2021SR0803944	PRC	31 May 2021
86.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	Huoyifa Network Freight Forwarder System V1.0	2020SR0929928	PRC	14 August 2020
87.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	Huoyifa Network Shipper System V1.0	2020SR0931075	PRC	14 August 2020
88.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	Huoyifa Network Freight Driver System V1.0	2020SR0968281	PRC	21 August 2020
89.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	Huoyifa Network Freight Operation Management Back-desk System V1.0	2020SR0927879	PRC	14 August 2020

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
90.	Shaanxi Fargo Supply Chain Management Co., Ltd.* (陝西遠行供應鏈管理有限公司)	Huoyifa Network Freight Operation Centre System V1.0	2020SR0927846	PRC	14 August 2020
91.	Tianxingjian	Dump Truck Sharing Platform Initiative Safety Application Development System V1.0	2021SR135031	PRC	2 August 2021
92.	Tianxingjian	Tianxingjian Iov System (French Version) V1.0	2021SR1196244	PRC	12 August 2021
93.	Tianxingjian	Tianxingjian IoV BR4HQ12 Application Software V1.0	2021SR1135032	PRC	2 August 2021
94.	Tianxingjian	Base Data Platform Software V1.0	2021SR1047583	PRC	15 July 2021
95.	Tianxingjian	Tianxingjian (HQ18) IoV Application Software V1.0	2021SR1196058	PRC	12 August 2021
96.	Tianxingjian	Tianxingjian Terminal Application Software V1.0	2021SR1196059	PRC	12 August 2021
97.	Tianxingjian	JPC Emission Terminal Application Software V1.0	2021SR1234789	PRC	19 August 2021
98.	Tianxingjian	Tianxingjian Remote Control Terminal (HQ15) Application Software V1.0	2021SR1234790	PRC	19 August 2021
99.	Tianxingjian	Tianxingjian Automobile Exhaust Emission Dynamic Supervision Platform (Automobile Enterprise Version) V1.0	2021SR1241778	PRC	20 August 2021
100.	Tianxingjian	Commercial Vehicle HQ08 Terminal Application Software V1.0	2022SR0262367	PRC	22 February 2022

No.	Name of Computer Software Copyright Owner	Name of Computer Software	Authorisation Number	Place of Registration	Registration Date
101.	Tianxingjian	Tianxingjian Terminal Low Profile Application Software V1.0	2022SR0262366	PRC	22 February 2022
102.	Tianxingjian	Motor Vehicle OBD Emission Data Owner Applet Software V1.0	2022SR0312592	PRC	4 March 2022
103.	Tianxingjian	Motor Vehicle OBD Emission Data Dynamic Supervision APPV1.0	2022SR0286892	PRC	28 February 2022
104.	Tianxingjian	Motor Vehicle OBD Emission Data Dynamic Supervision System V1.0	2022SR0286875	PRC	28 February 2022
105.	Tianxingjian	Intelligent Off-Line Inspection System V1.0	2022SR0436389	PRC	6 April 2022
106.	Tianxingjian	Tianxingjian Dump Truck Operation Supervision Service WeChat Small Program Software V1.0	2022SR0536766	PRC	27 April 2022
107.	Tianxingjian	Tianxingjian Data Middle Platform Management System V1.0	2022SR0536765	PRC	27 April 2022
108.	Tonghui	Tonghui warehouse management system V4.5	2022SR0086448	PRC	13 January 2022

(d) Patents

As at the Latest Practicable Date, we had registered the following patents:

No.	Name of Patentee	Name of Patent	Patent Number	Category	Method of Acquisition	Place of Registration	Period of Validity
1.	Shaanxi Automobile; Tianxingjian	A device for remotely releasing the lock function of the engine ECU of a heavy automobile	201820044259.X	Utility model	Original acquisition	PRC	11 September 2018 – 10 January 2028
2.	Tianxingjian	Automobile display	201830108088.8	Exterior design	Original acquisition	PRC	8 January 2019 – 21 March 2028
3.	Tianxingjian	Intelligent vehicle terminal	201830107913.2	Exterior design	Original acquisition	PRC	8 January 2019 – 21 March 2028
4.	Tianxingjian	Automobile display	201930706746.8	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
5.	Tianxingjian	Vehicle terminal (Zhiya Version BD)	201930706745.3	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
6.	Tianxingjian	Remote emission management vehicle terminal	201930706259.1	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
7.	Tianxingjian	Remote emission management function vehicle terminal	201930706258.7	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
8.	Tianxingjian	Intelligent vehicle terminal (high-profile HD)	201930706747.2	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
9.	Tianxingjian	Intelligent vehicle terminal (Tianxingjian 1801)	201930706261.9	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029
10.	Tianxingjian	Central control screen (Tianxingjian 8-inch intelligent)	201930706262.3	Exterior design	Original acquisition	PRC	25 August 2020 – 16 December 2029

No.	Name of Patentee	Name of Patent	Patent Number	Category	Method of Acquisition	Place of Registration	Period of Validity
11.	The Company	A traffic record method, traffic record system, computer equipment and storage medium	202010385438.1	Invention	Original acquisition	PRC	17 December 2021 – 8 May 2040
12	Tianxingjian	A car locking based on a vehicle terminal and the method thereof	201910284286.3	Invention	Original acquisition	PRC	20 August 2021 – 9 April 2039
13.	Tianxingjian	An encrypting and decrypting system for a vehicle terminal and the method thereof	201910284510.9	Invention	Original acquisition	PRC	2 November 2021 – 9 April 2039
14.	Tianxingjian	A device and method for improving the sensitivity of frequent measurement	202022993753.0	Utility model	Original acquisition	PRC	2 November 2021 – 13 December 2030
15.	Fargo	An online road capacity trading platform based on a fleet shop and the construction method thereof	201710693911.0	Invention	Original Acquisition	PRC	7 September 2021 – 13 August 2037

As at the Latest Practicable Date, we have applied for the registration of the following patents:

No.	Name of Applicant	Name of Patent	Application Number	Category	Place of Application	Application Date
1.	The Company	An identification method, device and system for abnormal logistics waybills	201911200491.3	Invention	PRC	29 November 2019
2.	Tianxingjian	A device and method for emergency releasing the lock function of the engine ECU of a heavy automobile	201510212223.9	Invention	PRC	29 April 2015
3.	Tianxingjian; Shaanxi Automobile	A method and device for remotely releasing the lock function of the engine ECU of a heavy automobile	201810026074.0	Invention	PRC	11 January 2018
4.	Tianxingjian	An online upgrade system for a vehicle terminal and the method thereof	201910549770.4	Invention	PRC	24 June 2019
5.	Tianxingjian	A master-slave structure for a vehicle terminal and the method thereof	201910549772.3	Invention	PRC	24 June 2019
6.	Tianxingjian	A multi-functional CAN service system and the method thereof	201910550798.X	Invention	PRC	24 June 2019
7.	Tianxingjian	A method for selection of automobile service stations based on the characteristic value of GEOHASH	201911159518.9	Invention	PRC	22 November 2019
8.	Tianxingjian	A method for aggregation of real-time automobile data	201911305099.5	Invention	PRC	17 December 2019
9.	Tianxingjian	A method for scheduling real-time vehicle information based on a timed task frame	201911305098.0	Invention	PRC	17 December 2019
10.	Tianxingjian	A method for calculating vehicle derivation fence targeting customised application	201911304297.X	Invention	PRC	17 December 2019
11.	Tianxingjian	A method for testing the locking of heavy trucks based on MD5 algorithm	202010572070.X	Invention	PRC	22 June 2020
12.	Tianxingjian	A method for transmission of the date of IoV CAN bus system	202011018427.6	Invention	PRC	24 September 2020
13.	Tianxingjian	A high-performance compact storage method and system for IoV data	202011016191.2	Invention	PRC	24 September 2020
14.	Tianxingjian	A synchronisation tool for the offline data of a heterogeneous data source and the application thereof in the IoV industry	202011016189.5	Invention	PRC	24 September 2020
15.	Tianxingjian	A distributed execution frame based on big data sets	202011347821.4	Invention	PRC	26 November 2020

No.	Name of Applicant	Name of Patent	Application Number	Category	Place of Application	Application Date
16.	Tianxingjian	A device for improving the sensitivity of frequency measurement	202022993753.0	Utility model	PRC	14 December 2020
17.	Tianxingjian	A statistical method for vehicle fuel consumption based on big data of IoV	202110085390.7	Invention	PRC	22 January 2021
18.	Tianxingjian	A truck remote control system and control method	202110286977.4	Invention	PRC	17 March 2021
19.	Tianxingjian	A truck remote breakdown diagnostic system	202110565575.8	Invention	PRC	24 May 2021
20.	Tianxingjian	An analysis equipment, method and system for automobile driving behaviour	202110845698.7	Invention	PRC	26 July 2021
21.	Tianxingjian	Car Tracker 20	202230072487.X	Exterior Design	PRC	15 February 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors, Supervisors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering (assuming that the Over-allotment Option has not been exercised), none of our Directors, Supervisors or chief executives will have interests and/or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once the Shares are listed.

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of our Company

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10.00% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or of any member of the Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

(c) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

Save as disclosed in the section headed "History and Corporate Development" in this prospectus, so far as our Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10.00% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. Particulars of Service Contracts

(a) Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a contract in respect of, among others, compliance of the relevant laws and regulations, observations of the Articles of Association and applicable provisions on arbitration with our Company.

(b) Others

(a) Save as disclosed above, none of our Directors and Supervisors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) For the years ended 31 December 2019, 2020 and 2021, the aggregate of the remuneration and benefits in kind payable to our Directors was approximately RMB681 thousand, RMB1,025 thousand and RMB2,065 thousand, respectively. Details of our Directors' remuneration are also set out in note 9 of the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed herein and in note 9 of the Accountant's Report set out in Appendix I to this prospectus, no other emoluments have been paid or are payable, in respect of the years ended 31 December 2019, 2020 and 2021 by us to our Directors.

For the years ended 31 December 2019, 2020 and 2021, the aggregate of the remuneration and benefits in kind payable to our Supervisors was approximately RMB305 thousand, RMB287 thousand and RMB388 thousand, respectively. Details of our Supervisors' remuneration are also set out in note 9 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed herein and in note 9 of the Accountant's Report set out in Appendix I to this prospectus, no other emoluments have been paid or are payable, in respect of the years ended 31 December 2019, 2020 and 2021 by us to our Supervisors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Directors for the year ending 31 December 2022 is estimated to be approximately RMB1,585 thousand.

Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Supervisors for the year ending 31 December 2022 is estimated to be approximately RMB315 thousand.

(d) None of our Directors and our Supervisors or any past Directors and any past Supervisors of any members of our Group has been paid any sum of money for the three years ended 31 December 2019, 2020 and 2021 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director and Supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for the three years ended 31 December 2019, 2020 and 2021.

(f) None of our Directors and Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in the section headed "History and Corporate Development" in this prospectus, none of our Directors, Supervisors or any of the persons whose names are listed under the paragraphs headed "— Other Information — Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

(i) None of our Directors, Supervisors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange.

(ii) So far as is known to any of our Directors, Supervisors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(iii) None of our Directors, Supervisors or any of the parties listed in the paragraphs headed "— Other Information — Consent of Experts" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.

(iv) Save in connection with the Underwriting Agreements, none of our Directors, Supervisors or any of the parties listed in the paragraphs headed "— Other Information — Consent of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

(v) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraphs headed "— Other Information — Consent of Experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

(vi) Save as disclosed in the sections headed "Business — Customers and Sales" and "Business — Suppliers and Purchases" in this prospectus, none of our Directors, Supervisors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5.00% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate Duty and Other Indemnities

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

Shaanxi Automobile had on 3 March 2021 executed an indemnity undertaking in favour of our Group to provide free indemnities in respect of any costs, expenses, penalties and damages due to our failure to register for and/or contribute to social insurance and housing provident funds on behalf of our employees, to which we may be subject and payable, as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Litigation

As at the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor are approximately RMB2.0 million and will be borne by us.

4. Preliminary expenses

The Company did not incur any material preliminary expenses in relation to the incorporation of the Company.

5. Promoter

Our promoters are Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile. Save as disclosed in the sections headed "History and Corporate Development — Reorganisation" and "Financial Information — Dividend Policy", within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the above promoters.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Dentons Law Office	Legal adviser to our Company as to PRC law

7. Consent of Experts

Each of the experts named in paragraph 6 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.60 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

E. MISCELLANEOUS

(a) Save as disclosed in the section headed "History and Corporate Development" in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted (except in connection with the Underwriting Agreements) in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Save as disclosed in note 33 of the Accountant's Report set out in Appendix I to this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) save as disclosed in the section headed "Summary – COVID-19 Outbreak" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2021 (being the date to which the latest audited consolidated financial statements of the Group were prepared);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our H Share Registrar in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our H Share Registrar and may not be lodged in the PRC.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

(h) Our Company currently does not intend to apply for the status of a sino-foreign joint stock limited company and does not expect to be subject to the Sino-foreign Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **GREEN** Application Forms; (ii) the written consents referred to in "D. Other Information – 7. Consents of Experts" in Appendix VI to this prospectus; and (iii) copies of the material contracts referred to in "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.deewintx.com** up to and including the date which is 14 days from the date of this prospectus:

1. the Articles of Association;

2. the Accountant's Report of our Group for the years ended 31 December 2019, 2020 and 2021 received from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

3. the audited consolidated financial statements of our Group for the years ended 31 December 2019, 2020 and 2021;

4. the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

5. the written consents referred to in "Other Information-Consents of Experts" in Appendix VI to this prospectus;

6. the service contracts referred to in "Further Information about our Directors, Supervisors and Substantial Shareholders — Particulars of Service Contracts" in Appendix VI to this prospectus;

7. copies of each of the material contracts referred to in "Further Information about our Business" in Appendix VI to this prospectus;

8. the legal opinions dated this prospectus date issued by Dentons Law Office, our PRC Legal Advisers, in respect of certain aspects of the operations and property interests of our Group;

9. the Frost & Sullivan Report;

10. copies of the following PRC laws, together with unofficial English translations thereof:

    a. the PRC Company Law;

    b. the PRC Securities Law;

    c. the Mandatory Provisions; and

    d. the Special Regulations.

德銀天下股份有限公司
DEEWIN TIANXIA CO.,LTD