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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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Deewin Tianxia Co.,Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
	Note	2022	2021
		RMB'000	RMB'000
Revenue	4	2,728,298	3,126,850
Cost of revenue	7	<u>(2,234,256)</u>	<u>(2,394,441)</u>
Gross profit		494,042	732,409
Selling expenses	7	(45,974)	(38,232)
Administrative expenses	7	(121,468)	(127,744)
Research and development expenses	7	(41,476)	(30,533)
Net impairment losses on financial assets		(78,836)	(146,157)
Other income	5	68,735	45,028
Other losses-net	6	<u>(677)</u>	<u>(829)</u>
Operating profit		274,346	433,942
Finance income	8	31,142	12,293
Finance costs	8	<u>(31,368)</u>	<u>(6,764)</u>
Finance (costs)/income-net	8	<u>(226)</u>	<u>5,529</u>
Share of net profit of associate accounted for using the equity method		<u>4,657</u>	<u>5,123</u>
Profit before income tax		278,777	444,594
Income tax expense	9	<u>(58,742)</u>	<u>(75,857)</u>
Profit for the year		220,035	368,737

	<i>Note</i>	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Other comprehensive income		—	—
Total comprehensive income for the year		220,035	368,737
Profit attributable to:			
– The equity holders of the Company		226,412	362,719
– Non-controlling interests		(6,377)	6,018
		220,035	368,737
Total comprehensive income attributable to:			
– The equity holders of the Company		226,412	362,719
– Non-controlling interests		(6,377)	6,018
		220,035	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	<i>10</i>	0.12	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		99,170	93,178
Investment properties		8,033	–
Intangible assets		32,550	22,856
Investment in an associate		9,157	9,623
Right-of-use assets		47,891	62,147
Other receivables		11,131	111,145
Loan receivables	12	1,914,548	2,104,188
Deferred income tax assets		152,300	135,698
		<u>2,274,780</u>	<u>2,538,835</u>
Current assets			
Inventories		113,198	183,468
Trade receivables	11	581,578	467,505
Prepayments		153,221	86,924
Other receivables		404,550	165,493
Financial assets at fair value through other comprehensive income (“FVOCI”)		90,268	367,020
Notes receivable		319,084	–
Loan receivables	12	4,070,849	6,080,627
Restricted cash at banks		16,158	84,816
Cash and cash equivalents		1,148,967	213,339
		<u>6,897,873</u>	<u>7,649,192</u>
Total assets		<u><u>9,172,653</u></u>	<u><u>10,188,027</u></u>

	<i>Note</i>	As at 31 December	
		2022	2021
		RMB'000	RMB'000
EQUITY			
Share capital		2,236,043	1,629,000
Other reserves		802,590	515,628
Retained earnings		299,822	299,747
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		3,338,455	2,444,375
Non-controlling interests		(2,906)	5,372
		<hr/>	<hr/>
Total equity		3,335,549	2,449,747
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities			
Lease liabilities		23,136	23,409
Borrowings	<i>13</i>	852,116	395,019
Bond payables	<i>14</i>	124,461	103,785
Provisions for warranty		1,194	2,558
Other payables	<i>15</i>	210,922	1,026,190
Contract liabilities		18,568	28,064
Deferred government grants		16,744	14,043
		<hr/>	<hr/>
		1,247,141	1,593,068
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>15</i>	1,807,430	1,403,839
Lease liabilities		18,613	24,730
Borrowings	<i>13</i>	1,840,652	3,705,410
Bond payables	<i>14</i>	784,025	836,072
Contract liabilities		127,278	128,267
Current income tax liabilities		11,965	46,894
		<hr/>	<hr/>
		4,589,963	6,145,212
		<hr/>	<hr/>
Total liabilities		5,837,104	7,738,280
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		9,172,653	10,188,027
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NOTES TO THE FINANCIAL INFORMATION

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. 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 in the PRC.

The Company completed its initial global public offerings (“IPO”) and listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 July 2022.

The consolidated financial statements are presented in Renminbi thousand (RMB’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2023.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2022, and have been adopted by the Group in current period:

Annual Improvements to IFRS Standards 2018-2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use
Amendments to IAS 37	Onerous Contract – Cost of fulfilling a contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

New standards and amendments of IFRS issued effective for the financial periods beginning on and after 1 January 2023 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (Int 5 (2020))	Interpretation 5 (2020) Presentation of Financial Statements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

3 SEGMENT INFORMATION

Year ended 31 December 2022

	Logistics and supply chain service <i>RMB'000</i>	Supply chain financial service <i>RMB'000</i>	Internet of vehicle (IoV) and data service <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue						
– Sales of goods	294,111	–	72,238	–	(1,073)	365,276
– Logistics and warehousing service	1,690,023	–	–	–	(3,444)	1,686,579
– Interest income from financial leasing business	–	491,881	–	–	(2,001)	489,880
– Interest income from factoring service	–	85,360	–	–	(4,966)	80,394
– Internet of vehicle (IoV) and data service	–	–	102,917	–	(390)	102,527
– Others	19,049	2,030	–	–	(17,437)	3,642
	<u>2,003,183</u>	<u>579,271</u>	<u>175,155</u>	<u>–</u>	<u>(29,311)</u>	<u>2,728,298</u>
Gross profit	100,830	284,223	98,242	–	10,747	494,042
Operating profit	21,228	198,577	42,140	242,125	(229,724)	274,346
Financial (costs)/income -net	(28,566)	6,102	4,332	(31,372)	49,278	(226)
Share of net profit of associate	–	–	–	4,657	–	4,657
Profit before income tax	<u>(7,338)</u>	<u>204,679</u>	<u>46,472</u>	<u>215,410</u>	<u>(180,446)</u>	<u>278,777</u>
Total assets	<u>1,703,201</u>	<u>6,538,618</u>	<u>205,163</u>	<u>5,389,771</u>	<u>(4,664,100)</u>	<u>9,172,653</u>
Total liabilities	<u>1,659,665</u>	<u>4,577,943</u>	<u>145,295</u>	<u>1,818,479</u>	<u>(2,364,278)</u>	<u>5,837,104</u>

	Year ended 31 December 2021					
	Logistics and supply chain service <i>RMB'000</i>	Supply chain financial service <i>RMB'000</i>	Internet of vehicle (IoV) and data service <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>2,095,022</u>	<u>801,161</u>	<u>339,430</u>	<u>–</u>	<u>(108,763)</u>	<u>3,126,850</u>
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	<u>134,133</u>	<u>212,508</u>	<u>110,189</u>	<u>234,483</u>	<u>(246,719)</u>	<u>444,594</u>
Total assets	<u>1,416,259</u>	<u>8,818,948</u>	<u>334,462</u>	<u>3,479,650</u>	<u>(3,861,292)</u>	<u>10,188,027</u>
Total liabilities	<u>1,276,552</u>	<u>7,011,411</u>	<u>220,001</u>	<u>791,436</u>	<u>(1,561,120)</u>	<u>7,738,280</u>

4 REVENUE

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
– Recognised at a point in time		
Sales of goods	365,276	755,652
Others	3,642	19,512
– Recognised over time		
Logistics and warehousing service	1,686,579	1,459,858
Sales-and-leaseback financing business	489,880	747,793
Interest income from factoring services	80,394	35,221
Internet of vehicle (IoV) and data service	102,527	108,814
	<u>2,728,298</u>	<u>3,126,850</u>

5 OTHER INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidy income		
– Income related	64,747	38,641
– Assets related	3,988	6,387
	<u>68,735</u>	<u>45,028</u>

6 OTHER LOSSES – NET

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Payment for notes receivable discounted	(815)	–
(Losses)/gains on disposal of property, plant and equipment	(34)	36
Others	172	(865)
	<u>(677)</u>	<u>(829)</u>

7 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Transportation expenses	1,387,936	1,077,715
Funding cost	253,107	351,072
Employee benefit expenses	244,606	246,162
Purchase cost of commercial vehicles	208,121	423,283
Raw materials and purchased goods consumed	139,219	264,955
Outsourced labour costs	39,812	52,890
Amortisation of right-of-use assets	29,696	29,437
Lease expenses	19,529	22,869
Network traffic cost	18,724	23,104
Depreciation of property, plant and equipment	18,464	18,172
Office expenses	9,535	7,313
Travelling expenses	7,793	8,907
Taxes and levies	6,858	10,276
Amortisation of intangible assets	5,628	4,335
Utilities and electricity	4,542	3,472
Listing expenses	3,668	2,089
Auditor's remuneration	3,483	400
Audit services	3,000	400
Non-audit services	483	–
Maintenance expenses	3,393	5,796
Provision for impairment of inventory	2,709	3,812
Amortisation of investment properties	266	–
Miscellaneous	36,085	34,891
Total	<u>2,443,174</u>	<u>2,590,950</u>

This represents total of cost of revenue, selling expenses, administrative expenses and research and development expenses.

8 FINANCE (COSTS)/INCOME-NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income:		
– bank deposits	16,651	12,293
– foreign exchange income	14,491	–
Total finance income	<u>31,142</u>	<u>12,293</u>
Interest expenses:		
– bank borrowings	(30,061)	(3,656)
– lease liabilities	(1,158)	(2,694)
– foreign exchange losses	–	(179)
– unwinding cost of early retirement obligation	(149)	(235)
Total finance costs	<u>(31,368)</u>	<u>(6,764)</u>
Finance (costs)/income-net	<u>(226)</u>	<u>5,529</u>

9 INCOME TAX EXPENSE

The amounts of income tax expense charged to profit or loss represented:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	75,344	124,671
Deferred income tax	(16,602)	(48,814)
Income tax expense	<u>58,742</u>	<u>75,857</u>

10 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 for the year ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	226,412	362,719
Weighted average number of ordinary shares in issue in thousands	<u>1,906,819</u>	<u>1,629,000</u>
Basic earnings per share (RMB)	<u>0.12</u>	<u>0.22</u>

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential share for the year ended 31 December 2022 and 2021.

11 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables – related parties	212,869	149,573
Trade receivables – individually assessed third parties	48,434	–
Trade receivables – third parties	351,128	334,607
	<u>612,431</u>	<u>484,180</u>
Less: allowance for impairment	(30,853)	(16,675)
Trade receivables – net	<u>581,578</u>	<u>467,505</u>

Aging analysis of trade receivables at the respective balance sheet dates, based on the transaction date, are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	572,182	475,192
One year to two years	32,658	1,510
Two years to three years	508	1,375
Over three years	7,083	6,103
	<u>612,431</u>	<u>484,180</u>

12 LOAN RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Loan receivables		
– Financial leasing business	5,535,008	7,901,021
– Factoring service	932,879	715,763
	<u>6,467,887</u>	<u>8,616,784</u>
Less: Provision for impairment		
– Financial leasing business	(367,956)	(312,636)
– Factoring service	(114,534)	(119,333)
	<u>(482,490)</u>	<u>(431,969)</u>
Loan receivables – net	5,985,397	8,184,815
Less: non-current portion		
– Financial leasing business	(1,914,548)	(2,104,188)
Current portion	<u>4,070,849</u>	<u>6,080,627</u>

13 BORROWINGS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:		
Long term bank borrowings, secured	128,245	–
Long term bank borrowings, guaranteed by Shaanxi Automobile	–	67,187
Long term bank borrowings, unsecured	747,949	–
Other long term borrowings, secured	835,146	2,498,429
	<u>1,711,340</u>	<u>2,565,616</u>
Subtotal	1,711,340	2,565,616
Less:		
– Current portion of long term bank borrowings	(115,173)	(67,187)
– Current portion of other long term borrowings	(744,051)	(2,103,410)
	<u>852,116</u>	<u>395,019</u>
Total non-current portion:	852,116	395,019
Current:		
Short term bank borrowings, secured	75,906	–
Short term bank borrowings, guaranteed by Shaanxi Automobile	–	560,000
Short term bank borrowings, guaranteed by a third party	15,000	–
Short term bank borrowing, unsecured	890,522	974,813
Current portion of long term bank borrowings	115,173	67,187
Current portion of other long term borrowings	744,051	2,103,410
	<u>1,840,652</u>	<u>3,705,410</u>
Total current portion:	1,840,652	3,705,410
Total borrowings	2,692,768	4,100,429

14 BOND PAYABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Asset-backed securities	908,486	897,104
Asset-backed notes	–	42,753
	<u>908,486</u>	<u>939,857</u>
Less: maturing within 1 year	(784,025)	(836,072)
	<u>124,461</u>	<u>103,785</u>
Non-current portion of bond payables	124,461	103,785

15 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Notes payables	38,238	238,103
Trade payables – related parties	56,254	74,175
Trade payables – third parties	275,393	331,611
Other payables – loan from related parties	973,000	854,000
Other payables – advances from related parties	8,469	1,467
Other payables – interest payable to related party	836	888
Other payables – loan from a third party	50,000	–
Other payables – deposits collected from lessees of commercial vehicles	459,380	792,962
Other payables – other deposits	30,434	21,846
Other payables – others	65,998	54,223
Staff salaries and welfare payables	54,298	47,768
Termination benefits payable	1,301	3,634
Interest payable	–	2,284
Accrued taxes other than income tax	4,751	7,068
	<u>2,018,352</u>	<u>2,430,029</u>
Trade and other payables		
Less: non-current portion:		
– Other payables -deposits collected from lessees of commercial vehicles	(160,537)	(381,893)
– Termination benefits payable	(385)	(1,297)
– Other payables – loan from related parties	–	(643,000)
– Other payables – loan from a third party	(50,000)	–
	<u>(210,922)</u>	<u>(1,026,190)</u>
Total non-current portion		
	<u>1,807,430</u>	<u>1,403,839</u>
Current portion		

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	
	2022	2021
	RMB'000	RMB'000
Within one year	312,083	373,614
One year to two years	17,663	31,930
Two years to three years	1,686	24
Over three years	215	218
	<u>331,647</u>	<u>405,786</u>

16 DIVIDENDS

	Year ended 31 December	
	2022	2021
Dividends declared to equity holders of the Company	201,126	66,199
Dividends declared to the non-controlling interests	<u>1,901</u>	<u>1,792</u>
Total	<u>203,027</u>	<u>67,991</u>

Pursuant to a resolution of the shareholders' meeting of the Company on 19 May 2022, dividends of RMB201,126,000 for the year ended 31 December 2021 were declared to the then equity holders of the Company, which were fully paid on 30 June 2022.

Pursuant to a resolution of the shareholders' meeting of the Company's subsidiary Xinjiang Fargo Supply-chain Management (Group) Co., Ltd on 9 May 2022, dividends of RMB1,901,000 for the year ended 31 December 2021 were declared to the non-controlling interest of the Company, which were fully paid on 29 June 2022.

In accordance with the resolution at the Board of Directors' meeting dated 29 March 2023, the Board of Directors proposed a final dividend of RMB0.4336 (tax inclusive) for each ten shares to the shareholders in respect of the year ended 31 December 2022. The subsequently proposed dividend is not recorded as liability in the consolidated financial statements for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022, the Group's revenue was approximately RMB2,728.3 million, representing a decrease of 12.7% as compared to the corresponding period in 2021; gross profit was approximately RMB494.0 million, representing a decrease of 32.6% as compared to the corresponding period in 2021; profit before income tax was approximately RMB278.8 million, representing a decrease of 37.3% as compared to the corresponding period in 2021; and profit for the year was approximately RMB220.0 million, representing a decrease of 40.3% as compared to the corresponding period in 2021.

The following table sets forth the consolidated financial indicators of the Group for 2018-2022:

Consolidated Results

Years	2022	As of 31 December			
		2021	2020	2019	2018
		<i>(in RMB million)</i>			
Revenue	2,728.3	3,126.9	3,261.7	2,892.0	2,296.3
Gross profit	494.0	732.4	653.4	474.3	398.6
Profit before income tax	278.8	444.6	399.8	307.9	216.3
Profit for the year	220.0	368.7	318.0	241.1	165.4

Consolidated Financial Position

Years	2022	As of 31 December			
		2021	2020	2019	2018
		<i>(in RMB million)</i>			
Total assets	9,172.7	10,188.0	11,367.1	9,031.8	7,063.2
Total liabilities	5,837.1	7,738.3	9,218.1	7,339.5	5,540.8
Total equity	3,335.6	2,449.7	2,149.0	1,692.3	1,522.4

BUSINESS OVERVIEW AND OUTLOOK

BUSINESS OVERVIEW

The Group focuses on providing various value-added services, including logistics and supply chain service, supply chain financial service, IoV and data service, to players along the commercial vehicle industry chain.

In 2022, the Group recorded revenue of approximately RMB2,728.3 million, representing a year-on-year decrease of 12.7%, of which revenue from the logistics and supply chain service sector was approximately RMB1,982.7 million, representing a year-on-year decrease of 1.1%; revenue from the supply chain financial service sector was approximately RMB570.9 million, representing a year-on-year decrease of 27.2%; and revenue from the IoV and data service sector was approximately RMB174.7 million, representing a year-on-year decrease of 48.4%. The three major businesses accounted for 72.7%, 20.9% and 6.4% of the Group's total revenue, respectively.

Logistics and Supply Chain Service Sector

In 2022, our business of logistics and supply chain service mainly included commercial vehicle manufacturing supply chain business, automobile sales business and aftermarket product business. Our major customers are components suppliers, commercial vehicle manufacturers, commercial vehicle sales dealers, logistics companies and commercial vehicle end users.

In terms of supply chain service, we provide supply chain management and “integrated logistics” services in relation to commercial vehicle components. Through seamless integration with the manufacturing plan of commercial vehicle manufacturers, we streamlined redundant processes and achieved a lower logistics cost while maintaining service quality. In 2022, we provided automobile manufacturing supply chain service for the production of approximately 72.4 thousand commercial vehicles, and provided automobile logistics service in relation to approximately 53.7 thousand commercial vehicles.

Leveraging our network, we provide logistics service to independent customers such as raw material suppliers, resources companies and express courier service providers. In order to further expand our industry advantages in third party logistics service, we continued to diversify our customer base while exploring business opportunities with more independent customers through the expansion and development of our third party logistics service in relation to raw materials (such as coal and ore), commodities and express couriers. In 2022, the revenue from our third party logistics service was approximately RMB1,162.3 million.

In terms of automobile sales business, in 2022, our automobile sales and other businesses have been greatly affected as a result of the development of COVID-19 pandemic in China. We realised a sale of 1,461 commercial vehicles and recorded a revenue of approximately RMB212.9 million in 2022. We believe that such lowered market demand for commercial vehicles 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 based on the market conditions and the respective sales regions in the PRC to actively reduce such inventories subsequently.

In terms of aftermarket product business, we engaged in aftermarket product business that mainly covered the sales of (i) tyres, (ii) lubricants, and (iii) other commercial vehicle-related products, such as carbamide and components. In 2022, these businesses achieved a revenue of RMB80.1 million in total.

Supply Chain Financial Service Sector

Our supply chain financial service sector mainly comprises of financial leasing business and factoring business.

We engage in financial leasing business through our wholly-owned subsidiary Deewin Financial Leasing. We specialise in providing sale and leaseback service to our customers. In 2022, newly invested funds reached RMB4,085.5 million, and the number of newly cumulative effective finance lease agreements is 3,301. We have served a total of 2,896 customers for 6,959 leased commercial vehicles through our network of quality commercial vehicle sales dealers in the PRC.

We conduct our factoring business through our wholly-owned subsidiary Deewin Factoring. In 2022, newly invested funds reached RMB2,648.3 million.

We have further expanded our sources of funding through diversified funding channels. In 2022, Deewin Financial Leasing issued 3 batch of asset-backed securities (ABS), with an aggregate principal amount of RMB1,500 million.

IoV and Data Service Sector

We conduct our IoV and data service business through our wholly-owned subsidiary Tianxingjian. As at 31 December 2022, the number of heavy commercial vehicles registered with our IoV platform was approximately 994.9 thousand.

Our IoV system has maintained its strong integration and data collection capabilities and broad range of application scenarios. As at 31 December 2022, the intellectual property rights owned by Tianxingjian included 15 patents and 82 copyrights, and Tianxingjian was in the process of applying for 21 patents.

In addition, based on our advantages in the platform scale and data collection, we have developed several application scenarios, including (i) automobile financial leasing IoV solutions, (ii) Beidou System landing access solutions, (iii) big data solutions, (iv) dump truck supervision solutions, (v) environmental protection supervision solutions, and (vi) transportation fleet management solutions. The large number of automobiles covered by the above application scenarios enables us to be one of the top players among IoV applications of the same kind in China.

BUSINESS OUTLOOK

2023 is the first year to fully implement the guiding principles of the 20th CPC National Congress, and a crucial year for continuing to implement “the 14th Five-Year” Plan of the Company as well. The market is recovering with the adjustment to the pandemic prevention policies. Therefore, we will maintain firm strategic resolve, enhance the core competitiveness, strengthen the integration and synergy of various sectors, expand the external market business, accelerate the effective investment of the funds raised, speed up the presence in new energy industries, create new models and new business forms, and expedite the development of the cloud control platform for automatic driving, thereby forming a new advantage of comprehensive service. To make it happen, we have formulated the working guideline of “pursuing goal-driven, intensifying integration and synergy, seeking change while preserving practicability, and increasing efficiency and effectiveness”. In the new year, we will focus on the following tasks:

(I) Pursuing goal-driven and improving the integrated service capacity of the industry chain

We will take the opportunity of project construction and focus on three major business sectors, namely the logistics and supply chain service sector, the supply chain financial service sector and the IoV and data service sector, to accelerate the CLGG Platform construction, ETC development and promotion, new energy business and other key projects. This will also improve the construction of online platform and offline service network, enhance the quality and intensity of online product research and development, increase the online and offline integration, and shape the core service advantages of the enterprise.

(II) Intensifying integration and synergy and tapping fully into the potential of existing and emerging markets

Logistics and supply chain service sector: We will accelerate the construction of intelligent logistics, continue to push forward the development of market-oriented warehousing, distribution, and transportation business, expand the shared packaging business, and try to expand the portfolio with the cooperation mode of “trade + logistics”. We will further facilitate the business of the “integrated logistics capacity service model”, target core enterprise customers such as express delivery and trunk transportation, bulk logistics, and urban distribution, and promote the implementation of regionalised logistics business; we will also actively explore business cooperation opportunities in the field of new energy and build comprehensive service capacity in the new energy aftermarket.

Supply chain financial service sector: We will strengthen channel deployment and promotion, utilize the high viscosity drive of financial instruments, improve quality and efficiency in supply chain business and logistics capacity building by collaborating with the logistics and supply chain service sector, and carry out business model innovation of new energy vehicles.

IoV and data service sector: We will accelerate the exploration and implementation of new external business and expand new scenarios of data application; at the same time, through the restructuring and upgrading of existing businesses such as the Automobile Loan Pass, OTA and dump trucks, we will consolidate and expand the market scale, explore the closed-loop service model for the insurance and financial industries, give full play to the advantages of data assets, and build new business models.

(III) Seeking change while preserving practicability and strengthening risk prevention consciousness

We will further promote the integrated application of technological and information measures in business and financial fields, and vigorously carry out business innovation, scene innovation, model innovation, technology innovation and service innovation in the commercial vehicle aftermarket, so as to gradually realize the transformation of the enterprise from scale-benefited to quality-benefited. We will further enhance the risk prevention consciousness, continue to improve the compliance risk control system, and enhance the ability of systemic risk resolution.

(IV) Focusing on operation control and continuously increasing efficiency and effectiveness

We will further strengthen inter-departmental coordination and information sharing and increase industry policy research and situation study to develop effective response strategies. We will pay attention to the ratio of account receivables and inventories as well as the debt-to-asset ratio to ensure that the scale of financial liabilities matches the production and operation situation. We will improve the regularity and effectiveness of the Company’s operation to strengthen foundational management. We will establish a talent selection and employment mechanism that adapts to high-intensity market competition and continue to build a market-based incentive and restraint mechanism to realize the organic unification of responsibilities and rights.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis are based on the Group's consolidated financial statements and notes thereto prepared in accordance with the IFRSs and are designed to assist readers in further understanding the data provided in this report so as to better understand the financial position and operating results of the Group as a whole.

REVENUE

The Group's 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.

The revenue of the Group decreased by 12.7% to RMB2,728.3 million for the year ended 31 December 2022 from RMB3,126.9 million for the corresponding period of 2021.

The following table sets forth a breakdown of revenue by business sectors in absolute amounts and as percentages to the total revenue for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(in thousands of RMB, except for percentages)</i>			
Logistics and supply chain service sector	1,982,682	72.7	2,004,585	64.1
– Sales of goods	293,066	10.8	526,154	16.8
– Logistics and warehousing service	1,686,579	61.8	1,459,858	46.7
– Others <i>Note (1)</i>	3,037	0.1	18,573	0.6
Supply chain financial service sector	570,879	20.9	783,953	25.1
– Interest income from financial leasing business	489,880	18.0	747,793	23.9
– Interest income from factoring services	80,394	2.9	35,221	1.2
– Others <i>Note (2)</i>	605	0.0	939	0.0
IoV and data service sector	174,737	6.4	338,312	10.8
– Sales of goods	72,210	2.6	229,498	7.3
– IoV and data service	102,527	3.8	108,814	3.5
Total	2,728,298	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.
- (2) Other revenue from the supply chain financing services sector is derived from the provision of satellite positioning devices and related installation services to commercial vehicle brands other than Shaanxi Holding Group, which facilitates our provision of finance leasing services. The revenue of these business decreased by approximately 33.3% from RMB0.9 million for the year ended 31 December 2021 to RMB0.6 million for the year ended 31 December 2022, which was mainly due to the decrease in leasing volume during the Reporting Period as compared with the same period of last year and the corresponding decrease in revenue from GPS positioning services.

Logistics and supply chain service sector

Revenue for the Group mainly arises from logistics and supply chain service sector for the year ended 31 December 2022. Such revenue primarily derived from (i) sales of commercial vehicles 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. Revenue from the logistics and supply chain services sector decreased by approximately 1.1% from RMB2,004.6 million for the year ended 31 December 2021 to RMB1,982.7 million for the year ended 31 December 2022, which mainly due to (i) the decrease in revenue from sales of goods of this sector by approximately 44.3% from RMB526.2 million for the year ended 31 December 2021 to RMB293.1 million for the year ended 31 December 2022 as a result of the pandemic; (ii) the increase in revenue from logistics and warehousing services by approximately 15.5% from RMB1,459.9 million for the year ended 31 December 2021 to RMB1,686.6 million for the year ended 31 December 2022 as a result of our further expansion of third-party logistics services during the Reporting Period.

Supply chain financial service sector

Supply chain financial service sector was our second largest source of revenue for the year ended 31 December 2022. It represented the 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) others, such as provision of satellite positioning device and the related installation service under our financial leasing service. Revenue from the supply chain financial service sector decreased by approximately 27.2% from RMB784.0 million for the year ended 31 December 2021 to RMB570.9 million for the year ended 31 December 2022, primarily due to the production and sales volume of commercial vehicle manufacturers in 2022 dropped significantly as a result of the impact of the pandemic, which led to a decrease in the lease volume of the Group's finance lease business, resulting in a decrease in interest income from finance lease business.

IoV and data service sector

The revenue of IoV and data services was generated from (i) sales of intelligent IoV products, and (ii) provision of IoV solutions and data services. Revenue from the IoV and data service sector decreased by approximately 48.4% from RMB338.3 million for the year ended 31 December 2021 to RMB174.7 million for the year ended 31 December 2022, primarily due to the decrease in revenue from sales of IoV products as compared with the same period of last year as a result of the impact of the pandemic.

COST OF REVENUE

The cost of revenue for the Group primarily consisted of (i) for our logistics and supply chain service sector, procurement costs of commercial vehicles, 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 the cost of revenue by business sectors in absolute amounts and as percentages to the total revenue for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(in thousands of RMB, except for percentages)</i>			
Logistics and supply chain service sector	1,892,851	69.4	1,838,344	58.8
– Sales of goods	289,604	10.6	509,064	16.3
– Logistics and warehousing service	1,602,013	58.8	1,323,728	42.3
– Others	1,234	0.0	5,552	0.2
Supply chain financial service sector	264,491	9.7	358,808	11.5
– Interest income from financial leasing business	227,273	8.4	343,093	11.0
– Interest income from factoring services	36,736	1.3	14,976	0.5
– Others	482	0.0	739	0.0
IoV and data service sector	76,914	2.8	197,289	6.3
– Sales of goods	55,825	2.0	170,098	5.4
– IoV and data service	21,089	0.8	27,191	0.9
Total	<u>2,234,256</u>	<u>81.9</u>	<u>2,394,441</u>	<u>76.6</u>

The following table sets forth a breakdown of the cost of revenue by nature in absolute amounts and as percentages to the total revenue for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(in thousands of RMB, except for percentages)</i>			
Transportation expenses	1,387,936	50.9	1,077,715	34.5
Funding cost	253,107	9.3	351,072	11.2
Purchase cost of commercial vehicles	208,121	7.6	423,283	13.5
Raw material consumed	139,219	5.1	264,955	8.5
Employee benefit expenses	111,794	4.1	127,301	4.1
Outsourced labour costs	38,928	1.4	52,039	1.7
Amortisation of right-of-use asset	22,902	0.8	23,904	0.8
Network traffic costs	18,724	0.7	23,104	0.7
Lease expenses	14,077	0.5	15,323	0.5
Depreciation of properties, plant and equipment	9,664	0.4	9,456	0.3
Others	29,784	1.1	26,289	0.8
Total	<u>2,234,256</u>	<u>81.9</u>	<u>2,394,441</u>	<u>76.6</u>

Cost of revenue for the Group decreased by approximately 6.7% from RMB2,394.4 million for the year ended 31 December 2021 to RMB2,234.3 million for the year ended 31 December 2022, mainly due to the decrease in revenue and cost of each sector during the Reporting Period as a result of the pandemic.

For the year ended 31 December 2022, the cost of our logistics and supply chain services sector increased by 3.0% in 2021, which was relatively higher than the decrease in revenue of this sector by 1.1% during the same period, mainly due to the adjustment of business structure and the proportion of revenue from logistics and storage services increased during the Reporting Period, resulting in the increase in the cost of this sector being greater than the increase in revenue.

For the year ended 31 December 2022, the cost of our supply chain financial service sector decreased by 26.3% in 2021, generally in line with the decrease of 27.2% in the sector's revenue for the same period.

For the year ended 31 December 2022, the cost of our IoV and Data Services sector decreased by 61.0% as compared to 2021, representing a relatively higher decrease as compared to the 48.4% decrease in revenue of this sector for the same period. This was mainly due to the change in revenue structure, the relatively large decrease in revenue from sales of goods, the relatively large decrease in cost, and the proportion of revenue from IoV and Data Services increased during the Reporting Period. The proportion of cost of this segment was relatively small.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth a breakdown of the gross profit and gross profit margin by business segments for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in thousands of RMB and % for gross profit margin)</i>			
Logistics and supply chain service sector	89,831	4.5	166,241	8.3
– Sales of goods	3,462	1.2	17,090	3.2
– Logistics and warehousing service	84,566	5.0	136,130	9.3
– Others	1,803	59.4	13,021	70.1
Supply chain financial service sector	306,388	53.7	425,145	54.2
– Interest income from financial leasing business	262,607	53.6	404,700	54.1
– Interest income from factoring services	43,658	54.3	20,245	57.5
– Others	123	20.3	200	21.3
IoV and data service sector	97,823	56.0	141,023	41.7
– Sales of goods	16,385	22.7	59,400	25.9
– IoV and data service	81,438	79.4	81,623	75.0
Total	494,042	18.1	732,409	23.4

The Group's gross profit decreased by 32.5% from RMB732.4 million for the year ended 31 December 2021 to RMB494.0 million for the year ended 31 December 2022. Gross profit margin is calculated by dividing gross profit by revenue. The Group's gross profit margin decreased from 23.4% for the year ended 31 December 2021 to 18.1% for the year ended 31 December 2022, which was mainly due to the change in revenue structure during the Reporting Period. The proportion of revenue from the logistics and supply chain services sector increased from 64.1% in 2021 to 72.7% in 2022, the lower gross profit margin of which led to a decrease in the overall gross profit margin.

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 the total selling expenses for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(in thousands of RMB, except for percentages)</i>			
Employee benefits expenses	34,723	75.5	27,290	71.4
Travelling costs	5,424	11.8	5,616	14.7
Business entertainment expenses	906	2.0	1,241	3.2
Advertising expenses	527	1.1	1,530	4.0
Aftersales maintenance expenses	–	0.0	61	0.2
Others	4,394	9.6	2,494	6.5
Total	45,974	100.0	38,232	100.0

Our selling expenses increased by approximately 20.3% from RMB38.2 million for the year ended 31 December 2021 to RMB46.0 million for the year ended 31 December 2022. The increase was mainly due to the increase in sales personnel, the increase in employee benefit expenses and the increase in market development expenses during the Reporting Period as compared with 2021.

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 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 the total administrative expenses for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB'000, except for percentages)</i>			
Employee benefit expenses	73,133	60.2	74,434	58.3
Advisory fees	7,441	6.1	4,777	3.7
Office rental	6,403	5.3	7,553	5.9
Depreciation of property, plant and equipment	3,627	3.0	2,769	2.2
Business entertainment expenses	2,340	1.9	3,175	2.5
Amortisation of intangible assets	1,894	1.6	2,397	1.9
Conference expenses	387	0.3	514	0.4
Others	26,243	21.6	32,125	25.1
Total	121,468	100.0	127,744	100.0

Administrative expenses decreased by approximately 4.9% from RMB127.7 million for the year ended 31 December 2021 to RMB121.5 million for the year ended 31 December 2022. The decrease was mainly due to (i) the decrease in related expenses such as business entertainment expenses, travel expenses and conference expenses during the Reporting Period by approximately RMB2.0 million as compared with the corresponding period of 2021 due to the impact of the pandemic; and (ii) tax and surcharges decreased by approximately RMB3.4 million due to the decrease in revenue.

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 the total research and development expenses for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB'000, except for percentages)</i>			
Employee benefit expenses	24,956	60.2	17,138	56.1
Technical service fees	5,725	13.8	1,841	6.0
Office rental	5,657	13.6	5,331	17.5
Depreciation of property, plant and equipment	4,286	10.3	2,451	8.0
Others	852	2.1	3,772	12.4
Total	41,476	100.0	30,533	100.0

Research and development expenses increased by approximately 36.1% from RMB30.5 million for the year ended 31 December 2021 to RMB41.5 million for the year ended 31 December 2022. The increase was primarily due to the increase in the development of the internal application platform by IoV and data services sector during the Reporting Period.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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 year ended 31 December 2021 and 2022. The 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, the 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, the Group considers macroeconomic factors including gross domestic products, aggregate finance, industrial add value, producer price index, consumer price index, fixed asset investment, RMB Loan, M2 and purchasing manager's index.

Net impairment losses on financial assets decreased by approximately 46.1% from RMB146.2 million for the year ended 31 December 2021 to RMB78.8 million for the year ended 31 December 2022. The decrease was mainly due to the decrease in the income scale and the lower increase in receivables during the Reporting Period, and the Company's decrease in the scale of financial assets investment in 2022 in order to manage the risks and the expected decreased credit loss.

OTHER INCOME

Other income increased by approximately 52.7% from RMB45.0 million for the year ended 31 December 2021 to RMB68.7 million for the year ended 31 December 2022, which was mainly due to the increase in government listing subsidies of RMB 20.7 million and the increase of approximately RMB 6.4 million in immediately refunded value-added tax, tax credit rebate and tax refund received as compared to the previous year during the Reporting Period.

OTHER LOSSES – NET

Other losses – net consist of (i) bills receivable discount expenses; (ii) gains or losses on disposal of property, plant and equipment, and (iii) others (primarily including default interest income and liquidated damages).

Other losses – net decreased by approximately 12.5% from RMB0.8 million for the year ended 31 December 2021 to RMB0.7 million for the year ended 31 December 2022. The increase was mainly due to the decrease in business penalty charged by our customers in the logistics and supply chain services business during the Reporting Period.

FINANCE (COSTS)/INCOME – NET

Finance income primarily derived from the interest income of our bank deposits and exchange gains or losses arising from settlement of foreign exchange during the year. Finance 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.

The following table sets forth a breakdown of the components of net finance (costs)/income in absolute amounts and as percentages of total net finance costs/income for the periods indicated:

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB'000, except for percentages)</i>			
Finance income	31,142	(13,779.6)	12,293	222.3
Finance costs	<u>(31,368)</u>	<u>13,879.6</u>	<u>(6,764)</u>	<u>(122.3)</u>
Net	<u>(226)</u>	<u>100.0</u>	<u>5,529</u>	<u>100.0</u>

We recorded finance income of RMB5.5 million and net finance costs of RMB0.2 million for the years ended 31 December 2021 and 2022, respectively, which represented the combined effect of our finance income and finance costs for the years indicated.

PROFIT BEFORE INCOME TAX

Profit before income tax decreased by 37.3% from RMB444.6 million for the year ended 31 December 2021 to RMB278.8 million for the year ended 31 December 2022. The decrease was mainly due to the combined effect of the pandemic, the downward trend of the industry and other adverse factors during the Reporting Period, resulting in a significant decrease in revenue from supply chain financial service sector and IoV and data service sector as compared with the corresponding period in 2021, and the decrease in gross profit margin of the logistics and warehousing service.

INCOME TAX EXPENSE

Our income tax expense was approximately RMB58.7 million for the year ended 31 December 2022, as compared to RMB75.9 million for the year ended 31 December 2021. The decrease was due to the decrease in profit before tax during the Reporting Period.

PROFIT FOR THE YEAR

Our profit for the year ended 31 December 2022 was approximately RMB220.0 million, as compared to RMB368.7 million for the year ended 31 December 2021. Net profit margin for the year ended 31 December 2022 was 8.1%, as compared to 11.8% for the year ended 31 December 2021. The decrease was mainly due to (i) the combined effect of the pandemic, the downward trend of the industry and other adverse factors, resulting in a higher decrease in revenue than fixed costs as compared with the same period in 2021 during the Reporting Period; and (ii) during the Reporting Period, the decrease in overall gross profit margin of the Company as a result of the change in revenue structure.

LIQUIDITY AND CAPITAL RESOURCES

Current Assets and Current Liabilities

As at 31 December 2022, the Group's net current assets amounted to approximately RMB2,307.9 million, representing an increase of approximately 53.5% from RMB1,504.0 million as at 31 December 2021. The Group recorded net current assets as at the above dates mainly due to the decrease in current liabilities by RMB1,555.2 million as compared to the end of 2021.

The Group's current assets decreased by RMB751.3 million from approximately RMB7,649.2 million as at 31 December 2021 to approximately RMB6,897.9 million as at 31 December 2022. Such decrease in current assets was mainly due to the decrease in inventories and long-term receivables due within one year.

The Group's current liabilities decreased by RMB1,555.2 million from approximately RMB6,145.2 million as at 31 December 2021 to approximately RMB4,590.0 million as at 31 December 2022. Such decrease in current liabilities was mainly due to the decrease in the volume of each business sector in 2022 and the decrease in borrowings due within one year, notes payable, accounts payable, and taxes payable as compared to the end of 2021.

Other Receivables

Other receivables increased by approximately RMB139.1 million from RMB276.6 million for the year ended 31 December 2021 to RMB415.7 million for the year ended 31 December 2022. The increase was mainly due to the increase in lease deposits transferred due within one year.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income decreased by approximately RMB276.7 million from RMB367.0 million for the year ended 31 December 2021 to RMB90.3 million for the year ended 31 December 2022. The decrease was mainly due to the decrease in income scale, the payment from customers and the number of new bills in hand during the Reporting Period.

Loan Receivables

Loan receivables decreased by approximately RMB2,199.4 million from RMB8,184.8 million for the year ended 31 December 2021 to RMB5,985.4 million for the year ended 31 December 2022. The decrease was mainly due to: (i) the decrease in receivable of the financial leasing business of RMB2,421.3 million as compared with 31 December 2021, as the market demand for heavy commercial vehicles decreased due to the impact of the pandemic during the Reporting Period, resulting in a decrease in the invested funds in the financial leasing business in supply chain financial services business sector, a decrease in the scale of financial leasing and a decrease in long-term receivables; and (ii) the increase in receivables of the factoring business of approximately RMB221.9 million as compared with that of 31 December 2021, which was mainly due to the increase in the invested funds in factoring business in supply chain financial services sector in 2022 as a result of the expansion of external business during the Reporting Period.

Inventories

Inventories decreased by approximately RMB70.3 million from RMB183.5 million for the year ended 31 December 2021 to RMB113.2 million for the year ended 31 December 2022. The decrease was mainly due to the stock cars was significantly reduced while the purchase volume decreased during the Reporting Period.

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 periods indicated:

	Year ended 31 December 2022	Year ended 31 December 2021
Average turnover days of inventories of the logistics and supply chain service sector ^{Note (1)}	187.4	44.6
Average turnover days of inventories of the IoV and data service sector ^{Note (2)}	23.8	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 period.
- (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 period.

Average turnover days of inventories of the logistics and supply chain service sector in 2021 and the year ended 31 December 2022 were 44.6 days and 187.4 days, respectively, which was mainly due to the longer average inventory turnover days as a result of the slow reduction of stock cars.

Average turnover days of inventories of the IoV and data service sector in 2021 and year ended 31 December 2022 were 17.7 days and 23.8 days, respectively, mainly due to longer average turnover days of inventories resulting from significant decrease in sales volume during the Reporting Period.

Trade Receivables

Trade receivables increased by approximately RMB114.1 million from RMB467.5 million as at 31 December 2021 to RMB581.6 million as at 31 December 2022. The increase was mainly due to the increase in the revenue from our third party logistics business in the logistics and supply chain service sector, resulting in the increase in accounts receivable in the Reporting Period.

The following table sets forth the average turnover days of our trade receivables for the periods indicated:

	Year ended 31 December 2022	Year ended 31 December 2021
Average turnover days of trade receivables ^{Note (1)}	92.8	77.8

Note:

- (1) Average turnover days of trade receivables equal to the average of the opening and closing trade receivables divided by revenue generated during the year (other than revenue generated from our supply chain financial service sector) and multiplied by the number of days contained in that period.

In 2021 and the year ended 31 December 2022, the average turnover days of trade receivables were 77.8 days and 92.8 days, respectively. The increase in turnover days was mainly due to the slow collection from customers as affected by the industry downturn, resulting the increase in the turnover days of trade receivables during the Reporting Period.

Trade and Other Payables

Trade and other payables decreased by approximately RMB411.6 million from RMB2,430.0 million for the year ended 31 December 2021 to RMB2,018.4 million for the years ended 31 December 2022. The decrease was mainly due to (i) the portion due within one year increased by approximately RMB403.6 million compared to 31 December 2021, mainly due to the increase of approximately RMB762.0 million in loan from related parties due within one year compared to 31 December 2021 and the decrease of approximately RMB358.4 million in notes payable, accounts payable and others compared to 31 December 2021; (ii) the long-term portion decreased by RMB815.3 million compared to 31 December 2021, mainly due to the decrease of approximately RMB221.4 million in the financial leasing deposit from supply chain financial service sector compared to 31 December 2021 and the decrease by approximately RMB643.0 million compared to 31 December 2021 due to the reclassification of long-term borrowings from related parties to within one year according to the repayment schedule.

The following table sets forth the average turnover days of our trade payables for the periods indicated:

	Year ended 31 December 2022	Year ended 31 December 2021
Average turnover days of trade payables ^{Note (1)}	60.2	85.4

In 2021 and the year ended 31 December 2022, the average turnover days of trade payables were 85.4 days and 60.2 days, respectively, primarily due to changes in revenue structure of logistics and supply chain service sector during the Reporting Period, shorter transportation settlement period from third party logistics, causing short average turnover days of trade payables.

Liquidity and Capital Resources

We have financed our operations primarily through cash generated from our operating activities, capital contribution from our Shareholders, bank borrowings, loan from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions. As at 31 December 2021 and as at 31 December 2022, we had cash and cash equivalents of RMB213.3 million and RMB1,149.0 million, respectively.

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

	Year ended 31 December 2022	Year ended 31 December 2021
Operating profit before changes in working capital	412,399	628,422
Changes in working capital:		
– Restricted cash at banks	68,658	382,636
– Financial assets at fair value through other comprehensive income	30,151	153,294
– Notes receivables	(319,084)	–
– Trade receivables	(128,251)	29,821
– Loan receivables	2,148,897	900,332
– Other receivables	(153,180)	(198,401)
– Prepayments	(90,153)	(21,420)
– Inventories	67,562	(105,684)
– Trade and other payables	(545,033)	(4,509,187)
– Contract liabilities	(10,485)	15,003
– Borrowings	(1,530,315)	2,350,545
– Provisions for maintenance cost	(268)	(843)
Changes in working capital	(461,501)	(1,003,904)
Cash flow from operating activities		
Cash used in operations	(49,102)	(375,482)
Interests received	16,651	12,293
Income tax paid	(110,273)	(107,565)
Net cash used in operating activities	(142,724)	(470,754)
Net cash used in investing activities	(32,057)	(19,347)
Net cash generated from financing activities	1,110,409	506,525

Net Cash Used in 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 vehicles, 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 2022, net cash used in operating activities was RMB142.7 million, representing a decrease of RMB328.0 million compared to the same period in 2021, which primarily reflected the decrease in the scale of investment in financial leasing business during the Reporting Period and the net rental amount recovered from and invested funds in the leasing business decreased as compared to the same period of the last year.

Net Cash 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 made for wealth management products and property, plant and equipment and intangible assets.

For the year ended 31 December 2022, net cash used in investing activities was RMB32.1 million, with an increase of RMB12.7 million compared with the same period in 2021, mainly due to the increase in investment in the purchase and construction of logistics equipment in the logistics and supply chain services sector during the Reporting Period compared with the corresponding period of 2021.

Net Cash Generated from Financing Activities

Our cash generated from financing activities primarily represented the proceeds we received from bank borrowings and bond issuance. 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 and repayment of lease liabilities.

For the year ended 31 December 2022, the net cash generated from financing activities was RMB1,110.4 million, representing an increase of RMB603.9 million compared to the same period in 2021, which primarily reflected the combined effects of (i) RMB920.4 million of funds raised from listing were received during the Reporting Period; (ii) the amount of borrowings obtained, loan from related parties, loan from a third party and bond increased by RMB849.9 million compared to the same period of last year, (iii) the amount of repayment of borrowings, loan from related parties, loan from a third party and bond payment increased by RMB1,007.5 million compared with the same period of last year, and (iv) the payment of dividends and interest increased by RMB161.4 million compared to the same period of last year.

Capital Expenditure

For the year ended 31 December 2022, the Group's capital expenditures amounted a total of RMB65.2 million, of which investments in property, plant and equipment was RMB24.7 million in total. The capital expenditure investments in intangible assets and right-of-use assets amounted to RMB15.3 million and RMB25.2 million, respectively.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December 2022	Year ended 31 December 2021
Property, plant and equipment	24,663	13,146
Intangible assets	15,322	11,720
Right-of-use assets	25,217	57,527
Total	65,202	82,393

INDEBTEDNESS

Bank Borrowings

Our bank borrowings increased by 16.0% from RMB1,602.0 million as at 31 December 2021 to RMB1,857.6 million as at 31 December 2022, mainly due to the adjustment of the financing structure during the Reporting Period and the increase in proportion of bank borrowings.

Loan from Related Parties

Our loan from related parties increased by 13.9% from RMB854.0 million as at 31 December 2021 to RMB973.0 million as at 31 December 2022, mainly due to the increase of RMB119.0 million in loans payable to Shaanxi Automobile in 2022.

Loan from a Third Party

Our loan from a third party increased from Nil as at 31 December 2021 to RMB50.0 million as at 31 December 2022, mainly due to the increase in entrusted borrowings of RMB50.0 million provided by Xi'an Anti Epidemic Recovery and Development Fund Partnership in 2022.

Asset-Backed Notes/Securities

Our asset-backed notes/securities decreased by 3.3% from RMB939.9 million as at 31 December 2021 to RMB908.5 million as at 31 December 2022, primarily due to the fact that the amount of asset-backed securities (ABS) due for repayment during the Reporting Period was greater than the amount of the newly issued ABS during the Reporting Period.

Other Borrowings

Our other borrowings obtained from other financial institutions decreased by 66.6% from RMB2,498.4 million as at 31 December 2021 to RMB835.1 million as at 31 December 2022, mainly due to the adjustment of financing structure and the increase in the proportion of bank borrowings and a decrease in proportion of other borrowings obtained from other financial institutions during the Reporting Period.

Notes Payable

Our notes payable decreased by 84.0% from RMB238.1 million as at 31 December 2021 to RMB38.2 million as at 31 December 2022, primarily due to the maturity of notes payable issued previously, causing the decrease in billing amount of notes payable during the Reporting Period.

The maturity date of financial liabilities is as follows:

31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years (RMB'000)	Over 5 years	Total
Trade and other payables	1,771,982	153,556	61,359	–	1,986,897
Lease liabilities	20,275	16,520	6,201	1,434	44,430
Borrowings	1,918,422	868,021	–	–	2,786,443
Bond payables	797,734	125,939	–	–	923,673
	<u>4,508,413</u>	<u>1,164,036</u>	<u>67,560</u>	<u>1,434</u>	<u>5,741,443</u>

The following table sets forth our weighted average effective interest rates of bank borrowings, loan from related parties, loan from a third party, asset-backed securities and other borrowings obtained from other financial institutions as at the dates indicated:

Items	Weighted average interest rate
Bank borrowings	3.80%
Loan from related parties	3.21%
Loan from a third party	3.00%
Asset-backed securities	3.29%
Borrowings from other financial institutions	<u>4.65%</u>

Lease Liabilities

Our lease liabilities represent the lease of office buildings and facilities for our logistics and warehousing services. Our lease liabilities amounted to RMB48.1 million and RMB41.7 million, respectively, as at 31 December 2021 and 31 December 2022. The lease term of our lease of buildings and facilities ranges from one year to ten years.

Contingent Liabilities

As at 31 December 2022, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

As at 31 December 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 31 December 2022 and up to the Latest Practicable Date.

Gearing Ratio

The Group's gearing ratio decreased from 69.7% as at 31 December 2021 to 51.2% as at 31 December 2022. This was mainly due to the decrease in the demand for borrowings as a result of the initial overseas listing in 2022, resulting in a decrease of RMB1,407.7 million in borrowings as compared to 2021, and an increase of RMB935.6 million in cash and cash equivalents as compared to 2021, leading to a decrease in the leverage ratio.

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.

Market Risk

Our market risk primarily includes 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 2022, if interest rates on our cash and cash equivalents, restricted cash at bank, trade and other payables 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 RMB1,088.0 thousand lower/higher, 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 guarantee 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 but do not perform credit impairment; and (iii) stage 3 is “financial instrument is credit-impaired”, at which we need to measure lifetime expected credit loss and perform credit impairment.

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.

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, based on 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”, “loan from related parties”, “loan from a third party” 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.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 31 December 2022, the Group had a total of 1,722 employees. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The remuneration of the Group’s employees includes salaries and allowances. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance.

The Group also emphasises employee trainings and career development, and invest in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry.

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not held any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company, the Group did not have any existing plan to acquire other material investments or capital assets.

Compliance with Corporate Governance

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders and enhance its value and accountability. The Company has adopted and applied principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The Group will continue to review and monitor its corporate governance practices in order to ensure the ongoing compliance with the Corporate Governance Code.

Purchase, Sale and Redemption of Shares

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

There were no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance Matters during the Reporting Period

As at the date of this announcement, the Company has no corporate governance matters required to be disclosed under the Listing Rules.

Events after the Reporting Period

There were no material events affecting the Group has occurred since the end of the Reporting Period and up to the date of this announcement.

For the dividends paid by the Company for the year ended 31 December 2021, please refer to section 16 of the notes to the financial information in this announcement. The Board recommended the payment of a final dividend of RMB0.4336 (tax inclusive) per ten shares for the year ended 31 December 2022 (the “**Proposed 2022 Final Dividend**”), subject to the approval of the Shareholders at the 2022 annual general meeting to be held on Tuesday, 30 May 2023. Such Proposed 2022 Final Dividend will be payable on Friday, 25 August 2023 or an earlier date to the Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023.

For the purpose of ascertaining the Shareholders’ entitlement to the Proposed 2022 Final Dividend, the Registers of Members will be closed from Monday, 5 June 2023 to Monday, 12 June 2023, both days inclusive. In order to establish entitlements to the Proposed 2022 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 2 June 2023.

Use of Proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on 15 July 2022. The Over-allotment Option described in the Prospectus has been partially exercised by the Company in respect of 64,042,500 H Shares, representing approximately 11.79% of the total number of the H Shares initially available under the Global Offering before any exercise of the Over-allotment Option. Finally, the total number of H shares under the Global Offering of the Company was 607,042,500 shares.

The total net proceeds from the issuance of H shares of the Company upon its listing on the Stock Exchange amounted to HK\$1,011.0 million, among which, including the net proceeds of HK\$895.8 million from the initial issuance of H shares on 15 July 2022 and the net proceeds of HK\$115.2 million from the over-allotment of H shares on 12 August 2022.

As of 31 December 2022, the Company used RMB98.7 million of the proceeds raised from H Shares during the year, and the cumulative total utilized proceeds raised from H Shares amounted to RMB98.7 million, and the balance of the unutilized proceeds raised from H Shares amounted to RMB770.1 million. As at the date of this report, the unutilized net proceeds have been deposited in licenced banks in the PRC and will continue to be used in accordance with the purposes set out in the Prospectus, which is expected to be fully utilized by 31 December 2026. The table below sets out the planned applications of the net proceeds and actual usage as of 31 December 2022:

	Budget (HKD/million)	Actual net proceeds received HKD/million	RMB/million	Utilized amounts accumulated as at 31 December 2022 in aggregate (RMB/million)	Unutilized amounts as at 31 December 2022 (RMB/million)	Expected timetable for the unutilized net proceeds
Offline business development						
- establishment of an offline digital warehousing and distribution network, as well as a repair service network targeting at commercial vehicle aftermarket	377.7	379.1	325.8	1.8	324.0	by the end of 2026
Online business development						
- ongoing establishment of online service platform for commercial vehicle aftermarket (being CLGG Online Platform)	226.6	227.5	195.5	2.1	193.4	by the end of 2025
Enhance the core technology capabilities and data service capabilities of IoV and data service sector	302.2	303.3	260.6	7.9	252.7	by the end of 2026
Replenishment of general working capital	100.7	101.1	86.9	86.9	-	fully utilized in 2022
Total	1,007.2	1,011.0	868.8	98.7	770.1	

Note: We engaged PricewaterhouseCoopers Zhong Tian LLP to verify the increase in registered capital and share capital of the Company as of 12 August 2022 due to the proceeds raised from the initial issuance of overseas-listed foreign shares (H Shares) and over-allotment of H Shares to domestic/foreign investors, and issued the Capital Verification Report (PwC Zhong Tian Yan Zi (2022) No. 0794) on 28 November 2022.

As at the date of this announcement, the unutilized net proceeds were deposited in licensed banks in the PRC and will continue to be used in accordance with the purposes set out in the Prospectus and are expected to be used up by 31 December 2026.

Model Code for Securities Transactions

The Company has adopted and formulated a code of conduct on terms no less stringent than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code and the Company's code of conduct throughout the Reporting Period.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

Audit Committee

The Audit Committee consists of three INEDs, namely Mr. Ip Wing Wai, Mr. Yu Qiang and Mr. Li Gang with terms of reference in compliance with the Listing Rules. The chairperson of the Audit Committee is Mr. Ip Wing Wai.

Review of the Annual Results

The Audit Committee has reviewed the annual results announcement of the Company for the year ended 31 December 2022 and has submitted it to the Board for approval. Members of the Audit Committee were of the opinion that the financial statements, the results announcement and this annual report had been prepared in compliance with the applicable accounting standards and the Listing Rules and that adequate disclosures had been made.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the announcement.

Publication of Annul Report

The annual report for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.deewintx.com) in due course.

By order of the Board of Director
Deewin Tianxia Co., Ltd
德銀天下股份有限公司
Guo Wancai
Chairman

Xi'an, the PRC, 29 March 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Guo Wancai as Chairman and non-executive Director, Mr. Wang Runliang and Mr. Wang Wenqi as executive Directors, Mr. Wang Jianbin, Mr. Zhou Qi and Ms. Feng Min as non-executive Directors, and Mr. Li Gang, Mr. Ip Wing Wai and Mr. Yu Qiang as independent non-executive Directors.

DEFINITION

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

“Audit Committee”	audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“China” or “the PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purpose of this announcement, 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
“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
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“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 the Company
“EIT”	enterprise income tax of the PRC
“Global Offering”	the Hong Kong Public Offering and the International Offering both as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we” or “us”	the 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

“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“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
“IFRSs”	International Financial Reporting Standards
“Latest Practicable Date”	29 March 2023, being the latest practicable date for ascertaining certain information in this announcement before its publication
“Listing”	the listing of the H Shares on the Main Board
“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
“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
“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
“Prospectus”	the prospectus being issued by the Company dated 30 June 2022 in connection with the Global Offering
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“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
“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 Holding Group”	Shaanxi Automobile and Shaanxi Automobile Holding and/or their respective associates (excluding the members of our Group)
“Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“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
“Supervisor(s)”	supervisor(s) of the Company
“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
“%”	per cent.