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

2022

Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Runliang
Mr. Wang Wenqi

Non-executive Directors

Mr. Guo Wancai *(Chairman)*
Mr. Wang Jianbin
Mr. Zhou Qi
Ms. Feng Min

Independent Non-executive Directors

Mr. Li Gang
Mr. Ip Wing Wai
Mr. Yu Qiang

Supervisors

Mr. Zhang Yu'an
Mr. Wang Jing'an
Mr. Qin Xiaohui

AUDIT COMMITTEE

Mr. Ip Wing Wai *(Chairperson)*
Mr. Li Gang
Mr. Yu Qiang

REMUNERATION COMMITTEE

Mr. Li Gang *(Chairperson) (appointed on 29 March 2023)*
Mr. Yu Qiang
Mr. Ip Wing Wai *(appointed on 29 March 2023)*
Mr. Wang Wenqi *(resigned on 29 March 2023)*

NOMINATION COMMITTEE

Mr. Guo Wancai *(Chairperson)*
(appointed on 29 March 2023)
Mr. Li Gang
Mr. Yu Qiang *(resigned as the chairperson of the Nomination Committee on 29 March 2023)*
Mr. Wang Runliang *(resigned on 29 March 2023)*

JOINT COMPANY SECRETARY

Mr. Liu Lulu
Ms. Mak Po Man Cherie

AUTHORIZED REPRESENTATIVES

Mr. Wang Runliang
Ms. Mak Po Man Cherie, *(ACG, ACS, ACCA, CPA)*

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

16th Floor, Unit 1
Building 1, Jingwei Centre
29 West Section of Xijin Road
Jingwei New City
Economic and Technological
Development Zone
Xi'an City, Shaanxi
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISOR TO THE COMPANY

Jingtian & Gongcheng LLP
(As to Hong Kong law)

Beijing Jia Yuan Law Offices
(As to PRC Law)

COMPLIANCE ADVISOR

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountant
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKS

China Merchants Bank Co., Ltd.
(Xi'an Branch)
China Merchants Bank Building
No. 1 Gaoxin Er Road
Xi'an City, Shaanxi Province
The PRC

China Minsheng Banking
Corporation Limited (Xi'an Branch)
Huatai Jinmao International No. 5 Building
No. 16 Fenghui South Road
Gaoxin District
Xi'an City, Shaanxi Province
The PRC

STOCK CODE

2418

COMPANY'S WEBSITE

www.deewintx.com

Chairman’s Statement

Dear shareholders:

In 2022, the successful convening of the strongly 20th National Congress of the Communist Party of China injected new impetus into the global economic recovery. As the Chinese government reasonably coordinated pandemic containment and implemented various pro-growth measures, the national economy has been experiencing a steady recovery with the gross domestic product (GDP) for the year growing by 3% year-on-year.

2022 was also a crucial year for the Group’s development in a new stage. We have successfully listed on the main board of the Hong Kong Stock Exchange, forging ahead for our vision of becoming one of the leaders in the commercial vehicle service industry in China. Our superiority was solidified and improved in the integrated value-added services market of the commercial vehicle industry chain.

2022 was still a year full of challenges. Influenced by weakening macroeconomy and industry cycle downward, in China, the yearly sales volume of heavy trucks was 671.9 thousand units, a year-on-year decline of 51.8%, and the yearly sales volume of commercial vehicles was 3,300.5 thousand units, a year-on-year decline of 31.2%, indicating a certain of impact on both supply and demand sides. During the Reporting Period, the Group strove to overcome the market downturn, tapped fully into the market potential, and branched out into independent third-party customers. We also promoted R&D and innovation capabilities, steadily implemented management reform, and continuously made advancements in both model innovation and business integration. Throughout the year, our revenue was RMB2,728.3 million, representing a year-on-year decrease of 12.7%; net profit attributable to equity shareholders of the Company was RMB226.4 million, representing a year-on-year decrease of 37.6%; and basic earnings per share was RMB0.12.

In the logistics and supply chain service sector, we provided automobile manufacturing supply chain service for the production of approximately 72.4 thousand commercial vehicles, and provided automobile logistics service for approximately 53.7 thousand commercial vehicles in 2022. We succeeded in applying for and was honored as the national 5A-level logistics enterprise, the highest qualification in the logistics industry in China. We led the establishment of the Automotive Logistics Association of Logistics and Purchasing Federation of Shaanxi, and was honored as the president unit. As we participated in the construction of Xi’an production service-oriented national logistics hub and “weak links upgrading and reinforcement” and other important national, provincial, and municipal logistics projects, our business area and business scope further expanded.

In the supply chain financial service sector, our newly invested funds in financial the leasing business and factoring business totaled RMB6,733.8 million in 2022. The completion of a sharing financing platform enlarged the capital source. Deewin Financial Leasing issued asset-backed securities (ABS) with an aggregate amount of RMB1,500 million. At the same time, we also made significant progress in the non-vehicle financial leasing field. Deewin Financial Leasing was awarded the 2022 “West Lake Forum Cup” Leasing Enterprise Management Award.

In the IoV and data service sector, the number of heavy commercial vehicles registered with our IoV platform was approximately 994.9 thousand as of 31 December 2022. We completed more than ten product development and data quality improvement projects, and realiszed the application of real-time data transmission and compression technology across server rooms, saving more than 70% of bandwidth resources. We also optimiszed the Tianxingjian new energy monitoring platform and inspected 25 new vehicle models, which successfully expanded the intelligent monitoring business of dump trucks in Yongshou County and Binzhou City, Xianyang City.

Moreover, in the new energy business area, the Group actively explored the business model of providing integrated logistics capacity solutions for customers. This means that we provide our partners with transportation management, financial, battery charging and swapping and other services through resource integration based on logistics capacity services and our strengths in the logistics, capital flow and information flow business, which would bring scale effect to support our sustainable operation. We entered into a strategic cooperation agreement with Giant Haul New Energy, improving precise operation and efficient management for new energy heavy-duty trucks. Meanwhile, we followed up on key projects inside and outside the province as well. The continuous development of products in the new energy field kept improving our product system and quality of service.

In 2023, due to the complicated international political situation, evolving regional conflicts and geopolitics, coupled with the impact of the balance-sheet reduction and interest rate hike expectations by central banks of the major economies, the macroeconomy is still expected to be shocked. However, with the convening of the Two Sessions in China, the economy in China is gradually recovering and regional coordinated development strategies are being pushed forward, bringing new opportunities for the development of the commercial vehicle industry. At the same time, "the carbon peak and neutrality" strategy will also stimulate the growth momentum of the new energy market. In 2023, we will continue to maintain our strategic stability, enhance our core competitiveness, continue to strengthen the integration and synergy of all sectors, vigorously develop independent third-party customer business, accelerate the effective investment of funds raised, speed up the presence in new energy industries, and create new models and new business forms. These efforts are to form new advantages in comprehensive services.

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to all shareholders, people from all walks of life and customers who have shown their concern and support to the Group, and to all staff members who have worked diligently. I would like to thank all shareholders and partners for their continued support and understanding of the Group, and all staff for their effective work and tireless efforts.

This year, the Group will leverage its industry advantages in the integrated service of the commercial vehicle industry chain, remain committed to the commercial vehicle service market, give impetus to the cost reduction and efficiency increase in the logistics industry, promote quality improvement and vitality enhancement in the supply chain finance industry, and encourage the innovation and breakthrough in the IoV and data service industry, aiming at creating sustainable value for the development of society.

Guo Wancai
Chairman

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

	Year ended 31 December				
Years	2022	2021	2020	2019	2018
	(in RMB million)				
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

	As at 31 December				
Years	2022	2021	2020	2019	2018
	(in RMB million)				
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

Our 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-customers.

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 batches 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	%
	(in thousands of RMB, except for percentages)			
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 Note (1)	**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 Note (2)	**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 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	%
	(in thousands of RMB, except for percentages)			
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	**2,234,256**	**81.9**	2,394,441	76.6

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	%
	(in thousands of RMB, except for percentages)			
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	**2,234,256**	**81.9**	2,394,441	76.6

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
	(in thousands of RMB and % for gross profit margin)			
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	%
	(in thousands of RMB, except for percentages)			
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	%
	(RMB'000, except for percentages)			
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	%
	(RMB'000, except for percentages)			
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	%
	(RMB'000, except for percentages)			
Finance income	**31,142**	**(13,779.6)**	12,293	222.3
Finance costs	**(31,368)**	**13,879.6**	(6,764)	(122.3)
Net	**(226)**	**100.0**	5,529	100.0

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	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	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	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	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 sacle 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	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	Over 5 years	Total
			(RMB'000)		
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
	4,508,413	1,164,036	67,560	1,434	5,741,443

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	4.65%

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.

Directors, Supervisors and Senior Management

Executive Directors

Mr. Wang Runliang (王潤梁), aged 53, was appointed as an executive Director on 15 April 2019. He is also the general manager of the Company.

Mr. Wang is primarily responsible for the overall management and operations of the Group. Mr. Wang has over 27 years of experience in commercial vehicle industry. Mr. Wang joined Shaanxi Automobile in 1993, during which he served at Shaanxi Automobile (previously known as Shaanxi Automobile Manufacturing) as a staff of the finance section from August 1993 to September 2002, and from September 2002 to May 2003 as a staff of the finance section of the sales department. From May 2003 to February 2008, he served as the chief of integrated finance section of sales department of the Shaanxi Heavy Duty Automobile. From February 2008 to January 2013, he served as the deputy general manager of integrated management department of the sales department of Shaanxi Heavy Duty Automobile. From May 2013 to January 2017, he served as deputy general manager of Shanzhong Financial Leasing Co., Ltd.* (山重融資租賃有限公司) and responsible for overall management and management. He served as deputy general manager the Company from January 2017 to January 2019, and then he has served as the general manager of the Company since January 2019.

Mr. Wang graduated with a major in financial accounting (online courses), from Xi'an Jiaotong University, School of Network Education* (西安交通大學網絡教育學院) in the PRC in July 2010.

Mr. Wang Wenqi (王文岐), aged 51, was appointed as an executive Director on 25 December 2020. He is also the vice general manager of the Company. Mr. Wang is primarily responsible for the overall management and operations of the Group.

Mr. Wang has more than 32 years of experience in the commercial vehicle industry. From December 1990 to March 2002, he worked at Shaanxi Automobile (formerly known as Shaanxi Automobile Manufacturing Plant (Engine branch)* 陝西汽車製造總廠發動機分廠) as a staff. From April 2002 to November 2007, he worked at the Shanghai branch, the Nanjing branch and the Shandong branch of Shaanxi Automobile. From December 2007 to November 2010 and from November 2010 to April 2012, he served as officer of the Wuhan branch and the Shanghai-Ningbo branch of Shaanxi Heavy Duty Automobile, respectively. Mr. Wang served as general manager of the leasing division from June 2012 and then serve as deputy general manager in Deewin Financial Leasing since January 2014. From January 2016 to January 2017, he served as the deputy general manager of the Company. He served as the general manager of Tonghui from January 2017 to December 2020, and chairman of Tonghui since April 2019, and responsible for the overall management and operation of Tonghui. He has been the deputy general manager of the Company since December 2020.

Mr. Wang graduated from Shaanxi Automobile Technical School* (陝西汽車技工學校) in the PRC in August 1990 and he studied major of business administration (MBA) in Xi'an Jiaotong University* (西安交通大學) in the PRC in April 2012.

Independent Non-Executive Directors

Mr. Li Gang (李剛), aged 49, was appointed as an independent non-executive Director on 25 December 2020. Mr. Li is primarily responsible for supervising and providing independent judgement to our Board.

Mr Li has been engaged in teaching and scientific research in the field of supply chain management and e-commerce, internet business innovation, as well as business analytics and intelligent decision-making for over 21 years. Mr. Li worked as an assistant professor and associate professor of Xi'an Jiaotong University* (西安交通大學) from February 2005 to December 2014. He is currently a professor and Ph.D. supervisor of Xi'an Jiaotong University since December 2014. From October 2011 to February 2012, he was an International Faculty Fellow at The Massachusetts Institute of Technology Sloan School of Management. From July to August 2016, he was a Visiting Professor at Hong Kong Polytechnic University. From September 2017 to August 2018, he was a Fulbright Visiting Research Scholar at the University of Florida.

Mr. Li graduated with a bachelor's degree in computer and application from Xidian University* (西安電子科技大學) in the PRC in July 1996. He also obtained a master's degree in computer and application from Xi'an Shiyou University* (西安石油大學) in the PRC in June 2001. He obtained a doctor degree in management science and engineering from Xi'an Jiaotong University* (西安交通大學) in the PRC in May 2005.

Mr. IP Wing Wai (葉永威), aged 44, was appointed as an independent non-executive Director on 25 December 2020. Mr. Ip is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ip has over 23 years of experience in the accounting, auditing and corporate field. Mr. Ip worked in KPMG from September 2000 to September 2003 and Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange (Stock Code: 392)) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Fortune Dragon Group Limited. He was in charge of financial reporting, corporate finance, mergers and acquisitions and company secretarial matters. He then worked with Shougang Fushan Resources Group Limited (a company listed on the Stock Exchange (Stock Code: 639)) as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the group's financial reporting, project evaluation, regulatory compliance and investors relationship. From June 2015 to May 2018, Mr. Ip served as executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (a company listed on the GEM of the Stock Exchange (Stock Code: 8095)) and then has served as the non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited from May 2018 to May 2021. Mr. Ip has worked at King Stone Energy Group Limited (a company listed on the Stock Exchange (Stock Code: 663)) since April 2010 as the chief investment officer and currently serves as a vice president at the group. Mr. Ip served as the independent non-executive director of 8088 Investment Holdings Limited (formerly known as AID Life Science Holding Limited) (a company listed on the GEM of the Stock Exchange (Stock Code: 8088)) ("8088 Investment"), from 2020 to August 2022.

Mr. Ip holds a bachelor's degree in Business Administration in Accounting from The Hong Kong University of Science and Technology in Hong Kong in 2000. He is a member of The Hong Kong Institute of Certified Public Accountants since July 2004.

Mr. Yu Qiang (余強), aged 61, was appointed as an independent non-executive Director on 25 December 2020. Mr. Yu is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Yu has been engaged in teaching and scientific research in the field of transportation and vehicle engineering specialising in smart cars, new energy automobiles and vehicle system dynamics for over 22 years. From 2000 to 2003, Mr. Yu served as the head of the department of vehicle engineering, then from 2003 to 2008 as the deputy dean, and from 2009 to 2018 as the dean of the school of Automobile, Chang'an University* (長安大學汽車學院).

From October 1978 to July 1982, Mr. Yu studied an undergraduate degree in automobile application engineering obtaining a bachelor's degree in Engineering at Xi'an Highway University* (西安公路學院) in the PRC. From September 1982 to September 1985, he studied a postgraduate in automobile application engineering obtaining a master's degree in Engineering at Xi'an Highway University* (西安公路學院). From September 1997 to June 2000, he studied a postgraduate degree in transport engineering obtaining a doctoral degree in engineering at the Chang'an University (formerly known as Xi'an Highway and Jiaotong University) in the PRC.

Non-executive Directors

Mr. Guo Wancai (郭萬才), aged 49, was appointed as a non-executive Director and the chairman of our Board on 17 July 2020. Mr. Guo is primarily responsible for the overall affairs of the Board, and participating in the formulation of business plans, strategies and major decisions of the Group through being a member of the Board.

Mr. Guo has over 26 years of experience in corporate finance and accounting. During the period from June 1997 to March 2014, Mr. Guo served in various positions of the Financial Assets Division of Shaanxi Nuclear Industry Geology Bureau* (陝西省核工業地質局財務資產處) including as a staff member, assistant accountant, accountant, chief staff member and deputy director. From March 2014 to June 2017, he served as the deputy director of the finance and accounting department of China Shaanxi Nuclear Industry Group Corporation* (中陝核工業集團公司). From March 2014 to December 2015, he acted as the chairman of the board of supervisors of Shaanxi Hechang Electromechanical Equipment Co., Ltd.* (陝西核昌機電裝備有限公司). From June 2017 to August 2019, he served as chief financial officer of Shaanxi Hexin Mining Co., Ltd.* (陝西核鑫礦業有限責任公司), and from October 2018 to August 2019, he also served as the head of the audit department of China Shaanxi Nuclear Industry Group Corporation* (中陝核工業集團公司). Since August 2019, Mr. Guo has been serving as a chief accountant of Shaanxi Automobile Holding and was primarily responsible for relevant work in finance. From July 2020 to March 2021, he served as a director of Shaanxi Automobile. From July 2020 to date, he serves as the general accountant Shaanxi Automobile.

Mr. Guo graduated with a bachelor's degree in economics, majoring in accounting, from Central South Institute of Technology* (中南工學院) in the PRC in June 1997.

Mr. Wang Jianbin (王建斌), aged 52, was appointed as a non-executive Director on 15 April 2019. Mr. Wang is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Mr. Wang has over 32 years of experience in the commercial vehicle industry. From April 1991 to January 2002, Mr. Wang served as a production dispatcher in axle branch of Shaanxi Automobile Manufacturing General Factory* (陝西汽車製造廠車分廠) (now renamed as Shaanxi Automobile). Mr. Wang served in various positions in Shaanxi Heavy Duty Automobile, including as a sales representative of the Beijing branch from January 2002 to January 2006, officer of the Xinjiang branch from January 2006 to December 2009, and as the vice general manager of the sales department of Shaanxi Heavy Duty Automobile from December 2009 to February 2012. He joined the Group in 2012. From February 2012 to January 2015, he served as general manager of Deewin Financial Leasing and was responsible for overall business operations and management. He then he served as general manager of the Company from December 2014 to January 2016, where he was mainly responsible for the overall business operations and management and major decisions of the Company. From January 2016 to January 2019, in addition to serving as general manager of the Company, he also served in other positions, including as the chairman of Fargo; chairman of Tianxingjian; chairman of Meixin; chairman of Deewin Factoring as well as chairman of Deewin Financial Leasing. From January 2019 to July 2020, Mr. Wang served as general manager of Shaanxi Commercial Automobile. From July 2020 to May 2021, he has served as general manager of Shaanxi Commercial Automobile and deputy general manager of Shaanxi Automobile Industry Co., Ltd.* (陝西汽車實業有限公司). From May 2021 to January 2023, he has served as general manager of Shaanxi Commercial Automobile. Since March 2021, he has served as a director of Shaanxi Automobile. Since January 2023, Mr. Wang has served as the chief administrative officer of West Plant of Shaanxi Automobile Holding (陝汽控股西廠區).

Mr. Wang graduated with a major in business administration from Urumqi Vocational University* (烏魯木齊職業大學) in the PRC in January 2011. He then obtained a master's degree in business administration from City University of Macau in Macau in June 2012.

Mr. Zhou Qi (周琪), aged 47, was appointed as a non-executive Director on 10 September 2020. Mr. Zhou is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Mr. Zhou has over 22 years of experience in the commercial vehicle industry. During the period from September 2002 to December 2015, he served in various positions and branches in the sales department of Shaanxi Heavy Duty Automobile, including as a sales representative from September 2002 to March 2007, officer of the Shenyang branch from March 2007 to December 2009, officer of the Ningbo branch from December 2009 to April 2012, officer of Shanghai-Ningbo from April 2012 to January 2015 and assistant to general manager of the sales department of Shaanxi Heavy Duty Automobile and manager of the sales and service department from January 2015 to December 2015. From December 2015 to July 2020, he served as director of the special purpose vehicle sales department of Shaanxi Automobile. He served as general manager of Shaanxi Shanqi Heavy-Duty Automotive Sales Co., Ltd. (陝重汽銷售公司) from July 2020 to January 2022. He served as the head of the parts business department of Shaanxi Automobile from January 2022 to December 2022. He is currently a director of the parts business department of Shaanxi Automobile and deputy general manager of Shaanxi Dexin Parts Group Co., Ltd. (陝西德信零部件集團有限公司).

Mr. Zhou graduated with major in machinery manufacturing from Xi'an University of Technology* (西安理工大學) in the PRC in July 1997.

Ms. Feng Min (馮敏), aged 35, was appointed as a non-executive Director and an employee representative Director on 27 August 2021. Ms Feng is primarily responsible for participating in the formulation of business plans, strategies and major decisions of the Group.

Ms. Feng has over 12 years of experience in financial management and accounting. From 2011 to 2014, she worked in the accounts department of Shaanxi Heavy Duty Automobile as a staff. Ms Feng served as a financial staff from April 2014 to December 2014 at the financial and information department of Xi'an Kangmingsi Generator Co., Ltd.* (西安康明斯發動機有限公司). From January 2015 to December 2016, she served as head of accounting and accounting manager of the operations centre of the Company. Since January 2017, Ms Feng served as the deputy director and director of the financial management department of the Company.

Ms Feng graduated with a bachelor's degree in accounting from Wuhan University of Technology* (武漢理工大學) in the PRC in 2011.

SUPERVISORS

Mr. Zhang Yu'an (張育安), aged 51, was appointed as the shareholder representative Supervisor and the chairman of the Board of Supervisors on 25 December 2020. Mr. Zhang is primarily responsible for supervising the operations and financial activities of the Group and organising meetings of the Board of supervisors.

From March 2001 to May 2009, he served in different positions in Xi'san Prudential Investment Development Co., Ltd.* (西安保德信投資發展有限責任公司), including as a planning supervisor of the chairman office, general manager of the investment department, deputy general manager of the investment management department, member of the company strategy committee and member of the investment decision-making committee. From May 2009 to May 2010, he served as deputy director of the capital operations department of Shaanxi Electronics Information Group Co., Ltd.* (陝西電子信息集團有限公司). Subsequently, he served as an employee of Shaanxi Automobile from May 2010 to April 2011 and director of investment and capital operations from April 2011 to January 2016. Since January 2016 to date, he has been serving as director of investment and capital operations, and director of the investment securities department (renamed as "the investment management department") of Shaanxi Automobile.

Mr. Zhang graduated with a bachelor's degree, majoring in national economic management from the Northwest University* (西北大學) in the PRC in 1997. He completed the course of in business administration in Northwestern Polytechnical University* (西北工業大學繼續教育學院) in the PRC in 2004.

Mr. Wang Jing'an (王敬安), aged 50, was appointed as the shareholder representative Supervisor on 5 June 2016. Mr. Wang is primarily responsible for monitoring our Group's operations and financial activities.

Mr. Wang joined Shaanxi Automobile in 1993, where he served in various positions. He served as a staff of the finance department of Shaanxi Automobile from August 1993 to January 2003. He served as a staff and deputy director of the asset management department of Shaanxi Automobile Holding from January 2003 to March 2009, respectively. Mr. Wang then served as the head of the asset operation department of Shaanxi Automobile from March 2009 to August 2012. From August 2012 to January 2016, he served as financial director of the asset operation department of Shaanxi Automobile Holding and from January 2013 to January 2016, he also served as financial director of Shaanxi Automobile Baoji Huashan Engineering Vehicle Co., Ltd.* (陝汽寶雞華山工程車輛有限責任公司), the current name of which is Shaanxi Commercial Automobile. From January 2016 to February 2021, Mr. Wang served as the director of the financial management department of Shaanxi Automobile Holding. Since April 2021, Mr. Wang has served as the chairman of Shaanxi Tongli Special Purpose Automobile Co., Ltd.* (陝西通力專用汽車有限責任公司).

Mr. Wang graduated with a major in economic law from the Shaanxi Institute of Mechanical Engineering* (陝西機械學院), in the PRC in 1993. He obtained the PRC lawyer qualification certificate in September 1995.

Mr. Qin Xiaohui (秦曉輝), aged 45, was appointed as the employee representative Supervisor on 11 August 2016. Mr. Qin is primarily responsible for monitoring our Group's operations and financial activities.

From April 2004 to July 2012, Mr. Qin served as discipline inspection and supervision officer of discipline inspection and audit office of Shaanxi Automobile. From November 2012 to March 2016, he served as general manager assistant and director of the integrated management department of Shaanxi Zhongfu Wulian Technology Service Co., Ltd.* (陝西中富物聯科技服務有限公司). From April 2016 to February 2018, he served as the chairman of the labour union, deputy director of the administrative personnel department. From February 2018 to February 2021, he has been serving as the chairman of the labour union, director of the integrated management department of the Company. Since March 2021, he has been serving as the chairman of the labour union and the director of the general manager office of the Company.

Mr. Qin graduated with a major in business administration from the Open College in Central Party School* (中央黨校函授學院) in the PRC in 2006.

SENIOR MANAGEMENT

For the biographical details of Mr. Wang Runliang (王潤梁) and Mr. Wang Wenqi (王文岐), see" Directors, Supervisors and Senior Management – Executive Directors" for their detailed background.

Mr. Lin Jun (林俊), aged 52, was appointed as the vice general manager of the Company on 21 January 2016. Mr. Lin is primarily responsible for the overall management and operations of the Group.

From August 1990 to January 2003, Mr. Lin served as officer of Handan No. 1 Transportation Corporation No. 2 Auto Repair Factory* (邯鄲市第一運輸總公司第二汽車修理廠). Mr Lin served as manager of sales and credit department, deputy general manager and chairman of the labour union of Handan Group Automobile Trading Service Co., Ltd.* (邯運集團汽車貿易服務有限公司) from January 2003 to April 2010. From April 2010 to April 2011, Mr. Lin served as deputy director of the property management department of Handan Transportation Group Co., Ltd* (邯鄲交通運輸集團有限公司). From April 2011 to September 2012, Mr. Lin served as deputy director of the security technology department then as vice chairman of the labour union of Wanhe Group Co., Ltd.* (萬合集團股份有限公司). He served as general manager of the supply chain division of Deewin Financial Leasing from June 2012 to October 2013. He then served as general manager of Fargo from March 2016 to February 2018. Since January 2016, he has been serving as deputy general manager of the Company.

Mr. Lin graduated (online courses) in law from the Xi'an Jiaotong University (西安交通大學) in the PRC in 2013.

Mr. Li Rui (李銳), aged 39, was appointed as the vice general manager of the Company on 15 February 2021. Mr. Li is primarily responsible for the overall management and operation of the Group.

Mr. Li has over 17 years of experience in research and development of heavy truck electronic, electrical systems and intelligent product. Mr. Li served in various positions in the Department of Electronics and Electrical Appliances of the Automotive Engineering Research Institute* (汽車工程研究院電子電器所) of Shaanxi Heavy Duty Automobile, including as a staff of the Department of Electronics and Electrical Appliances from August 2006 to October 2011, the deputy officer and the officer of the General Electrical Layout Room from October 2011 to August 2012 and from August 2012 to July 2015 respectively, the officer of the Applied Technology Research and Development Room from July 2015 to March 2016 and the deputy director of the Department of Electronics and Electrical Appliances from March 2016 to June 2018. Mr. Li served as the director of the Department of Electronics and Electrical Appliances from June 2018 to February 2021.

Mr. Li graduated with a bachelor's degree in electrical engineering and automation from the School of Electrical Engineering of the Xi'an Jiaotong University* (西安交通大學電氣工程學院) in the PRC in July 2006. He then obtained a master's degree in automotive engineering from the School of Automobile of the Chang'an University* (長安大學汽車學院) in the PRC in June 2015.

Mr. Liu Lulu (劉錄錄), aged 38, he was appointed as the financial director of the Company on 29 January 2019, Board secretary of the Company on 25 December 2020 and the joint company secretary of the Company on 20 January 2021. Mr. Liu is primarily responsible for the financial management of the Group, information disclosure of Board related matters and liaison with regulatory authorities.

Mr. Liu has over 13 years of experience in corporate finance. From July 2010 to April 2013, he served as officer of the financial management department of Shaanxi Huazhen Industry and Trade Service Co., Ltd.* (陝西華臻工貿服務有限公司). From November 2013 to April 2016, he served as financial director of Xinjiang Fargo Supply Chain Management Co., Ltd. From April 2016 to February 2018, he served as financial director of Shanghai Fargo. He then served as deputy director of the financial services department of Shaanxi Automobile Holding and was responsible for managing the company's financial affairs from January 2018 to January 2019. Since January 2019, he has been serving as financial director of the Company.

Mr. Liu graduated with a master degree in financial science in 2010 from the Xinjiang University of Finance and Economics* (新疆財經大學) in the PRC.

JOINT COMPANY SECRETARIES

Mr. Liu Lulu (劉錄錄) is one of our joint company secretaries. For the biographical details of Mr. Liu Lulu, see "Directors, Supervisors and Senior Management – Senior Management" for his detailed background.

Ms. Mak Po Man Cherie (麥寶文) is one of our joint company secretaries and was appointed in January 2021. Ms. Mak Po Man Cherie is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 18 years of experience in the fields of auditing, accounting, corporate finance, compliance and company secretarial. Ms. Mak has been the vice president of SWCS Corporate Services Group (Hong Kong) Limited since October 2019 and was the assistant vice president from August 2018 to September 2019.

Ms. Mak obtained a master of corporate governance degree from the Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003, and a fellow member of the Association of Chartered Certified Accountants in 2006.

Report of the Board of Directors

The Board of Directors ("Board") are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is a joint stock company established in accordance with the PRC Company Law, the Securities Law, the Special Regulations and other applicable regulations of the People's Republic of China. The Company provides various value-added services, including logistics and supply chain services, financial services and IoV data services, to players along the commercial vehicle industry chain. Commercial vehicles, mainly include trucks, pickups, trailers, buses and lorries. The business scope of the company covers the following: automobile components sales; automobile after-sales (excluding assembly) service; machinery and equipment leasing, automobile leasing; second-hand automobile information consulting, automotive marketing planning; site leasing; investment in automobile and automotive products, management and consulting (investment with own assets only; for items subject to approval according to law, business activities can only be carried out after the approval by relevant authorities).

Results and Dividend Distribution

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76.

Based on the operating results of the Group for 2022 and taking into account the overall financial position and cash flow of the Group, the Board recommended the payment of final dividend of RMB0.4336 (tax inclusive) per 10 shares for 2022.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year ended 31 December 2022, a discussion and analysis on the Group's future business development and the key financial and operational performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 11 to 30 of this annual report.

Environmental Policies and Performance

Discussions on the Group's environmental policies and performance, relationships with key stakeholders, and compliance with the relevant laws and regulations are contained in the "Environmental, Social and Governance Report" issued by the Company on 27 April 2023.

Compliance with Relevant Laws and Regulations

Our business has been and will continue to be governed in accordance with the relevant Chinese laws and regulations, which were promulgated and implemented by Chinese government authorities, including national and local laws and regulations related to logistics and supply chain business, supply chain financial services, IoV and data services. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and has obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in the PRC. During the year ended 31 December 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on 30 May 2023. Notice of 2022 AGM will be published and issued to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following periods:

For ascertaining eligibility to attend and vote at the AGM:

- Latest time to lodge transfers documents for registration 4:30 p.m. on 23 May 2023 (Tuesday)
- Closure of register of members 24 May 2023 (Wednesday) to 30 May 2023 (Tuesday)

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group in the form of a comparative table for the last five financial years is set out on page 6 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTY

Our Group has designed and implemented risk management policies to address various potential risks we have identified in relation to our operations, including financial risks and corporate governance risks. Our risk management policy sets forth procedures to identify, analyse, mitigate and monitor the relevant risks. We are dedicated to establishing a risk management system which operates effectively and is suitable for our long-term business development.

Our audit committee under the Board is responsible for overseeing the overall risk management practice and closely works with the senior management to evaluate the implementation and effectiveness of our risk management policies. We make timely adjustment to our risk management policies in response to the rapid development of our operations.

EVENTS AFTER REPORTING PERIOD

On 29 March 2023, the Board of Directors proposed the final dividend of RMB0.4336 (tax inclusive) per 10 shares for the year ended 31 December 2022, amounting to RMB96,954,802.80. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

USE OF PROCEEDS FROM 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 issue 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 utilised 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 licensed 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 (30%)	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.

SHARE CAPITAL

The changes in share capital of the Group during the Reporting Period are set out in note 29 to the Financial Statements.

RESERVES

Details of the changes in reserves of the Group during the Reporting Period are set out in note 30 and 31 to the Financial Statements.

As at 31 December 2022, the reserves of the Company available for distribution to Shareholders was approximately RMB299.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Company's major customers mainly included commercial vehicle manufacturers and automobile sales dealers, components suppliers, logistics companies, commercial vehicle and aftermarket product end-users and governmental or industry regulatory bodies. For the year ended 31 December 2022, the Group's five largest customers accounted for approximately 44.2%, as compared to approximately 31.2% of the Group's total revenue for the year ended 31 December 2021. The Group's single largest customer for year ended 31 December 2022 accounted for approximately 16.3%, as compared to approximately 22.0% of the Group's total revenue for the year ended 31 December 2021.

Major Suppliers

The Company's major suppliers mainly included commercial vehicle manufacturers, carrier and transportation fleet for logistics and supply chain services, aftermarket product suppliers and intelligent IoV product manufacturers. For the year ended 31 December 2022, the Group's five largest suppliers accounted for approximately 28.0%, as compared to approximately 37.1% of the Group's total purchase amount for the year ended 31 December 2021.

The Group's single largest supplier accounted for approximately 8.3%, as compared to approximately 20.4% of the Group's total purchases for the year ended 31 December 2021. During the year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the Reporting Period are set out in note 14 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any contingent liabilities

DIRECTORS AND SUPERVISORS

The Directors in office during the Reporting Period and as at the date of this annual report were as follows:

Executive Directors

Mr. Wang Runliang
Mr. Wang Wenqi

Non-executive Directors

Mr. Guo Wancai (Chairman)
Mr. Wang Jianbin
Mr. Zhou Qi
Ms. Feng Min

Independent Non-executive Directors

Mr. Li Gang
Mr. Ip Wing Wai
Mr. Yu Qiang

Supervisors

Mr. Zhang Yu'an
Mr. Wang Jing'an
Mr. Qin Xiaohui

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there are no changes in information of Directors required to be disclosed for the year ended 31 December 2022 pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of the Directors of the Company are set out in the preceding section headed "Directors, Supervisors and Senior Management".

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

Each of the Non-executive Directors and the Independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

None of the Directors and Supervisors has or is proposed to have a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed in the section headed "Connected Transactions" in the Report of the Board of Directors, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, the Company's holding company, any of the Company's subsidiaries or any fellow subsidiaries was a party and in which a Director or Supervisor of the Company or an entity connected with them had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

CONTROLLING SHAREHOLDER'S INTEREST

Same as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of 31 December 2022, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following persons and entities (other than the Directors, Supervisors or chief executives of the Company) have interests or short positions in the shares and underlying shares which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares or Underlying Shares Held	Approximate Percentage of Shareholding in the total share capital of the Company as at the date of this report
Shaanxi Automobile[(1)]	Beneficial owner	1,500,146,100	67.09%
	Interest in a controlled corporation	117,125,100	5.24%
	Interest in a controlled corporation	11,728,800	0.52%
Shaanxi Heavy Duty Automobile[(1)(2)]	Beneficial owner	117,125,100	5.24%
Weichai Power Co., Ltd. （濰柴動力股份有限公司）[(2)]	Interest in a controlled corporation	117,125,100	5.24%
Shaanxi Commercial Automobile[(1)]	Beneficial owner	11,728,800	0.52%
Shaanxi Automobile Holding[(1)]	Interest in a controlled corporation	1,629,000,000	72.85%
Public Shareholders			
Cornerstone Investors[(3)]	Beneficial owner	113,359,500	5.07%
Other public Shareholders	Beneficial owner	493,683,000	22.08%
Total		**2,236,042,500**	**100.00%**

Notes:

(1) As at the date of this report, Shaanxi Automobile was owned as to 67.06% by Shaanxi Automobile Holding. By virtue of the SFO, Shaanxi Automobile Holding is deemed to be interested in all the Shares in which Shaanxi Automobile is interested. As at the date of this report, Shaanxi Heavy Duty Automobile was owned as to 49.00% by Shaanxi Automobile and Shaanxi Commercial Automobile was owned as to 68.51% by Shaanxi Automobile. By virtue of the SFO, Shaanxi Automobile is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile are interested.

(2) As at the date of this report, Shaanxi Heavy Duty Automobile was owned as to 51.00% by Weichai Power Co., Ltd., a company listed on the Stock Exchange (stock code: 2338) and the Shenzhen Stock Exchange (stock code: 000338). By virtue of the SFO, Weichai Power Co., Ltd. is deemed to be interested in all the Shares in which Shaanxi Heavy Duty Automobile is interested.

(3) This refers to all the Cornerstone Investors as set out in the section headed "Cornerstone Investors" of the Prospectus.

Save as disclosed above, as of 31 December 2022, the Company had not been notified by any persons (other than Directors, Supervisors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, at no time during the year ended 31 December 2022 and up to the date of this annual report is the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EQUITY-LINKED AGREEMENTS

As the date of this annual report, no equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end 31 December 2022.

SHARE OPTION SCHEME

As of the date of this annual report, the Company did not have any share option scheme.

SHARE AWARD SCHEME

As at the date of this annual report, the Company did not have any share awards scheme.

CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions

We entered into the following transactions with Shaanxi Automobile Holding and/or its associates (excluding members of our Group) in the ordinary and usual course of business, which will, upon Listing, constitute continuing connected transactions of our Company that are fully exempt from annual reporting, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules:

Trademark Licensing Framework Agreement

As our Company is a major subsidiary of Shaanxi Automobile and members of our Group have been using certain registered trademarks owned by Shaanxi Automobile (the "Licensed Trademarks") in the course of our business operations, and it is in the best interests of our Group and our Shareholders as a whole for us to continue to use the Licensed Trademarks upon Listing.

Principal Terms

On 23 June 2022, we entered into a trademark licensing framework agreement (the "Trademark Licensing Framework Agreement") with Shaanxi Automobile, pursuant to which Shaanxi Automobile agreed to grant our Group a non-exclusive licence for the use of the Licensed Trademarks on a royalty-free basis. Our Group will use the Licensed Trademarks within the scope specified in the Trademark Licensing Framework Agreement. The initial term of the Trademark Licensing Framework Agreement will commence on the Listing Date and end on 31 December 2024. The Trademark Licensing Framework Agreement is subject to renewal through mutual consent by the parties.

The Trademark Licensing Framework Agreement was entered into on normal commercial terms or better and the applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, the transactions contemplated under the Trademark Licensing Framework Agreement are exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of Financial Services by Shaanxi Automobile Holding

To promote funding liquidity and strengthen centralised funds management, Shaanxi Automobile Holding has an "unified borrowing and repaying" (統借統還) model and an internal guarantee policy. Under the "unified borrowing and repaying" (統借統還) model, Shaanxi Automobile Holding and/or its subsidiaries (the "Lending Entity") may borrow from financial institutions (such as banks) (the "Borrowing") and allocate funds obtained from the Borrowing to another intra-group entity (the "Borrowing Entity"). The Borrowing Entity will repay the principal and interest (on the same terms as agreed between the financial institution and the Lending Entity for the Borrowing) to the Lending Entity. The Lending Entity will in turn use such repayment to repay the relevant financial institution. The loan terms applicable to the Borrowing Entity will correspond to those under the financing agreements entered between the Lending Entity and the lending financial institutions. During the Track Record Period, Shaanxi Automobile Holding and Shaanxi Automobile provided loans under its "unified borrowing and repaying" (統借統還) model to our Group. While we have sufficient capital to operate our business independently and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons, our Directors believe that the continuation of the loans provided by Shaanxi Automobile Holding to us after the Listing will provide the Group with another fund raising channel as an alternative to borrowing from third parties and therefore this is in the interests of our Group and the Shareholders as a whole.

Principal Terms

On 23 June 2022, the Company entered into a financial services framework agreement (the "Financial Services Framework Agreement") with Shaanxi Automobile Holding, pursuant to which Shaanxi Automobile Holding and/or its associates will provide loans to us. The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on 31 December 2024, subject to renewal through mutual consent by the parties.

The Financial Services Framework Agreement provides that: Loans services — Interest rates on the loans to be advanced by Shaanxi Automobile Holding and/or its associates to our Group will be the same as the interest rates the lending banks and financial institutions charged Shaanxi Automobile Holding and/or its associates on the same loans. The interest rates will not be higher than the interest rates for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries as the loan terms applicable to our Group will correspond to those under the financing agreements of Shaanxi Automobile Holding and/or its associates with the lending banks and financial institutions.

The financial services provided to the Group under the Financial Services Framework Agreement would amount to financial assistance by a connected person for the benefit of our Group, which were entered into on normal commercial terms or better and such financial assistance (loans) is not secured by the assets of our Group. Therefore, the financial services provided to the Group under the Financial Services Framework Agreement are exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Non-exempt Continuing Connected Transactions

We have entered into the following transactions with Shaanxi Automobile Holding and/or its associates in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (the "Non-exempt Continuing Connected Transactions").

Products Purchasing Framework Agreement

On 23 June 2022, we entered into a products purchasing framework agreement (the"Products Purchasing Framework Agreement") with Shaanxi Automobile Holding, pursuant to which Shaanxi Automobile Holding and/or its associates will provide certain products to our Company and/or our subsidiaries. These products include commercial vehicles, commercial vehicle components and others, such as commercial vehicle components management and storage services (the "Commercial Vehicles and Other Products").

Our Group procured commercial vehicles, commercial vehicle components and others from Shaanxi Automobile Holding and/or its associates. Given our industry experience and our deep understanding of customer needs, we have accumulated many quality customers, which provides us with more bargaining power when we purchase commercial vehicles or commercial vehicle components and others from Shaanxi Automobile Holding and/or its associates. At the same time, we also benefit from Shaanxi Automobile Holding's customised services and our long-term stable business relationship with Shaanxi Automobile Holding to enhance our market competitiveness.

While we have readily available access to identical or similar commercial vehicles, commercial vehicle components and others from other commercial vehicle sales dealers which are independent third parties in the regions where our businesses operate in the PRC, we believe that such direct procurement from independent third parties would not be as efficient either on a cost basis or an operational basis as our current arrangement to procure through Shaanxi Automobile Holding and/or its associates. In addition, since Shaanxi Automobile Holding and/or its associates have been providing us with a long-term stable supply of commercial vehicles, commercial vehicle components and others, we believe that Shaanxi Automobile Holding and/or its associates have a deep understanding of our business and operational requirements.

The initial term of the Products Purchasing Framework Agreement will commence on the Listing Date and end on 31 December 2024, and is subject to renewal through mutual consent by the parties.

(a) Pricing Policy

The terms of the transactions contemplated under the Products Purchasing Framework Agreement will be separately negotiated between Shaanxi Automobile Holding and/or its associates and us on an arm's length basis. The sales price of the Commercial Vehicles and Other Products shall be determined with reference to (i) the ex-factory price set by Shaanxi Automobile Holding and/or its associates, which apply to all commercial vehicle dealership groups, and (ii) the technical specifications and requirements of the Commercial Vehicles and Other Products. In order to ensure that the prices of the Commercial Vehicles and Other Products are fair and reasonable, we will generally obtain quotations from independent commercial vehicle sales dealers, and compare the price offered by Shaanxi Automobile Holding and/or its associates with those offered by independent commercial vehicle sales dealers. If alternatives are available, our Company and our subsidiaries will conduct a price comparison process before selecting suppliers for such alternatives. In such price comparison process, the connected persons of our Company are treated no differently from any other independent suppliers. Consequently, the purchase of the Commercial Vehicles and Other Products by our Company and our subsidiaries from the connected persons of our Company would not be made if our Company and our subsidiaries could obtain better terms from any other independent suppliers.

(b) Proposed annual caps and their Basis

The maximum aggregate amount in respect of the purchase of Commercial Vehicles and Other Products for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	2023	2024
Purchase of the Commercial Vehicles and Other Products			
Commercial vehicles	366,400	423,900	401,000
Commercial vehicle components and others	3,600	1,420	600
Total	**370,000**	**425,320**	**401,600**

The above proposed annual caps are determined with reference to the following factors:(a) the historical transaction amounts in respect of our purchase of the Commercial Vehicles and Other Products from Shaanxi Automobile Holding and/or its subsidiaries; (b) the historical sales volume of the Commercial Vehicles and Other Products by our Group; (c) our expected sales volume of commercial vehicles through our commercial vehicle dealership network in the next few years, taking into account our business development plans and strategies; and (d) the expected volume of commercial vehicle components purchased from Shaanxi Automobile Holding and/or its associates in the next few years.

Since the applicable percentage ratios (other than the profits ratio) for the Products Purchasing Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Products Purchasing Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Supply of Products and Services Framework Agreements

By leveraging the one-stop service capacity for the commercial vehicle industry chain streaming from our integrated business layout, we provide diversified services to individual and corporate customers. During the Track Record Period, our Group provided various products and services, including (i) commercial vehicle-related goods, (ii) supply chain services (including transportation, distribution, logistics and warehousing services), and (iii) data-related services to Shaanxi Automobile Holding and/or its associates. In particular, during the Track Record Period, (i) Fargo and Tianxingjian provided commercial vehicle-related goods, including intelligent IoV products and aftermarket products, (ii) Fargo and Tonghui provided supply chain services, including transportation, distribution, logistics and warehousing services, and (iii) Tianxingjian provided data-related services to Shaanxi Automobile Holding and/or its associates.

Our Directors consider that the supply of products and services to Shaanxi Automobile Holding and/or its associates would benefit our Group for the following reasons: (a) our Group and Shaanxi Automobile Holding are long-standing partners; (b) prices and terms for the products and services provided by us to Shaanxi Automobile Holding and/or its associates are comparable to those offered by us to independent third parties; (c) according to the Frost & Sullivan Report, Shaanxi Automobile Holding, comprising its close associates, was the fourth largest commercial vehicle manufacturer in the commercial vehicle sales market in the PRC, thus the supply of products and services to Shaanxi Automobile Holding and/or its associates will provide us with a steady source of income which is in the interest of our Company and our Shareholders as a whole; and (d) to provide diversified services to commercial vehicle manufacturers is one of our important business models and development strategies.

(1) Shaanxi Automobile Holding Supply of Products and Services Framework Agreement

On 23 June 2022, we entered into a supply of products and services framework agreement (the "Shaanxi Automobile Holding Supply of Products and Services Framework Agreement") with Shaanxi Automobile Holding, pursuant to which our Company and/or our subsidiaries will supply the following types of products and services to Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile): (i) supply chain services, (ii) commercial vehicle-related goods and (iii) data-related services (the "Products and Services Supplied to Shaanxi Automobile Holding").

(a) Principal Terms

The initial term of the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will commence on the Listing Date and end on 31 December 2024. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement may be automatically renewed for a further term of three years from time to time, unless the Company provides a written notice to terminate the agreement during its term. Upon renewal of the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances and the Company will continue to comply with the applicable disclosure and/or independent Shareholders' approval requirements under the Listing Rules and other requirements.

(b) Pricing Policy

The amount of fees to be charged by us in respect of the transactions contemplated under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will be separately negotiated between our Group and Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile).

The sales price or the services fee of the Products and Services Supplied to Shaanxi Automobile Holding charged by our Group under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will be determined on "cost-plus" basis (principle of cost plus a reasonable margin) and with reference to the market rate. The "market rate" represents the price provided or obtained by an independent third party in respect of a same or similar product or service in the same area on normal commercial terms during the ordinary course of business of the parties.

With respect to the supply chain services, the service fee of supply chain services will be determined based on a "cost-plus" basis and with reference to the market rate. In particular, Tonghui will update its scale of fees in relation to its provision of logistics services on an annual basis by taking into account relevant factors, including but not limited to gasoline and diesel prices, national toll billing policies, transportation methods, management expense, tax rates and reasonable gross profit margins and for each transaction entered by both parties under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement the services fee charged by our Group will be in line with such scale.

With respect to the commercial vehicle-related goods the sales price of such goods will be determined on a "cost-plus" basis and with reference to the market rate. The reasonable margin of the sales price of such goods, will primarily be determined based on the gross profit margin of each product.

With respect to the data-related services, the service fee of data-related services will be determined based on a "cost-plus" basis. For each transaction entered by both parties under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement, the parties will negotiate the services fee charged by our Group separately on an arm's length basis, by taking into account relevant factors, including but not limited to research and development costs, labour and operation costs as well as reasonable gross profit margins.

We will make reference to the applicable historical prices of the Products and Services Supplied to Shaanxi Automobile Holding and the fees we charged from independent third parties, to ensure that the terms of the supply of the Products and Services Supplied to Shaanxi Automobile Holding are fair and reasonable.

(c) Proposed Annual Caps and their Basis

The maximum aggregate amounts in respect of the Products and Services Supplied to Shaanxi Automobile Holding for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	2023	2024
Supply of commercial vehicle-related goods			
Intelligent IoV products	78,170	110,500	111,600
Supply of supply chain services	146,000	192,000	199,600
Supply of data-related services	400	500	600
Total	**224,570**	**303,000**	**311,800**

The above proposed annual caps are estimated on the basis of: (a) the historical transaction amounts in respect of the Products and Services Supplied to Shaanxi Automobile Holding; (b) the current products and services capacity of our Group; and (c) the estimated increase in demand for the Products and Services Supplied to Shaanxi Automobile Holding as driven by the estimated growth in the production and sales volume of commercial vehicles manufactured by Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile), in particular, we expect the sales volume of commercial vehicles manufactured by Shaanxi Commercial Automobile to increase gradually as its production operation continues to mature. As we are the sole supplier of intelligent IoV products for Shaanxi Commercial Automobile, and our IoV products can be directly installed onto the commercial vehicles manufactured by Shaanxi Commercial Automobile, such estimated growth in the production and sales volume of commercial vehicles manufactured by Shaanxi Commercial Automobile is expected to lead to an increase in demand for our intelligent IoV products. Further, as we are the sole services provider of automobile manufacturing supply chain services and automobile logistics services of Shaanxi Commercial Automobile, the aforesaid estimated growth in the production and sales volume of commercial vehicles manufactured by Shaanxi Commercial Automobile is also expected to lead to an increase in demand for our supply chain services.

Since the applicable percentage ratios (other than the profits ratio) for the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement

On 23 June 2022, we entered into a supply of products and services framework agreement (the "Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement" with Shaanxi Heavy Duty Automobile, pursuant to which our Company and/or our subsidiaries will supply the following types of products and services to Shaanxi Heavy Duty Automobile and/or its subsidiaries: (i) supply chain services, (ii) commercial vehicle-related goods and (iii) data-related services (the "Products and Services Supplied to Shaanxi Heavy Duty Automobile").

(a) Principal Terms

The initial term of the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will commence on the Listing Date and end on 31 December 2024. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement may be automatically renewed for a further term of three years from time to time, unless the Company provides a written notice to terminate the agreement during its term. Upon renewal of the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances and the Company will re-comply with the applicable disclosure and/or independent Shareholders' approval requirements under the Listing Rules and other requirements.

(b) Pricing Policy

The amount of fees to be charged by us in respect of the transactions contemplated under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will be separately negotiated between our Group and Shaanxi Heavy Duty Automobile and/or its subsidiaries. The sales price or the services fee of the Products and Services Supplied to Shaanxi Heavy Duty Automobile charged by our Group under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will be determined on "cost-plus" basis (principle of cost plus a reasonable margin) and with reference to the market rate. The "market rate" represents the price provided or obtained by an independent third party in respect of a same or similar product or service in the same area on normal commercial terms during the ordinary course of business of the parties.

With respect to the supply chain services, the service fee of supply chain services will be determined based on a "cost-plus" basis and with reference to the market rate. In particular, Tonghui will update its scale of fees in relation to its provision of logistics services on an annual basis by taking into account relevant factors, including but not limited to gasoline and diesel prices, national toll billing policies, transportation methods, management expense, tax rates and reasonable gross profit margins and for each transaction entered by both parties under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement the services fee charged by our Group will be in line with such scale.

With respect to the commercial vehicle-related goods the sales price of such goods will be determined on a "cost-plus" basis and with reference to the market rate. The reasonable margin of the sales price of such goods, will primarily be determined based on the gross profit margin of each product.

With respect to the data-related services, the service fee of data-related services will be determined based on a "cost-plus" basis. For each transaction entered by both parties under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement, the parties will negotiate the services fee charged by our Group separately on an arm's length basis, by taking into account relevant factors, including but not limited to research and development costs, labour and operation costs as well as reasonable gross profit margins. We will make reference to the applicable historical prices of the Products and Services Supplied to Shaanxi Heavy Duty Automobile and the fees we charged to independent third parties, to ensure that the terms of the supply of the Products and Services Supplied to Shaanxi Heavy Duty Automobile are fair and reasonable.

(c) Proposed Annual Caps and their Basis

The maximum aggregate amounts in respect of the Products and Services Supplied to Shaanxi Heavy Duty Automobile for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual cap for the year ending 31 December (RMB thousand)		
	2022	2023	2024
Supply of commercial vehicle-related goods	103,290	110,000	109,100
Intelligent IoV products	96,290	100,000	100,600
Aftermarket products	7,000	10,000	8,500
Supply of supply chain services	350,400	500,500	550,700
Supply of data-related services	10,700	11,000	13,500
Total	**464,390**	**621,500**	**673,300**

The above proposed annual caps are estimated on the basis of: (a) the historical transaction amounts in respect of the Products and Services Supplied to Shaanxi Heavy Duty Automobile; (b) the current products and services capacity of our Group; (c) the estimated increase in the demand for the supply of supply chain services as a result of the anticipated expansion of the scope of business and manufacturing plant of Shaanxi Heavy Duty Automobile and/or its subsidiaries; (d) the estimated demand for the Products and Services Supplied to Shaanxi Heavy Duty Automobile as driven by the estimated stable production and sales volume of commercial vehicles manufactured by Shaanxi Heavy Duty Automobile and/or its subsidiaries. As we are the sole supplier of intelligent IoV products for Shaanxi Heavy Duty Automobile, and our IoV products can be directly installed onto the commercial vehicles manufactured by Shaanxi Heavy Duty Automobile, such estimated stable production and sales volume of commercial vehicles manufactured by Shaanxi Heavy Duty Automobile is expected to lead to a steady demand for our intelligent IoV products. Further, as we are the sole services provider of automobile manufacturing supply chain services and automobile logistics services of Shaanxi Heavy Duty Automobile, the aforesaid estimated stable production and sales volume of commercial vehicles manufactured by Shaanxi Heavy Duty Automobile is also expected to lead to a steady demand for our supply chain services; and (e) the intended future direction of the Group's business development is for it to develop its third party customer base in relation to the supply of commercial vehicle related aftermarket products and data-related services.

Since the applicable percentage ratios (other than the profits ratio) for the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement will exceed 5.0% on an annual basis, the transactions contemplated under the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL PROCEDURES IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Our Company has adopted the following internal control procedures to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better:

- we have adopted and implemented a management system on connected transactions. Under this system, our designated departments including finance management department, audit department and operation management department will be jointly responsible for reviewing and evaluating the terms of the continuing connected transactions and, in particular, the fairness of the pricing terms and will provide periodic reports on connected transactions to our management team, which is responsible for ensuring that the annual caps of the continuing connected transactions have not been exceeded and that the price of each of the continuing connected transactions remains fair and reasonable;

- the independent non-executive Directors have review the continuing connected transactions every year pursuant to Rule 14A.55 of the Listing Rules and confirm in the annual report of our Company that the transactions have been entered into: (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better to our Group; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of our Shareholders as a whole. If our independent non-executive Directors cannot so confirm, we will duly comply with Rule 14A.59 of the Listing Rules by promptly notifying the Stock Exchange and publishing an announcement. The independent non-executive Directors have also review our management system on connected transactions, supervising our implementation and making recommendations to our Board and review and approve connected transactions of our Company and other related matters to the extent authorised by our Board; and

- the external auditor of our Company has also conduct an annual review and report on the continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules. We have disclose in our annual reports after the completion of the Listing the work performed by the external auditor of our Company with respect to our continuing connected transactions and their conclusions on whether anything has come to their attention that causes them to believe that such continuing connected transactions:

  (a) have not been approved by the Company's board of directors;

  (b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

  (c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

  (d) have exceeded the annual cap as set by the Company.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2022 are set out in notes 9 to the consolidated financial statements of the Group in this annual report. None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2022.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

There is no provision regarding pre-emptive rights in the Articles 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

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability. The Company is committed to the view that the Board should include a balanced composition of Executive Directors and Independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Audit Committee, consisting of all three Independent non-executive Directors, namely Mr. Ip Wing Wai (chairman of the Audit Committee), Mr. Li Gang and Mr. Yu Qiang is responsible for reviewing the Company's corporate governance policies and the Company's compliance with the CG Code and will make relevant recommendations to the Board accordingly.

CONFIRMATION OF INDEPENDENT STATUS

The Company has received, from each of the Independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent nonexecutive Directors independent.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

SUFFICIENT PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient public float required under the Listing Rules as at the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that the employees, customers and suppliers are keys to corporate sustainability and are keen on developing long-term relationships with stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employee can develop their full potential and to assist their personal and professional growth. The Company provides a fair and safe workplace, promoting diversity to our staff, providing competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

During the Reporting Period, there was no material and significant legal dispute between the Group and its suppliers and/or customers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee had reviewed this annual report (including the Financial Statements) and the annual results announcement of the Company for the year ended 31 December 2022 and had submitted the same 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 disclosure had been made.

AUDITOR'S CONFIRMATION

Pursuant to Rule 14A.56 of the Listing Rules, a listed issuer must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board to confirm whether anything has come to their attention that causes them to believe that the continuing connected transactions:

(a) have not been approved by the listed issuer's board of directors;

(b) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group for transactions involving the provision of goods or services by the listed issuer's group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) have exceeded the annual cap as set by the listed issuer.

Pursuant to the above requirements under Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practise Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

AUDITOR

PricewaterhouseCoopers was appointed as auditor of the Company in 2022. A resolution for their re-appointment as the Company's auditor for the year 2023 will be proposed at the forthcoming AGM.

The financial statements of the Company for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers. All references above to other sections, reports or notes in this report form part of this Report of the Board of Directors.

By order of the Board of Directors
Chairman
Guo Wancai
29 March 2023

Corporate Governance Report

The Company is committed to maintaining and enhancing the standard of corporate governance so as to enhance the accountability and transparency of the Group and to enhance long-term returns to the Shareholders. During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the CG Code (reclassified as code provision C.2.1 of the CG Code with effect from 1 January 2022) stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As at the date of this report, Mr. Guo Wancai is the Chairman and Non-executive Director of the Company, Mr. Wang Run Liang is the Chief Executive Officer. Such arrangement satisfies the relevant requirements under code provision C.2.1 of the CG Code.

Board Governance Structure

As at the end of the Reporting Period, the Board comprised nine Directors, three of whom are independent non-executive Directors. The Board has established three committees, namely the Audit Committee comprising three independent non-executive Directors, Ip Wing Wai (Chairman), Li Gang and Yu Qiang; the Remuneration Committee comprises Li Gang (Chairman), an independent non-executive Director, Yu Qiang, an independent non-executive Director, and Wang Wen Qi, an executive Director; and a nomination committee comprising Yu Qiang (Chairman), an independent non-executive Director, Li Gang, an independent non-executive Director, and Wang Run Liang, an executive Director.

Attendance Records of Directors and Committee Members

The attendance records of each Director at Board meetings, general meeting, and Board Committee meetings of the Company held during the Reporting Period are set out in the table below:

Name of Director	Shareholders' Meeting	The Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Wang Runliang	1/1	7/7			1/1
Wang Wenqi	1/1	7/7		0/0	
Non-executive Directors					
Guo Wancai *(Chairman)*	1/1	7/7			
Wang Jianbin	1/1	7/7			
Zhou Qi	1/1	7/7			
Feng Min	1/1	7/7			
Independent Non-executive Directors					
Li Gang	1/1	7/7	2/2	0/0	1/1
Ip Wingwai	1/1	7/7	2/2		
Yu Qiang	1/1	7/7	2/2	0/0	1/1

During the Reporting Period, the number of Board meetings held, procedures for convening Board meetings, record keeping, rules for conducting meetings and relevant matters were in compliance with the relevant code provisions.

THE DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors is accountable to the general meeting, and exercises its powers in accordance with the Articles of Associations and the Rules of Procedures of Meetings of the Board. According to the Articles of Association, the main duties of the Board include: (1) to convene general meetings and report its work to the general meetings; (2) to determine the Company's business plans and investment plans; (3) to formulate the Company's annual financial budget plans and accounting plans; (4) to formulate the Company's profit distribution plans and loss recovery plans; (5) to determinate the structure of the Company's internal management organization; and (6) to appoint or dismiss the general manager and Secretary to the Board of the Company; to appoint or dismiss the deputy general manager and financial officer according to the nomination of the general manager, and to decide on matters of their remuneration, rewards and punishments.

The Board is responsible for performing the corporate governance functions including: (1) to develop and review the Company's policies and practices on corporate governance and make recommendations; (2) to review and monitor the training and continuous professional development of Directors and senior management members; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. During the Reporting Period, the Board actively performed its corporate governance duties. For specific implementation, please refer to the disclosure in this Corporate Governance Report.

PROCEEDINGS OF THE BOARD

According to the Articles of Association of the Company, the Board shall hold at least two meetings each year, which shall be convened by the Chairman and notified to all the Directors and supervisors 10 days prior to the meeting in writing. Shareholders representing more than one-tenth of the voting rights, and more than one-third of the Directors or Board of Supervisors may propose an interim Board meeting. The Chairman of the Board shall convene and preside over a Board meeting within ten days after receiving the proposal. The chairman shall convene and preside over a Board meeting within 10 days after receiving the proposal. The notice of interim board meeting held by the Board shall be served by hand, email or facsimile 5 days before the date of the meeting. If an interim meeting of the Board needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral method, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes.

ELECTION OF DIRECTORS

According to the Articles of Association, the Directors of the Company who are not employee representatives shall be elected or replaced by the general meeting, and Directors who are employee representatives shall be elected or replaced by the general meeting of employees of the Company. The Directors shall have a term of office of 3 years. Upon the expiration of the term, the Directors may be reelected and serve consecutive terms. In addition, the Chairman of the Board shall be elected by more than half of votes casted by all Directors at the meeting of the Board for a term of three years, and eligible for re-election.

PROCEDURES FOR THE ELECTION AND APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT MEMBERS

The Nomination Committee shall conduct a comprehensive assessment and analysis of the Company's existing directors and senior management members, fully communicate with relevant departments of the Company, learn the Company's needs for new directors and senior management members, and prepare written materials; extensively identify candidates for directors and senior management members through various channels including the Company, its subsidiaries, and talent market in accordance with the job requirements and the Board Diversity Policy; obtain information of the occupation, educational background, job title, detailed work experience and all the part-time positions of the preliminary candidates and prepare written materials; seek the consent of the candidates for the nomination of directors and senior management members by relevant institutions or personnel in accordance with the provisions of laws and regulations and the Articles of Association; otherwise, the candidates shall not be selected as directors and senior management members; convene a meeting of the Nomination Committee to review the qualifications of the preliminary candidates according to the job descriptions of directors and senior management members; formulate the resolutions of the Nomination Committee meeting, and to propose candidates and relevant materials to the Board of the Company; and carry out other follow-up work according to the decision(s) and feedback of the Board.

BORAD DIVERSITY POLICY

The Nomination Committee shall consider relevant factors according to the Company's business model and specific needs in reviewing the size and composition of the Board, searching for and proposing candidates for directors to achieve the diversity of board members. The Committee may consider board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service period. After considering the above-mentioned relevant factors, the Committee will make a final appointment recommendation to the Board based on the strengths of the director candidates and their contribution to the Board.

THE TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

The management of the Company provides appropriate and sufficient information to the Directors in a timely manner to keep them abreast of the latest development of the Company and enable them to perform their duties.

Newly appointed Directors are provided with an induction programme on the Company's activities to help them familiarise themselves with the management, business and governance practises of the Company. The Company also encourages the Directors to attend seminars and courses organised by qualified institutions to ensure that they continuously update their skills and keep abreast of the latest developments or changes in the regulations, the Listing Rules and the Code that are required to be complied with when performing their duties.

The Directors confirmed that they have complied with the code provision A.6.5 of the Code on Directors' training. All Directors have participated in continuous professional development by attending training and courses or reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company.

The Board has delegated certain of its functions to the Board committees, details of which are set out below.

Board Committees

Audit Committee

Functions of the Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the relevant requirements of the Listing Rules. The main responsibilities of the Audit Committee include: to make recommendations to the Board on the appointment, removal, remuneration and terms of engagement of the external auditor, and supervise and evaluate the external auditor; to guide the internal auditing; to review and comment on the Company's financial reports; to evaluate the effectiveness of the financial reporting system and internal controls; to coordinate the communication between the management, the internal audit department, and relevant departments and external auditor; to review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements; to review the Company's compliance with the applicable corporate governance code and the corporate governance reports required to be disclosed by the listing rules of the place where the shares of the Company are listed; to ensure that the Company establishes appropriate channels so that employees can report or raise questions about potential improper behaviors in financial reporting, internal control or other aspects under the premise of confidentiality; and to review relevant arrangements from time to time to allow the Company to conduct a fair and independent investigation into such matters and take appropriate follow-up actions, and to report its decisions or suggestions to the Board, unless prevented from doing so by law or by other restrictions.

Members of the Audit Committee and the Audit Committee Meeting

As at 31 December 2022, the Audit Committee consists of three members, all of whom are independent non-executive Directors. The chairperson of the Audit Committee is Mr. Ip Wing Wai and other members include Mr. Yu Qiang and Mr. Li Gang.

During the Reporting Period, the Company held two meetings of the Audit Committee. Analysed as:

On 30 August 2022, the Company convened the first meeting of the Audit Committee of the Board in 2022. All members attended the meeting. The meeting considered and approved the financial position of the Group for the half-year ended 30 June 2022, the annual audit plan for 2022, the interim financial statements, the draft interim results announcement and the draft interim report.

On 7 December 2022, the Company convened the second meeting of the Audit Committee of the Board in 2022. All members attended the meeting. The meeting mainly considered and approved the remuneration and terms of engagement of external auditors, and reviewed the audit work for 2022.

Decision-Making Procedures of the Audit Committee

The Company shall prepare for the preparatory work for the decision-making of the Audit Committee, and the coordination between the Company's internal audit department, financial department and other relevant departments to provide written information of the Company; the Audit Committee meeting shall review the reports provided by the relevant departments, and submit relevant written resolution materials to the Board for discussion.

Compensation Committee

Functions of the Compensation Committee

The Company established the Remuneration Committee with written terms of reference in compliance with the relevant requirements of the Listing Rules. The main responsibilities of the Compensation Committee include: to consider and draw up the evaluation criteria for directors and senior management members, conduct evaluations and make recommendations; to study and review the remuneration policies and plans for directors and senior management members, and submit relevant proposals to the Board for approval ; to supervise and implement the implementation of the resolutions of the Board in relation to the remuneration or assessment of the Directors and senior management of the Company; to review and monitor the training and continuous professional development of the directors and senior management members; and to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Members of the Compensation Committee and the Compensation Committee Meeting

As at 31 December 2022, the Compensation Committee consists of three members, including two independent non-executive Directors and one executive Director. The chairperson of the Remuneration Committee is Mr. Li Gang, an independent non-executive Director, and other members include Mr. Yu Qiang (an independent non-executive Director) and Mr. Wang Wenqi (an executive Director). During the Reporting Period, the Remuneration Committee did not convene any meeting.

Decision-Making Procedures for the Remuneration of the Directors and Senior Management Members

After the Company's directors and senior management members report and make self-evaluation to the Compensation Committee, the Compensation Committee shall evaluate the performance of directors and senior management members in accordance with the performance evaluation standards and procedures. The amount of remuneration and reward method for directors and senior management members shall be proposed in accordance with the performance evaluation results of the post and the remuneration distribution policies, and shall be submitted to the Board after being approved by voting. Pursuant to the Terms of Reference of the Compensation Committee of the Board, the remuneration plan for the directors of the Company proposed by the Compensation Committee shall be submitted to the Board for approval and submitted to the general meeting of shareholders for deliberation and approval before implementation. The remuneration distribution plan for the senior management members of the Company shall be submitted to the Board for approval before implementation.

Nomination Committee

Functions of the Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the relevant requirements of the Listing Rules. The main responsibilities of the Nomination Committee include: to consider and draw up the criteria and procedures for selection of directors and senior management members of the Company, including but not limited to the appointment or re-appointment of directors and the succession plan for directors (in particular the chairman and Chief Executive Officer), and make recommendations to the Board; to extensively identify qualified candidates for directors and senior management members, and select and nominate relevant persons to serve as directors or make recommendations to the Board; to review the candidates for directors and senior management members, and make recommendations; to assess the independence of independent non-executive directors; to advise the Board on the scale and composition of the Board based on the Company's business activities, asset size, and equity structure and review the structure, number of people, and composition of the Board (including the diversity of skills, knowledge, and experience) at least annually, and make recommendations on proposed changes to the Board in line with the Company's strategy; and to report its decisions or recommendations to the Board, unless prevented from reporting by laws or regulatory restrictions.

Members of the Nomination Committee and the Nomination Committee Meeting

As at 31 December 2022, the Nomination Committee consists of three members, including two independent non-executive Directors and one executive Director. The chairperson of the Remuneration Committee is Mr. Yu Qiang, an independent non-executive Director, and other members include Mr. Wang Runliang (an executive Director) and Mr. Li Gang (an independent non-executive Director).

During the Reporting Period, the Company held a meeting of the Nomination Committee.

On 7 December 2022, the Company held the first meeting of the Nomination Committee of the Board for 2022. All members attended the meeting. The meeting reviewed the structure, size and composition (including skills, knowledge, experience and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy and board diversity policy. In addition, it reviewed and made recommendations to the Board on the Board Diversity Policy, the measurable objectives and the progress on achieving the objectives.

BOARD OF SUPERVISORS

During the Reporting Period, with the support and cooperation of the Board and leaders at all levels, the Board of Supervisors of the Company actively attended the Board meetings and Shareholders' general meetings in accordance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws and regulations, as well as the Articles of Association and the Rules of Procedure for the Board of Supervisors, in order to effectively safeguard the interests of the Company and protect the interests of the Shareholders, effectively supervised the Company's major operating activities and the performance of duties by the Directors and senior management members, and effectively performed the supervisory function of the Board of Supervisors, promoted the standardised operation of the Company and protected the legitimate rights and interests of the Company and the Shareholders. The work of the Board of Supervisors for 2022 is reported as follows:

Attendance Records of Members of the Board of Supervisors

The attendance records of the meetings of Board of Supervisors of the Company held by all Supervisors during the Reporting Period is set out in the table below:

Name of Supervisors	Board of Supervisors
Zhang Yu'an (Chairperson)	2/2
Wang Jing'an	2/2
Qin Xiaohui	2/2

Performance of the Board of Supervisors

Working by Rules, Operating by Laws and Performing Monitoring Functions

By attending the Board meetings and Shareholders' general meetings, the Board of Supervisors listened to various important proposals and resolutions of the Company, understood the formation process of various important decisions of the Company, mastered the operating results of the Company, and performed the informed supervision and inspection functions of the Board of Supervisors. It also understood the major decisions of the Company and played the necessary audit functions and statutory supervision functions.

Enhancing the Supervision on the Operation of the Company to Prevent Violations

In accordance with the requirements of relevant laws and the Articles of Associations, the Board of Supervisors mainly follows up and understands the daily operation of the Company. The Board and the management team have given due attention, support and convenience to the works of the Board of Supervisors. Through supervision and examination on the operating, financial and management conditions, the Board of Supervisors is of the view that the Company has conducted its business in respect of corporate governance, business development of the Company and its subsidiaries, financial accounting and results of the Company pursuant to the requirements of the Articles of Association of the Company in 2022. The Board of Supervisors has not found any damage to the interests of the Company and the Shareholders.

Adhering to the principle of authorization control, the Company has formulated the Authorization Management System of the Board and other system documents, and has conducted its business pursuant to the Shareholders' general meetings and the terms of reference of the Board and the management. There was no violation of the Articles of Association, nor was there any material decision-making matters of the Company beyond the authority of the Shareholders' general meeting and the Board of Directors without consideration and approval. The Shareholders' general meeting has fulfilled its functions of the right, the Board has fulfilled its functions of decision-making, the Board of Supervisors has fulfilled its functions of supervision and the management has fulfilled its functions execution in general.

In addition, the Board of Supervisors had not found any acts of Directors and managers which are in breach of discipline, regulations and the Articles of Association or against the interests of the Company in fulfilling their duties.

RISK MANAGEMENT AND INTERNAL CONTROLS

Review of Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has a designated risk management and internal control team (the "team") which is responsible for identifying and monitoring the Company's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. The Board receives regular updates from the senior management and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed. The senior management supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk. The Group monitors a wide range of indicators, such as overdue ratio of supply chain finance business, asset-debt ratio, the occupation of "two funds" and employee turnover rate, and responds promptly if any risk indicators arise. The Group also works with external legal, accounting and other professional advisers as required to ensure that it is in compliance with relevant legislation and regulations. All departments of the Company are required to adhere to the Company's internal control procedures and report to the team of any risks or internal control issues. The Audit Committee of the Board also reviews the Company's financial controls, risk management and internal control systems on a regular basis.

The Board has received confirmation from the management that in respect of the year ended 31 December 2022:

- the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

- the risk management and internal control systems of the Group are effective.

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness and resolve material internal control defects. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2022 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems by the Board will be conducted annually.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 70 to 75 of this annual report.

DIVIDEND POLICY

We currently do not have any pre-determined dividend pay-out ratio. The payment and the amount of any future dividends will be at the discretion of our Board and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deem relevant. Any declaration and payment as well as the amount of dividends will be subject to Articles of Association and the Company Law, including the approval of our Shareholders. In addition, dividends can only be paid out of profits or other distributable reserves.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The auditor of the Company is PricewaterhouseCoopers. For the year ending 31 December 2022, a total of RMB3.0 million was paid/payable by the Group to PricewaterhouseCoopers as audit service fees.

JOINT COMPANY SECRETARIES

In January 2021, as nominated by the chairman of the Board, the Company appointed Mr. Liu Lulu and Ms. Mak Po Man Cherie as the joint company secretaries. Such term of office commenced from the date of consideration and approval by the Board meeting convened in June 2022 for the arrangement of listing, and shall hold office for a term of at least three years from the listing date of the Company on the Hong Kong Stock Exchange.

In 2022, both Mr. Liu and Ms. Mak have received more than 15 hours of training to update their professional skills and knowledge in compliance with Rule 3.29 of the Listing Rules during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to communication with shareholders and investors. The Company informs shareholders of the Company's operations through various channels, especially periodic reports such as annual reports and interim reports. In addition to distributing circulars, notices and financial reports to shareholders, the Company also publishes its corporate information electronically through its corporate website at http://www.deewintx.com. The Company regards the annual general meeting as an important event of the Company during the year. The Directors, Supervisors and senior management members attended the meeting and arranged a session for shareholders to ask questions and communicate directly with shareholders. The date, content, delivery method, announcement method and shareholders' voting procedures of the circular to shareholders and the notice of the general meeting of the Company strictly comply with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association and the Listing Rules of the Stock Exchange to ensure the smooth realization of shareholders' right to attend the general meeting. According to the Articles of Association, shareholders of the Company shall have the right to supervise the operation of the Company, and to put forward proposals or raise questions.

The Company is committed to promoting investor relations and maintaining good communication with investors through investor relations hotline, e-mail and investor reception. In the coming year, the Company will further strengthen its communication with investors, increase their understanding of the Company, and at the same time, hope to receive more support and attention from investors.

ARTICLES OF ASSOCIATION

According to Articles of Association, the Company shall amend the Articles of Association under any of the following circumstances: (I) after the PRC Company Law or relevant laws and administrative regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended ones; (II) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association; and (III) the general meeting decides to amend the Articles of Association. Except as otherwise provided in the Articles of Association, the following procedures shall be followed to amend the Articles of Association: (I) the Board shall adopt a resolution in accordance with the Articles of Association to prepare a proposal to amend the Articles of Association or a proposal by the shareholders to amend the Articles of Association; (II) notify the shareholders of the amendment proposal and call a general meeting to vote on it; (III) the amendments submitted to the general meeting for voting shall be adopted by special resolution; and (IV) the Company reports the amended Articles of Association to the company registry for the record. The Company has not made any amendments to the Articles of Association of the Company since its listing.

Independent Auditor's Report

To the Shareholders of Deewin Tianxia Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Deewin Tianxia Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 188, comprise:

- the consolidated statement of financial position as at 31 December 2022,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to impairment assessment of loan receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loan receivables Refer to Notes 3.1(b), 4 and 24 to the consolidated financial statements. As at 31 December 2022, the gross amount of the Group's loan receivables were RMB6,467,887 thousand, for which an impairment allowance of RMB482,490 thousand was recognised in the Group's consolidated statement of financial position, and the net impairment losses charged to profit or loss for the year then ended amounted to RMB50,521 thousand. The Group assessed whether the credit risk of loan receivables had increased significantly since their initial recognition, and applied a three-stage impairment model to calculate the expected credit loss ("ECL"). For loan receivables classified under stage 1 (there has not been a significant increase in credit risk since initial recognition) and stage 2 (there has been a significant increase in credit risk since initial recognition but is not yet deemed to be credit-impaired), management assessed loss allowances using the risk parameter modelling approach that incorporated relevant key assumptions and parameters, including the probability of default, loss given default, exposure at default, and forward-looking economic factors. For loan receivables classified under stage 3 (there has been identified as credit-impaired since initial recognition), management assessed loss allowances by estimating the expected discounted cash flows.	Our audit procedures in relation to the impairment assessment of loan receivables included: 1) Obtained an understanding of the management's internal control and assessment process of the impairment assessment of loan receivables, including the impairment model adopted and key assumptions used, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity, the degree of complexity and the degree of susceptibility to management bias; 2) Evaluated and tested the design and the operating effectiveness of internal controls relating to impairment assessment of loan receivables; 3) Evaluated the outcome of prior period assessment of impairment of loan receivables to assess the effectiveness of management's estimation;

Key Audit Matter	How our audit addressed the Key Audit Matter
The models of ECL involves significant management judgements, assumptions and estimates, primarily in respect of the followings: 1) segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; 2) determination of criteria for the identification of significant increase in credit risk and the definition of default; 3) selection of appropriate economic indicators, economic scenarios and weightings used in the forward-looking measurement; and 4) the estimated future cash flows for loan receivables in stage 3. Impairment assessment of loan receivables was considered as a key audit matter due to the size of the balances of loan receivables and that the impairment assessment is subject to a high degree of estimation uncertainty. The inherent risks in relation to the impairment assessment of loan receivables are significant due to the complexity of the three-stage impairment model, the subjectivity of significant management judgements and assumptions involved in developing ECL estimates, and susceptibility to misstatement due to management bias.	4) With the support of our internal valuation experts, evaluated the modelling methodologies for ECL measurement, the significant judgements and assumptions applied by the management (including input parameters, forward-looking information and specific industry factors which management considered as relevant for the assessment); 5) Evaluated the significant judgements as applied by management to develop ECL estimates, such as, the judgement in the determination of staging, the identification of borrowers with significant increase in credit risk, and the determination of the weightings used for multiple economic scenarios for the sensitivity analysis; 6) Tested the data inputs for the ECL model on a sample basis to verify the data accuracy and verified the completeness of the underlying data used in the model by comparing the data as exported from the business operation system against the relevant book amounts as reflected in the accounting records; 7) Assessed the reasonableness of impairment allowance recognised by the Group on loan receivables classified under stage 3, on a sample basis, by evaluating and challenging the key management judgement and assumptions involved in estimating the discounted future cash flows, with reference to the economic background, financial information, repayment history and repayment plan of borrowers, and availability of collaterals, if applicable. Based on the above, we considered that management's judgements, assumptions and estimates applied in the impairment assessment of loan receivables were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	2,728,298	3,126,850
Cost of revenue	7	(2,234,256)	(2,394,441)
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	3.1(b)	(78,836)	(146,157)
Other income	5	68,735	45,028
Other losses-net	6	(677)	(829)
Operating profit		274,346	433,942
Finance income	10	31,142	12,293
Finance costs	10	(31,368)	(6,764)
Finance (costs)/income-net	10	(226)	5,529
Share of net profit of associate accounted for using the equity method	18	4,657	5,123
Profit before income tax		278,777	444,594
Income tax expense	11	(58,742)	(75,857)
Profit for the year		220,035	368,737
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	12	0.12	0.22

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	99,170	93,178
Investment properties	*15*	8,033	–
Intangible assets	*16*	32,550	22,856
Investment in an associate	*18*	9,157	9,623
Right-of-use assets	*13*	47,891	62,147
Other receivables	*25*	11,131	111,145
Loan receivables	*24*	1,914,548	2,104,188
Deferred income tax assets	*17*	152,300	135,698
		2,274,780	2,538,835
Current assets			
Inventories	*19*	113,198	183,468
Trade receivables	*21*	581,578	467,505
Prepayments	*26*	153,221	86,924
Other receivables	*25*	404,550	165,493
Financial assets at fair value through other comprehensive income ("FVOCI")	*22*	90,268	367,020
Notes receivable	*23*	319,084	–
Loan receivables	*24*	4,070,849	6,080,627
Restricted cash at banks	*27*	16,158	84,816
Cash and cash equivalents	*28*	1,148,967	213,339
		6,897,873	7,649,192
Total assets		9,172,653	10,188,027
EQUITY			
Share capital	*29*	2,236,043	1,629,000
Other reserves	*30*	802,590	515,628
Retained earnings	*31*	299,822	299,747
Total equity attributable to equity holders of the Company		3,338,455	2,444,375
Non-controlling interests		(2,906)	5,372
Total equity		3,335,549	2,449,747

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*32*	23,136	23,409
Borrowings	*34*	852,116	395,019
Bond payables	*33*	124,461	103,785
Provisions for warranty	*35*	1,194	2,558
Other payables	*36*	210,922	1,026,190
Contract liabilities	*5*	18,568	28,064
Deferred government grants	*37*	16,744	14,043
		1,247,141	1,593,068
Current liabilities			
Trade and other payables	*36*	1,807,430	1,403,839
Lease liabilities	*32*	18,613	24,730
Borrowings	*34*	1,840,652	3,705,410
Bond payables	*33*	784,025	836,072
Contract liabilities	*5*	127,278	128,267
Current income tax liabilities		11,965	46,894
		4,589,963	6,145,212
Total liabilities		5,837,104	7,738,280
Total equity and liabilities		9,172,653	10,188,027

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 76 to 188 were approved by the Board on 29 March 2023 and were signed on its behalf.

Chairman: Guo Wancai

Director: Wang Runliang

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021							
Comprehensive income		1,629,000	488,119	30,736	2,147,855	1,146	2,149,001
Profit for the year		–	–	362,719	362,719	6,018	368,737
Transaction with owners:							
Dividends declared and paid	*38*	–	–	(66,199)	(66,199)	(1,792)	(67,991)
Appropriation of statutory reserves		–	23,397	(23,397)	–	–	–
Appropriation of safety fund		–	5,348	(5,348)	–	–	–
Utilisation of safety fund		–	(1,236)	1,236	–	–	–
Subtotal		–	27,509	(93,708)	(66,199)	(1,792)	(67,991)
At 31 December 2021		1,629,000	515,628	299,747	2,444,375	5,372	2,449,747
At 1 January 2022							
Comprehensive income		1,629,000	515,628	299,747	2,444,375	5,372	2,449,747
Profit for the year		–	–	226,412	226,412	(6,377)	220,035
Transaction with owners:							
Initial public offering issue of H Shares	*29*	607,043	261,751	–	868,794	–	868,794
Dividends declared and paid	*38*	–	–	(201,126)	(201,126)	(1,901)	(203,027)
Appropriation of statutory reserves		–	21,541	(21,541)	–	–	–
Appropriation of safety fund		–	4,477	(4,477)	–	–	–
Utilisation of safety fund		–	(807)	807	–	–	–
Subtotal		607,043	286,962	(226,337)	667,668	(1,901)	665,767
At 31 December 2022		2,236,043	802,590	299,822	3,338,455	(2,906)	3,335,549

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flow from operating activities			
Cash used in operations	*39 (a)*	(49,102)	(375,482)
Interests received	*10*	16,651	12,293
Income tax paid		(110,273)	(107,565)
Net cash used in operating activities		(142,724)	(470,754)
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment		173	359
Dividends received from an associate		5,123	5,160
Purchases of property, plant and equipment and intangible assets		(37,353)	(24,866)
Net cash used in investing activities		(32,057)	(19,347)
Cash flow from financing activities			
Proceeds from bank borrowings		814,092	242,000
Proceeds from loan from related parties		370,000	–
Proceeds from loan from a third party		50,000	–
Proceeds from bond issuance		1,353,000	1,495,198
Proceeds from initial public offering	*29*	920,420	–
Repayments of borrowings		(691,438)	(230,000)
Interests paid		(30,061)	(3,656)
Dividends paid to the Company's equity holders	*38*	(201,126)	(66,199)
Dividends paid to non-controlling interests of the subsidiaries	*38*	(1,901)	(1,792)
Repayments of loan from related parties		(40,000)	–
Repayments of bond payables		(1,384,371)	(878,344)
Payments for listing expenses		(16,919)	(16,141)
Payments for leases liabilities – principal		(30,130)	(31,846)
Payments for leases liabilities – interest		(1,157)	(2,695)
Net cash generated from financing activities		1,110,409	506,525
Net increase in cash and cash equivalents		935,628	16,424
Cash and cash equivalents at beginning of the year		213,339	196,915
Effects of exchange rate changes on cash and cash equivalents		–	–
Cash and cash equivalents at end of the year		1,148,967	213,339

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 and factoring 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 (Note 29).

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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during the year ended 31 December 2022 and 2021, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO (as defined below)

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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Historical cost convention

The consolidated financial statements have been prepared on the historical cost convention, except for Financial assets at fair value through other comprehensive income (FVOCI) and Financial assets at fair value through profit or loss (FVTPL), Which are carried out at fair value.

2.1.3 New and amended standards adopted by the Group

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.4 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 financial 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 Noncurrent	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.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position respectively.

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

iii. Equity method (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

iv. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (continued)

2.3 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") throughout the year. The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of profit or loss and other comprehensive income within "Finance (cost)/income-net". All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss and other comprehensive income within "Other losses-net".

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and facilities	20 to 45 years
Machinery and equipment	12 years
Motor vehicles	8 years
Electronic equipment	3 to 5 years
Leasehold improvement	2 to 8 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses – net" in the consolidated statements of profit or loss and other comprehensive income.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

Intangible assets represented the purchased computer softwares which are capitalised on the basis of the costs incurred to acquire the specific software. Based on the current functionalities equipped by these softwares and the daily operation needs, the Group considers a useful life of 5 to 10 years is the best estimation under current business needs. These costs are amortised over periods ranging from 5 to 10 years.

2.8 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

The Group's investment properties comprise land use right located in the PRC, which is measured initially at their costs, including the related transaction costs and borrowing costs, where applicable.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The land use right of investment properties is depreciated over their estimate useful lives of 20-45 years.

Subsequent expenditure is capitalized to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the consolidated statements of profit or loss and other comprehensive income in the period of the retirement or disposal.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.10 Financial assets

i. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

iv. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in financial income using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other losses – net". Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses generated from borrowings are presented in "financial income" and impairment losses on financial assets are presented in "net impairment losses on financial assets".

- FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of profit or loss and other comprehensive income within "other losses -net" in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

v. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at financial assets at fair value through profit or loss (FVTPL) are recognised in "other losses -net" in the consolidated statements of profit or loss and other comprehensive income, where applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

vi. Impairment

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its assets carried at amortized cost and fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, notes receivable and fair value through other comprehensive income (FVOCI), the Group applies the simplified approach permitted by IFRS 9, which requires to recognise the lifetime ECL. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

For the loan receivables, the Group assesses on a forward-looking basis the expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the expected credit losses staging for loan receivables. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities.

For other receivables, the impairment is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

vi. Impairment (continued)

While cash and cash equivalents and restricted cash at banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables, loan receivables, other receivables, notes receivable, fair value through other comprehensive income (FVOCI), cash and cash equivalents and restricted cash at banks are written off (either partially or in full) when there is no reasonable expectation of recovery.

The description of inputs, assumption and estimation techniques used in measuring the ECL is presented in Note 3.1.

2.11 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

See Note 20 for details of each type of financial liabilities.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10 for further information about the Group's accounting policies for trade and other receivables.

2.15 Loan receivables

The Group provides financial services including sales-and-lease back financing business and factoring service. For the Financial leasing business, the Group provides heavy-duty trucks and commercial vehicles financial leasing service to individual customers and commercial vehicles dealers through model of sales and leaseback.

Loan receivables are amounts due from customers in relation to financial service performed. If collection of loan receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Loan receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10 for further information about the Group's accounting policies for loan receivables.

2 Summary of significant accounting policies (continued)

2.16 Cash and cash equivalents

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and financial institutions and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods, construction or service that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.11 for further information about the Group's accounting policies for trade and other payables.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity service and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.20 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, which will be capitalized, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of balance sheet date in the areas where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

ii. Pension obligation

The employees of the Group in the PRC are covered by the government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made and contributions to these plans are included in profit or loss as incurred.

iii. Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these fund is limited to the contributions payable in each period.

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

iv. Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of service rendered by employees and a reliable estimation of the obligation can be made.

v. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits.

2.23 Leases

i. The Group as a lessee

The Group leases buildings, facilities and related land use right. Rental contracts of buildings and facilities are typically made for fixed periods of 1 to 3 years with no extension options. Land use right is made for fixed period of 40 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Buildings, facilities and related land use right leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

i. The Group as a lessee (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-parties financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third parties financing was received

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-parties financing, and

- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability

- Any lease payments made at or before the commencement date less any lease incentives received

- Any initial direct costs, and

- Restoration costs.

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

i. The Group as a lessee (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and commercial vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise commercial vehicles and small items of equipment.

ii. The Group acts as a buyer-lessor

Individual customers (the seller-lessee) transfer commercial vehicles (transferred assets) to the Group (the buyer lessor) and lease back from the buyer-lessor. The Group does not recognise the transferred assets as such transfer does not satisfy the requirements of IFRS 15 as a sale and recognise loan and receivables (Note 2.15) equal to transfer proceeds. Sale and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (continued)

2.25 Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and its existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

2.26 Revenue recognition

Revenue is recognised when or as the control of the goods or service is rendered to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and service may be transferred overtime or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group consider all the goods and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group perform; or
- Does not create an asset with an alternative use of the Group and the Group has an enforceable right to request payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for a product or a service that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a product or a service to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer a product or a service to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generate its revenue, are presented below.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

i. Logistics and warehousing service

The Group generated logistics and warehousing service revenue from the provision of logistics and warehousing service to customers. The Group recognises logistics and warehousing service revenue over time in the period in which its customers simultaneously receive and consume the benefits provided by the logistics and warehousing service as specified in logistics service contract.

ii. Sales of goods

The Group sells commercial vehicles and spare parts to customers. Customers include distributors, transport companies and individual users. Revenue from sales of goods is recognised when control of the products are transferred at a point in time to its customers, that is when the products are delivered and accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

All of the revenue is recognised at the point in time when the control of goods is transferred to the customers.

iii. Financial leasing business

The Group provides financial leasing service to end customers and commercial vehicles dealers through model of sales and leaseback. The transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method.

iv. Interest income from factoring business

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

v. Internet of Vehicle (IoV) and data service

The Group provides Internet of Vehicle (IoV) and data service to customers based on the data of commercial vehicles generated from intelligent internet of vehicle (IoV) terminal products pre-installed in commercial vehicles. The Group use sensing and tracking technology to collect IoV data of commercial vehicles, in particular the data of commercial vehicles operation, driving behaviour of drivers, location and other types of tracking information, and provide relevant services to various customers. The Group recognises commercial vehicles operating data service revenue over time when its customers simultaneously receive and consume the benefits as specified in the service contract.

2 Summary of significant accounting policies (continued)

2.27 Research and development

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the application platform related to vehicle operation data) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the application platform so that it will be available for use or sale;
- management intends to complete the application platforms, and use or sell it;
- the ability to use or sell the application platform;
- it can be demonstrated how the application platform will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the application platforms; and
- the expenditure attributable to the application platforms during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.28 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Company and the Group's consolidated financial statements in the period in which the dividends are approved by the Company's equity holders.

2.29 Earnings per share

Basic earnings per share

- the profit attributable to the equity holders of the Company;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, restricted cash at banks, loan receivables, borrowings, bond payables, trade and other payables and lease liabilities. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, restricted cash at banks, loan receivables, borrowings, bond payables, trade and other payables and lease liabilities have been disclosed in Notes 28, 27, 24, 34, 33, 36 and 32 to the consolidated financial statements, respectively.

As at 31 December 2022 and 2021, if interest rates on cash and cash equivalents, restricted cash at banks, trade and other payables and bank borrowings had been 10% higher/lower with all other variables held constant, profit after income tax for the year would have been approximately RMB1,088,000 lower/higher and RMB412,000 higher/lower, respectively, mainly as a result of higher/lower net interest income/expense and cost of revenue being recognised/incurred.

(b) Credit risk

Credit risk is the risk of loss that a counterparty fails to or is unwilling to meet its obligations. Credit risk for the Group mainly arises from cash and cash equivalents, restricted cash at banks, fair value through other comprehensive income (FVOCI), notes receivable, loan receivables, trade and other receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank and restricted cash at bank, since they are deposited at state-owned banks and other medium or large size listed banks.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

i. *Credit risk management*

Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group has policies to monitor the credit exposure of trade receivables, loan receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group's loan receivables are mainly receivables generated from the sale and leaseback business. For such receivables, the Group performs standard credit management procedures, which include project due diligence and proposal submission, credit underwriting review and approval, disbursement, post-lending monitoring and management of non-performing finance lease receivables etc. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loan receivables through obtaining collateral, security deposits and corporate or individual credit guarantee.

The Group writes off financial assets when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1, at which the Group only needs to measure ECL in the next 12 months.

– Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2, at which the Group needs to measure lifetime ECL.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3, at which the Group needs to measure lifetime ECL.

Definition of credit-impaired assets

When financial instruments are credit-impaired, the Group defines them as in default. In general, financial assets that are more than 90 days past due are identified as in default.

The Group considers a financial instrument to be credit-impaired when one or more of the following criteria have been met:

– Principal (including advances, applies to below) or interest is more than 90 days past due;

– Issuer or obligor is in significant financial difficulty, or has already been insolvent;

– It is becoming probable that the borrower will enter into bankruptcy;

– An active market for that financial asset has disappeared because of financial difficulties of issuers;

– Other objective evidence indicating impairment of the financial asset.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

Judgement criteria for significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

– Principal or interest is more than 30 days past due;

– There are litigation or/and other significant adverse issues which have negative impact on obligator's repayment ability.

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios (i.e., optimistic scenario, basic scenario, and pessimistic scenario), which are defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (lifetime PD) of the obligation. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on the portfolio from the point of initial recognition throughout the lifetime of the financial instruments. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). The 12-month and lifetime EADs are determined based on the contractual repayments owned by the debtor over 12 or lifetime basis.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

Forward-looking information

Both the assessment of significant increases in credit risk and the calculation of ECLs involve forward-looking information. Through analysis of historical data, the Group has identified key economic indicators that affect credit risk and ECLs of various business types. When considering forward-looking information, the indicators used in the model include gross domestic products, aggregate finance, industrial add value, producer price index, consumer price index, fixed asset investment, RMB Loan, M2, and purchasing manager's index. The Group regularly predicts the performance of indicators under three economic scenarios. The forecasts are used in the asset's impairment model. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better or worse than basic scenario respectively and can also become a source of sensitivity test. The Group comprehensively considers statistical analysis and expert judgement results to determine economic forecasts and weights under various scenarios. The Group measures the provision for impairment by weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3). The above weighted ECL is calculated by multiplying the ECL in each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on PD and LGD varies from different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD and LGD.

Sensitivity analysis

If the optimistic weightings increase by 10% and the basic scenario decreased by 10%, the impact on the allowance of expected credit loss as of 31 December 2022 and 2021 would have been less than 1%, respectively. If the pessimistic weightings increase by 10% and the basic scenario decreased by 10%, the impact on the allowance of expected credit loss as of 31 December 2022 and 2021 would have been less than 1%, respectively.

If key economic indicator gross domestic products changed by 10%, the impact on the allowance of expected credit as of 31 December 2022 and 2021 would have been less than 1%, respectively.

The Group has several types of financial assets that are subject to the ECL model:

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL (continued)

(i) Trade receivables

The Group applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging dates. The expected loss rates are based on the payment profiles of sales over a period of five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables.

The amounts of trade receivables as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables – related parties	212,869	149,573
Trade receivables – individually assessed third parties	48,206	–
Trade receivables – remaining third parties	351,356	334,607
	612,431	484,180
Less		
– allowance for impairment-related parties	(474)	(87)
– allowance for impairment-individually assessed third parties	(3,720)	–
– allowance for impairment-remaining third parties	(26,659)	(16,588)
	(30,853)	(16,675)
Trade receivables – net	581,578	467,505

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL (continued)

(i) Trade receivables (Continued)

The ECL rate for trade receivables other than related parties and individually assessed third parties based on aging as at 31 December 2022 and 2021 is determined as follows:

	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Trade receivables						
At 31 December 2022						
Expected loss rate	1.81%	5.13%	17.99%	34.89%	100.00%	7.59%
Gross carrying amount (RMB'000)	291,278	30,153	9,557	3,439	16,929	351,356
Loss allowance provision (RMB'000)	(5,263)	(1,548)	(1,719)	(1,200)	(16,929)	(26,659)
At 31 December 2021						
Expected loss rate	1.18%	3.49%	8.23%	39.05%	100.00%	4.96%
Gross carrying amount (RMB'000)	194,796	119,218	10,975	630	8,988	334,607
Loss allowance provision (RMB'000)	(2,292)	(4,159)	(903)	(246)	(8,988)	(16,588)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

(i) Trade receivables (Continued)

The provision for trade receivables as at 31 December 2022 and 2021, and reconciles to the opening loss allowance for that provision as follows:

	Provision for trade receivables RMB'000
At 1 January 2021	21,044
Net reversal for impairment of trade receivables recognised in profit or loss (Note 21 (b))	(3,170)
Written-off during the year as uncollectible (Note 21 (b))	(1,199)
At 31 December 2021	16,675
Net provision for impairment of trade receivables recognised in profit or loss (Note 21 (b))	14,178
At 31 December 2022	30,853

Trade receivables are written off when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

(ii) Fair value through other comprehensive income (FVOCI)

As at 31 December 2022 and 2021, all the fair value through other comprehensive income (FVOCI) were for notes receivable and trade receivables in nature. For the fair value through other comprehensive income (FVOCI), the Group applies the simplified approach to provide ECL prescribed by IFRS 9, and the impact of expected loss was assessed to be insignificant.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

(iii) Notes receivable

For the notes receivable, the Group applies simplified approach to provide ECL prescribed by IFRS 9, and the impact of expected loss was assessed to be insignificant.

(iv) Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group accounts for its expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates of other receivables and adjusts for forward-looking macroeconomic data.

	Stage 1	Stage 2	Stage 3	Total
Other receivables				
At 31 December 2022				
Expected loss rate	0.77%	–	58.11%	5.99%
Gross carrying amount (RMB'000)	401,920	–	40,233	442,153
Loss allowance provision (RMB'000)	(3,092)	–	(23,380)	(26,472)
At 31 December 2021				
Expected loss rate	1.51%	–	100.00%	4.27%
Gross carrying amount (RMB'000)	280,885	–	8,088	288,973
Loss allowance provision (RMB'000)	(4,247)	–	(8,088)	(12,335)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL (continued)

(iv) Other receivables (continued)

The provision for other receivables as at 31 December 2022 and 2021, and reconciles to the opening loss allowance for that provision as follows:

	Provision for other receivables RMB'000
At 1 January 2021	7,174
Reversal of impairment of other receivables recognised in profit or loss (Note 25 (c))	5,161
At 31 December 2021	12,335
Provision of impairment of other receivables recognised in profit or loss (Note 25 (c))	14,137
At 31 December 2022	26,472

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL (continued)

(v) Loan receivables

To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and number of days past due.

	Stage 1	Stage 2	Stage 3	Total
Loan receivables				
At 31 December 2022				
Expected loss rate	1.58%	31.42%	45.39%	7.46%
Gross carrying amount (RMB'000)	5,561,818	118,174	787,895	6,467,887
Loss allowance provision (RMB'000)	(87,751)	(37,126)	(357,613)	(482,490)
At 31 December 2021				
Expected loss rate	0.97%	34.61%	66.09%	5.01%
Gross carrying amount (RMB'000)	8,007,311	154,724	454,749	8,616,784
Loss allowance provision (RMB'000)	(77,877)	(53,557)	(300,535)	(431,969)

Loan receivables are written off when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no property enforced by the court.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

(v) Loan receivables (Continued)

Movements of allowances for impairment losses on loan receivables are as follows:

		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Amount as at 1 January 2021		46,616	4,686	236,501	287,803
Changes in the loss allowance:					
– Move to stage 1		1,019	–	(1,019)	–
– Move to stage 2		–	707	(707)	–
– Move to stage 3		(1,529)	(685)	2,214	–
– Provision charged during the year	Note 24	31,771	48,849	63,546	144,166
Amount as at 31 December 2021		77,877	53,557	300,535	431,969
Amount as at 1 January 2022		77,877	53,557	300,535	431,969
Changes in the loss allowance:					
– Move to stage 1		4,191	(4,074)	(117)	–
– Move to stage 2		(1,535)	1,587	(52)	–
– Move to stage 3		(3,367)	(22,410)	25,777	–
– Provision charged during the year	Note 24	10,585	8,466	31,470	50,521
Amount as at 31 December 2022		87,751	37,126	357,613	482,490

For the years ended 31 December 2022 and 2021, the provision for loss allowances were recognised in the consolidated statements of profit or loss and other comprehensive income in "net impairment losses on financial assets" in relation to impaired loan receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. *Measurement of ECL* (continued)

(vi) Net impairment losses of financial assets recognised in profit or loss

During the year ended 31 December 2022, the following losses were recognised in profit or loss in relation to impaired financial assets:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impairment losses		
– Loan receivables	(50,521)	(144,166)
– Trade receivables	(14,178)	3,170
– Other receivables	(14,137)	(5,161)
	(78,836)	(146,157)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

ii. Measurement of ECL (continued)

(vii) Maximum exposure to credit risk

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets at amortised cost		
– Cash and cash equivalents (Note 28)	1,148,967	213,339
– Restricted bank deposits (Note 27)	16,158	84,816
– Notes receivable (Note 23)	319,084	–
– Trade receivables (Note 21)	581,578	467,505
– Other receivables (Note 25)	415,681	276,638
– Loan receivables (Note 24)	5,985,397	8,184,815
	8,466,865	9,227,113
Financial assets at fair value		
– Fair value of comprehensive income (FVOCI) (Note 22)	90,268	367,020
	90,268	367,020
Total	8,557,133	9,594,133

The amounts of the credit risk exposures set out above are same as the carrying amounts as at 31 December 2022 and 2021.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents based on expected cash flows. As at 31 December 2022, the Group's unutilized bank facilities was RMB2,170,392,000. All the borrowings are in compliance with relevant covenant terms if any and the Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
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
	4,508,413	1,164,036	67,560	1,434	5,741,443
At 31 December 2021					
Trade and other payables	1,363,036	1,041,984	–	–	2,405,020
Lease liabilities	26,729	14,776	13,941	–	55,446
Borrowings	3,815,043	460,421	–	–	4,275,464
Bond payables	856,959	104,572	–	–	961,531
	6,061,767	1,621,753	13,941	–	7,697,461

3 Financial risk management (continued)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns for equity holders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of "borrowings", "lease liabilities", "loan from related parties", "loan from a third party" and "bond payables" as shown in the consolidated statement of financial position) less cash and cash equivalents, and restricted cash at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Borrowings (Note 34)	2,692,768	4,100,429
Add: Trade and other payables – loan from related parties (Note 36)	973,000	854,000
Add: Trade and other payables – loan from a third party (Note 36)	50,000	–
Add: Lease liabilities (Note 32)	41,749	48,139
Add: Bond payables (Note 33)	908,486	939,857
Less: Cash and cash equivalents (Note 28)	(1,148,967)	(213,339)
Less: Restricted cash at banks (Note 27)	(16,158)	(84,816)
Net debt	3,500,878	5,644,270
Total capital	6,836,427	8,094,017
Gearing ratio	51%	70%

3 Financial risk management (continued)

3.3 Fair value estimation

The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

An explanation of each level follows underneath the table.

	As at 31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Notes receivable	–	–	43,740	43,740
Trade receivables	–	–	46,528	46,528
	–	–	90,268	90,268

	As at 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Notes receivable	–	–	337,178	337,178
Trade receivables	–	–	29,842	29,842
	–	–	367,020	367,020

During the year ended 31 December 2022 and 2021 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value of notes receivable and trade receivables (Note 22) are considered approximate to their carrying amount. The fair value change was insignificant. The higher the future cash flow, the higher the fair value; the lower the discount rate, the higher the fair value.

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for trade receivables, loan receivables, and other receivables, is an area
that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1 (b) Credit risk.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;

- Determination of criteria for the identification of significant increase in credit risk and the definition of default;

- Selection of appropriate economic indicators, economic scenarios and weightings used in the forward-looking measurement.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1 (b) Credit risk.

(ii) Current and deferred income tax

A deferred income tax asset is recognised for the carry forward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilized. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred income tax assets.

5 Segment information, revenue and other income

5.1 Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company, who only review the Group's consolidated results when making decisions about allocating resources and assessing performance. As a result of this evaluation, the Group determined that it has operating segments as follows:

– Logistics and supply chain service sector, which includes supply chain business, automobile sales business and after-market product business;

– Supply chain financial service sector, which includes financial leasing business and factoring business;

– Internet of Vehicle (IoV) and data service sector, which includes sale of Intelligent internet of vehicle (IoV) terminal products sales business and relevant data service business.

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. The segment operating profit is calculated as segment gross profit minus selling expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income and "Other losses-net" associated with the respective segment.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements.

The segment results for the years ended 31 December 2022 and 2021 are as follows:

5 Segment information, revenue and other income (continued)

5.1 Segment information (continued)

	Year ended 31 December 2022					
	Logistics and supply chain service RMB'000	Supply chain financial service RMB'000	Internet of Vehicle (IoV) and data service RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
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
	2,003,183	579,271	175,155	–	(29,311)	2,728,298
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	(7,338)	204,679	46,472	215,410	(180,446)	278,777
Total assets	1,703,201	6,538,618	205,163	5,389,771	(4,664,100)	9,172,653
Total liabilities	1,659,665	4,577,943	145,295	1,818,479	(2,364,278)	5,837,104

5 Segment information, revenue and other income (continued)

5.1 Segment information (continued)

	Year ended 31 December 2021					
	Logistics and supply chain service RMB'000	Supply chain financial service RMB'000	Internet of Vehicle (IoV) and data service RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Revenue						
– Sales of goods	526,708	–	229,498	–	(554)	755,652
– Logistics and warehousing service	1,512,379	–	–	–	(52,521)	1,459,858
– Interest income from financial leasing business	–	755,755	–	–	(7,962)	747,793
– Interest income from factoring service	–	42,730	–	–	(7,509)	35,221
– Internet of Vehicle (IoV) and data service	–	–	109,932	–	(1,118)	108,814
– Others	55,935	2,676	–	–	(39,099)	19,512
	2,095,022	801,161	339,430	–	(108,763)	3,126,850
Gross profit	199,590	386,822	142,125	–	3,872	732,409
Operating profit	146,000	199,684	104,116	232,368	(248,226)	433,942
Financial (costs)/income -net	(11,867)	12,824	6,073	(3,008)	1,507	5,529
Share of net profit of associate	–	–	–	5,123	–	5,123
Profit before income tax	134,133	212,508	110,189	234,483	(246,719)	444,594
Total assets	1,416,259	8,818,948	334,462	3,479,650	(3,861,292)	10,188,027
Total liabilities	1,276,552	7,011,411	220,001	791,436	(1,561,120)	7,738,280

The Group mainly operates its businesses in the PRC and earn all of the revenues from its external customers in the PRC.

5 Segment information, revenue and other income (continued)

5.2 Revenue

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
– 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
	2,728,298	3,126,850

Revenue from major customer is set out below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	–	277,316
Customer B	288,330	–

For the years ended 31 December 2022, Customer B (the third party) was the only customer contributed 10% or above of the Group's revenue.

For the years ended 31 December 2021, Customer A (an entity over which the parent company has significant influence) was the only customer contributed 10% or above of the Group's revenue.

5 Segment information, revenue and other income (continued)

5.2 Revenue (continued)

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
Sales of goods	5,650	27,869
Logistics and warehousing service	67,607	6,304
Internet of Vehicle (IoV) and data service	72,589	122,158
	145,846	156,331
Less: non-current portion	(18,568)	(28,064)
Current portion	127,278	128,267

Contract liabilities represented advanced payments received from customers for goods or services that have not yet been delivered to the customers, the following table shows the amount of the revenue recognised in the respective year related to brought-forward contract liabilities.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	27,869	23,015
Logistics and warehousing service	6,304	1,109
Internet of Vehicle (IoV) and data service	94,094	75,673
	128,267	99,797

Transaction price allocated to the unsatisfied long-term performance obligations.

5 Segment information, revenue and other income (continued)

5.2 Revenue (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied		
Internet of Vehicle (IoV) and data service	72,589	122,158

The above remaining performance obligations are mainly related to the contract of Internet of Vehicle (IoV) and data service. Management expects that the unsatisfied obligations of RMB54,021,000 and RMB94,094,000 as of 31 December 2022 and 2021, respectively will be recognised as revenue within next one year. The remaining will be recognised in one to two years.

5.3 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government subsidy income		
– Income related	64,747	38,641
– Assets related (Note 37)	3,988	6,387
	68,735	45,028

Government subsidy income mainly represented subsidies received from the PRC government authorities for subsidising the Group's general operation, research and development activities.

6 Other losses – net

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

7 Expenses by nature

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Transportation expenses	1,387,936	1,077,715
Funding cost	253,107	351,072
Employee benefit expenses (Note 8)	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 (Note 13)	29,696	29,437
Lease expenses	19,529	22,869
Network traffic cost	18,724	23,104
Depreciation of property, plant and equipment (Note 14)	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 (Note 16)	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 (Note 19)	2,709	3,812
Amortisation of investment properties (Note 15)	266	–
Miscellaneous	36,085	34,891
Total	2,443,174	2,590,950

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

8 Employee benefit expenses (including directors and senior management's emoluments)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	167,394	167,265
Pension costs (a)	31,452	29,803
Housing funds, medical insurances and other social insurances (b)	32,752	30,680
Other benefits	13,008	18,414
	244,606	246,162

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes from 8% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 16% to 20% of such relevant expenses, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 18% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions paid/payable in each year.

9 Directors' and senior management's emoluments

(a) Directors' and chief executives' emoluments

Directors' and chief executives' emoluments are set out as follows:

				Employer's contribution to	
	Fees RMB'000	Salaries and bonus RMB'000	Total of fees, salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000
Year ended 31 December 2022					
Executive directors					
Mr. Wang Runliang(i)	–	535	535	134	–
Mr. Wang Wenqi (ii)	–	424	424	100	–
Non-executive directors					
Mr. Guo Wancai(iii)	–	–	–	–	–
Mr. Wang Jianbin(iv)	–	–	–	–	–
Mr. Zhou Qi(v)	–	–	–	–	–
Mr. Li Gang(vi)	–	80	80	–	–
Mr. Yu Qiang(vii)	–	80	80	–	–
Mr. Ip Wing Wai (viii)	–	120	120	–	–
Ms. Feng Min(x)	–	253	253	106	–
Supervisors					
Mr. Wang Jingan(xi)	–	–	–	–	–
Mr. Qin Xiaohui(xii)	–	340	340	105	–
Mr. Zhang Yuan(xiii)	–	–	–	–	–
	–	1,832	1,832	445	–

9 Directors' and senior management's emoluments (continued)

(a) Directors' and chief executives' emoluments (continued)

Directors' and chief executives' emoluments are set out as follows:

				Employer's contribution to	
	Fees RMB'000	Salaries and bonus RMB'000	Total of fees, salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000
Year ended 31 December 2021					
Executive directors					
Mr. Wang Runliang(i)	–	752	752	121	–
Mr. Wang Wenqi (ii)	–	460	460	67	–
Non-executive directors					
Mr. Guo Wancai(iii)	–	–	–	–	–
Mr. Wang Jianbin(iv)	–	–	–	–	–
Mr. Zhou Qi(v)	–	–	–	–	–
Mr. Li Gang(vi)	–	80	80	–	–
Mr. Yu Qiang(vii)	–	80	80	–	–
Mr. Ip Wing Wai (viii)	–	120	120	–	–
Mr. Yang Weike (ix)	–	166	166	37	–
Ms. Feng Min(x)	–	167	167	15	–
Supervisors					
Mr. Wang Jingan(xi)	–	–	–	–	–
Mr. Qin Xiaohui(xii)	–	331	331	57	–
Mr. Zhang Yuan(xiii)	–	–	–	–	–
	–	2,156	2,156	297	–

9 Directors' and senior management's emoluments (continued)

(a) Directors' and chief executives' emoluments (continued)

(i) Mr. Wang Runliang was appointed as a director of the Company on 15 April 2019. Mr. Wang was also appointed as the general manager of the Company since January 2019.

(ii) Mr. Wang Wenqi was appointed as director and vice general manager of the Company on 25 December 2020. Mr. Wang also served as the general manager of Shaanxi Tonghui Automobile Logistics Co., Ltd (陝西通滙汽車物流有限公司, "SXTH") from January 2017 to December 2020 and chairman of SXTH since April 2019.

(iii) Mr. Guo Wancai was appointed as the chairman of the Company on 17 July 2020. Since August 2019, Mr. Guo has been serving as a chief accountant of Shaanxi Automobile Holding Group Co., Ltd (陝西汽車控股集團有限公司, "SAHG"). From July 2020 to March 2021, Mr. Guo served as a director of Shaanxi Automobile. From July 2020 to date, he serves as the general accountant of Shaanxi Automobile.

(iv) Mr. Wang Jianbin served as general manager of the Company from December 2014 to January 2019 and was appointed as a director of the Company on 15 April 2019. From January 2019 to July 2020, Mr. Wang served as general manager of SAGCV. From July 2020 to May 2021, Mr. Wang has served as general manager of Shaanxi Automobile Group Commercial Vehicle Co., Ltd (陝汽集團商用車有限公司, "SAGCV") and deputy general manager of Shaanxi Automobile Industry Co., Ltd (陝西汽車實業有限公司). Since March 2021, Mr. Wang has served as a director of Shaanxi Automobile Group Co., Ltd. (陝西汽車集團股份有限公司"SXAG"). Since May 2021, he has served as general manager of SAGCV.

(v) Mr. Zhou Qi was appointed as director of the Company on 10 September 2020. From December 2015 to July 2020, Mr. Zhou served as director of the special purpose vehicle sales department of SXAG. From July 2020 to January 2022, Mr. Zhou served as the general manager of the sales department of the Shaanxi Heavy Duty Automobile. Mr. Zhou is currently serving as the deputy general manager of auto parts business department of SXAG, and deputy general manager of Shaanxi Dexin Auto Parts Group Co., Ltd (陝西德信零部件集團有限公司).

(vi) Mr. Li Gang was appointed as an independent director of the Company on 25 December 2020.

(vii) Mr. Yu Qiang was appointed as an independent director of the Company on 25 December 2020.

(viii) Mr. Ip Wing Wai was appointed as an independent director of the Company on 25 December 2020.

(ix) Mr. Yang Weike was a director of the Company from December 2020 to August 2021. From February 2019 to March 2021, Mr. Yang served as the director of the operations and management department of the Company. Mr. Yang was appointed as the director of information technology department on March 2021.

(x) Ms. Feng Min was appointed as a director of the Company on 27 August 2021. Ms. Feng was also appointed as the general manager of the finance department of the Company since January 2017.

(xi) Mr. Wang Jing'an was appointed as a supervisor of the Company on 5 June 2016. From January 2016 to February 2021, Mr. Wang served as the director of the financial management department of SAHG. Since April 2021, Mr. Wang has been serving as chairman of Shaanxi Tongli Special Purpose Automobile Co.,Ltd (陝西通力專用汽車有限責任公司).

(xii) Mr. Qin Xiaohui was appointed as a supervisor of the Company on 11 August 2016. From February 2018 to February 2021, Mr. Qin has been serving as the chairman of the labour union, director of the integrated management department of the Company. Since March 2021, Mr. Qin has been serving as the chairman of the labour union and the director of the general manager office.

(xiii) Mr. Zhang Yu'an was appointed as the chairman of the Board of supervisor of the Company on 25 December 2020. Since January 2016 to date of this consolidated financial statements, Mr. Zhang has been serving as director of investment and capital operations, and director of the investment securities department (renamed as investment management department) of SXAG.

9 Directors' and senior management's emoluments (continued)

(a) Directors' and chief executives' emoluments (continued)

In addition to the directors' and chief executives' emoluments as disclosed above, certain directors and supervisors of the Company who are also directors or management of the parent company (i.e. SXAG) and certain fellow subsidiaries received emoluments from the parent company and different related companies during the years ended 31 December 2022, part of which are in respect of their services rendered to the Group. No apportionment has been made as the directors and supervisors of the Company consider that it is impractical to apportion the emoluments between their service rendered to the Group and their services rendered to the parent company and the respective fellow subsidiaries.

(b) Directors' retirement benefits

There are no director's retirement benefits operated by the Group.

(c) Directors' termination benefits

There are no directors' termination benefits operated by the Group.

(d) For the year ended 31 December 2022 and 2021, no consideration was provided to third parties for making available directors' service.

(e) For the year ended 31 December 2022 and 2021, there was no loan, quasi-loan and other dealing in favour of directors, bodies corporate controlled by or entities connected with directors.

(f) No significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 December 2022 and 2021.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 and 1 director for the years ended 31 December 2022 and 2021, respectively, whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining 4 and 4 highest paid individuals are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	1,795	2,279
Pension and other social benefits	535	484
	2,330	2,763

9 Directors' and senior management's emoluments (continued)

(g) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021
Emoluments bands (in RMB)		
RMB 0-RMB500,000	–	–
RMB 500,000-RMB1,000,000	4	4

10 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	31,142	12,293
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	(31,368)	(6,764)
Finance (costs)/income-net	(226)	5,529

11 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 (Note 17)	(16,602)	(48,814)
Income tax expense	58,742	75,857

(a) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the statutory corporate income tax rate in the PRC is 25% from 1 January 2008. The income tax rate of 25% is applicable to all of the Group's subsidiaries during the year ended 31 December 2022 and 2021, except for Shaanxi Tianxingjian IoV Information Technology Co., Ltd and SXTH which enjoy a preferential income tax rate of 15% according to the polices of Western Area Development for the years ended 31 December 2022.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	278,777	444,594
Tax calculated at applicable corporate income tax rate of 25%	69,694	111,149
Tax effect of:		
Effects of preferential tax rates	(7,350)	(21,756)
Additional deduction of research and development expenses	(4,121)	(3,189)
Additional expenses allowable for tax deduction	(4,230)	(4,171)
Expenses not deductible for taxation purposes	3,503	2,682
Utilisation of tax loss of previous years upon which no deferred income tax assets recognised	(2,657)	(2,799)
Recognised deferred income tax assets of deductible tax losses of previous years	–	(13,551)
Tax losses upon which no deferred income tax assets recognised	3,903	7,492
Income tax expense	58,742	75,857

11 Income tax expense (continued)

(b) Tax losses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	41,612	36,304
Potential tax benefit	9,980	9,076

The unused tax losses were incurred by the Company and its subsidiaries that are not likely to generate taxable income in the foreseeable future. See Note 17 for information about recognised tax losses.

12 Earnings per share

(a) The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares issued or deemed to be issued 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	1,906,819	1,629,000
Basic earnings per share (RMB)	0.12	0.22

(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.

13 Right-of-use assets

The Group's interests in right-of-use assets represented land use rights and leased buildings located in the PRC, the net book values of which are analysed as follows:

	Land use right RMB'000	Leased buildings RMB'000	Total RMB'000
Year ended 31 December 2021			
Opening net book amount	11,150	22,907	34,057
Additions	–	57,527	57,527
Amortization (Note 7)	(347)	(29,090)	(29,437)
Closing net book amount	10,803	51,344	62,147
As at 31 December 2021			
Cost	13,865	124,313	138,178
Accumulated amortization	(3,062)	(72,969)	(76,031)
Net book amount	10,803	51,344	62,147
Year ended 31 December 2022			
Opening net book amount	10,803	51,344	62,147
Additions	–	25,217	25,217
Transfer to investment properties	(8,299)	–	(8,299)
Disposals	–	(1,478)	(1,478)
Amortization (Note 7)	(81)	(29,615)	(29,696)
Closing net book amount	2,423	45,468	47,891
As at 31 December 2022			
Cost	5,566	148,052	153,618
Accumulated amortization	(3,143)	(102,584)	(105,727)
Net book amount	2,423	45,468	47,891

13 Right-of-use assets (continued)

Amortisation of right-of-use assets has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	22,903	23,904
Administrative expenses	4,659	4,934
Research and development expenses	2,134	599
	29,696	29,437

14 Property, plant and equipment

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2021							
Cost	64,566	8,183	46,247	33,786	12,171	2,017	166,970
Accumulated depreciation	(17,935)	(2,545)	(23,996)	(17,903)	(4,964)	–	(67,343)
Impairment	–	–	(14)	–	–	–	(14)
Net book value	46,631	5,638	22,237	15,883	7,207	2,017	99,613
Year ended 31 December 2021							
Opening net book value	46,631	5,638	22,237	15,883	7,207	2,017	99,613
Additions	–	399	853	8,294	271	3,329	13,146
Transfer	–	1,404	376	–	1,873	(4,739)	(1,086)
Disposals	–	(9)	(15)	(299)	–	–	(323)
Depreciation (Note 7)	(2,670)	(820)	(4,878)	(7,081)	(2,723)	–	(18,172)
Closing net book value	43,961	6,612	18,573	16,797	6,628	607	93,178
As at 31 December 2021							
Cost	64,566	9,916	47,097	41,117	14,315	607	177,618
Accumulated depreciation	(20,605)	(3,304)	(28,510)	(24,320)	(7,687)	–	(84,426)
Impairment	–	–	(14)	–	–	–	(14)
Net book value	43,961	6,612	18,573	16,797	6,628	607	93,178
Year ended 31 December 2022							
Opening net book value	43,961	6,612	18,573	16,797	6,628	607	93,178
Additions	–	8	539	1,305	7,633	15,178	24,663
Transfer	–	–	64	–	3,204	(3,268)	–
Disposals	–	(7)	(157)	(43)	–	–	(207)
Depreciation (Note 7)	(2,195)	(884)	(4,252)	(7,652)	(3,481)	–	(18,464)
Closing net book value	41,766	5,729	14,767	10,407	13,984	12,517	99,170
As at 31 December 2022							
Cost	64,566	9,849	44,749	40,866	25,152	12,517	197,699
Accumulated depreciation	(22,800)	(4,120)	(29,968)	(30,459)	(11,168)	–	(98,515)
Impairment	–	–	(14)	–	–	–	(14)
Net book value	41,766	5,729	14,767	10,407	13,984	12,517	99,170

14 Property, plant and equipment (continued)

Depreciation of property, plant and equipment has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	9,664	9,456
Research and development expenses	4,286	4,071
Administrative expenses	3,627	3,765
Selling expenses	887	880
	18,464	18,172

15 Investment properties

	Land use right
	RMB'000
Year ended 31 December 2022	
Transfer from right-of-use assets – at cost	8,299
Amortisation (Note 7)	(266)
Closing net book value	8,033
As at 31 December 2022	
Cost	8,299
Accumulated amortisation	(266)
Net book value	8,033
Fair value at end of the year (a)	26,615

(a) As at 31 December 2022, the investment properties, located in Weinan, Shaanxi Province, the fair value of which was derived using the comparison approach with reference to comparable market transactions.

16 Intangible assets

	Softwares RMB'000
As at 1 January 2021	
Cost	25,861
Accumulated amortisation	(11,476)
Net book value	14,385
Year ended 31 December 2021	
Opening net book value	14,385
Additions	11,720
Transfer	1,086
Amortisation (Note 7)	(4,335)
Closing net book value	22,856
As at 31 December 2021	
Cost	38,667
Accumulated amortisation	(15,811)
Net book value	22,856
Year ended 31 December 2022	
Opening net book value	22,856
Additions	15,322
Amortisation (Note 7)	(5,628)
Closing net book value	32,550
As at 31 December 2022	
Cost	53,989
Accumulated amortisation	(21,439)
Net book value	32,550

16 Intangible assets (continued)

Amortisation of intangible assets has been charged to profit or loss (Note 7) as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	2,071	927
Administrative expenses	1,813	2,396
Cost of revenue	1,225	501
Selling expenses	519	511
	5,628	4,335

17 Deferred income tax assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
– to be realised within 12 months	104,254	97,251
– to be realised after more than 12 months	54,982	38,500
	159,236	135,751
Deferred income tax liabilities:		
– to be realised within 12 months	3,162	53
– to be realised after more than 12 months	3,774	–
	6,936	53
	152,300	135,698

Movements in deferred income tax assets during the year ended 31 December 2022 and 2021, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

17 Deferred income tax assets (continued)

Deferred income tax assets	Provision for impairment of receivables RMB'000	Deferred income from government grants RMB'000	Accrued expenses RMB'000	Deductible tax loss RMB'000	Impairment of property, plant and equipment RMB'000	Impairment of inventory RMB'000	Lease liability RMB'000	Total RMB'000
As at 1 January 2021	78,569	1,382	1,460	5,727	4	–	–	87,142
Year ended 31 December 2021								
Credited/(charged) to profit or loss	36,674	(356)	(531)	11,869	–	953	–	48,609
As at 31 December 2021	115,243	1,026	929	17,596	4	953	–	135,751
Year ended 31 December 2022								
Credited/(charged) to profit or loss	19,534	356	(555)	(2,559)	–	96	6,613	23,485
As at 31 December 2022	134,777	1,382	374	15,037	4	1,049	6,613	159,236

Deferred income tax liabilities	Accelerated depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2021	258	–	258
Year ended 31 December 2021			
(Charged) to profit or loss	(205)	–	(205)
As at 31 December 2021	53	–	53
Year ended 31 December 2022			
(Charged)/credited to profit or loss	(53)	6,936	6,883
As at 31 December 2022	–	6,936	6,936

18 Investment in an associate

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	9,623	9,660
Share of profits	4,657	5,123
Dividends declared	(5,123)	(5,160)
End of the year	9,157	9,623

Set out below are the particulars of the associate as at 31 December 2022 and 2021.

	Place of incorporation and operation	Principal activities	Equity interest held As at 31 December	
			2022	2021
Meixin Insurance Brokers (Shanghai) Co., Ltd. ("MXIB")	PRC	Insurance brokerage business	30%	30%

(a) The directors of the Company considered that the associate as at 31 December 2022 and 2021 was insignificant to the Group and thus a summary of financial information of the associate was not disclosed.

As at 31 December 2022 and 2021, there was no significant contingent liability and commitment relating to the Group's interest in the associate.

19 Inventories

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cost:		
Commercial vehicles	113,945	180,953
Intelligent internet of vehicle (IoV) terminal products	2,520	4,755
Spare parts	928	1,572
	117,393	187,280
Provision for impairment loss:		
Commercial vehicles	(4,195)	(3,812)
Inventories-net	113,198	183,468

The Group accrued RMB2,709,000 provision for impairment loss in year 2022 and write off RMB2,325,000 previous provisions as the group sold the relevant commercial vehicles.

The cost of inventories recognised as cost of revenue amounted to approximately RMB347,340,000 and RMB688,238,000 for the years ended 31 December 2022 and 2021.

20 Financial instruments by category

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets per consolidated statements of financial position		
Financial assets at amortized cost		
– Cash and cash equivalents (Note 28)	1,148,967	213,339
– Restricted bank deposits (Note 27)	16,158	84,816
– Trade receivables (Note 21)	581,578	467,505
– Notes receivable (Note 23)	319,084	–
– Loan receivables (Note 24)	5,985,397	8,184,815
– Other receivables (Note 25)	415,681	276,638
	8,466,865	9,227,113
Financial assets at fair value		
– Fair value of comprehensive income (FVOCI) (Note 22)	90,268	367,020
Total	8,557,133	9,594,133
Liabilities per consolidated statements of financial position		
Financial liabilities carried at amortised cost		
– Lease liabilities (Note 32)	41,749	48,139
– Bond payables (Note 33)	908,486	939,857
– Trade and other payables (not including staff salaries and welfare payables, early retirement benefits payables, and accrued taxes other than income tax) (Note 36)	1,958,002	2,371,559
– Borrowings (Note 34)	2,692,768	4,100,429
	5,601,005	7,459,984

21 Trade receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables – related parties (Note 41(c)(i))	212,869	149,573
Trade receivables – individually assessed third parties	48,434	–
Trade receivables – third parties	351,128	334,607
	612,431	484,180
Less: allowance for impairment	(30,853)	(16,675)
Trade receivables – net	581,578	467,505

As at 31 December 2022 and 2021, the fair values of trade receivables of the Group approximated their carrying amounts.

As at 31 December 2022 and 2021, all the carrying amounts of trade receivables were denominated in RMB.

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

	As at 31 December	
	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
	612,431	484,180

The Group did not hold any collateral as security over these trade receivables.

21 Trade receivables (continued)

(b) Movements on the provision for impairment of trade receivables are as follow:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	16,675	21,044
Provision for/(reversal of) impairment	14,178	(3,170)
Written-off of impairment	–	(1,199)
End of the year	30,853	16,675

22 Financial assets at fair value through other comprehensive income (FVOCI)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Notes receivable	43,740	337,178
Trade receivable	46,528	29,842
	90,268	367,020

As at 31 December 2022, all the financial assets at fair value through other comprehensive income (FVOCI) were all for notes receivable and trade receivable in nature, the impact of expected loss of fair value through other comprehensive income (FVOCI) was assessed to be insignificant.

As at 31 December 2022, RMB39,781,000 of trade receivables recognised as fair value through other comprehensive income ("FVOCI") were receivables from related parties, and RMB6,747,000 was from third parties. The Group intends to either hold the notes receivable and trade receivables to maturity for cash collection or transfer to suppliers as settlement of its purchases of goods. Considering these financial assets are held by the Group for both collection of contractual cash flows and selling of the related financial assets, the Group has accounted for such notes receivable and trade receivables as financial assets at FVOCI.

23 Notes receivable

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Notes receivable-related parties (Note 41(c)(i))	15,395	–
Notes receivable-third parties	303,689	–
	319,084	–

For the year ended 31 December 2022, the Group has endorsed or discounted the notes receivable with a carrying amount of RMB306,534,000 (2021: Nil), which shall not be derecognised.

As at 31 December 2022, notes receivable of RMB 64,985,000 (31 December 2021: Nil) were pledged for the Group's short-term borrowings.

In the opinion of management, the Group has retained the substantial risk and rewards, and accordingly continue to recognise the full carrying amounts of notes receivable amounting to RMB319,084,000 (31 December 2021: Nil) as at 31 December 2022.

Notes receivable are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The impact of expected loss of notes receivable was assessed to be insignificant.

24 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
	6,467,887	8,616,784
Less: Provision for impairment		
– Financial leasing business	(367,956)	(312,636)
– Factoring service	(114,534)	(119,333)
	(482,490)	(431,969)
Loan receivables – net	5,985,397	8,184,815
Less: non-current portion		
– Financial leasing business	(1,914,548)	(2,104,188)
Current portion	4,070,849	6,080,627

As at 31 December 2022 and 2021, the fair values of loan receivables of the Group approximated their carrying amounts.

As at 31 December 2022 and 2021, the carrying amounts of loan receivables were all denominated in RMB.

Loan receivables of approximately RMB3,046,693,000 and RMB6,791,022,000 were secured by the leased vehicles owned by lessees with original cost of approximately RMB9,325,459,000 and RMB15,530,814,000 as of 31 December 2022 and 2021, respectively.

As at 31 December 2022 and 2021, loan receivables of RMB1,433,797,000 and RMB2,816,032,000 were pledged for other borrowings of RMB835,146,000 and RMB2,498,429,000, respectively (Note 34).

As at 31 December 2022, loan receivables of RMB228,550,000 (2021: Nil) were pledged for bank borrowings of RMB139,166,000 (2021: Nil) (Note 34).

24 Loan receivables (continued)

As at 31 December 2022 and 2021, loan receivables of RMB1,118,846,000 and RMB1,119,557,000 were transferred out but not derecognised under the Group's asset-backed security program, respectively (Note 33).

As at 31 December 2022 and 2021, loan receivables of Nil and RMB125,979,000 were transferred out but not derecognised under the Group's asset-backed notes program, respectively (Note 33).

Movements on the provision for impairment of loan receivables are as follow:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	431,969	287,803
Provision for impairment	50,521	144,166
End of the year	482,490	431,969

25 Other receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other receivables – related parties (Note 41(c)(ii))	125,300	13,547
Other receivables – third parties	316,853	275,426
	442,153	288,973
Less: Provision for impairment	(26,472)	(12,335)
Other receivables – net	415,681	276,638
Less: Non-current portion	(11,131)	(111,145)
Current portion	404,550	165,493

As at 31 December 2022 and 2021, the fair value of other receivables of the Group approximated their carrying amounts.

As at 31 December 2022 and 2021, all the carrying amounts of other receivables were denominated in RMB.

25 Other receivables (continued)

(a) Aging analysis of other 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	276,455	253,409
One year to two years	154,974	26,903
Two years to three years	4,034	2,897
Over three years	6,690	5,764
	442,153	288,973

The Group did not hold any collateral as security over these debtors.

(b) As at 31 December 2022 and 2021, details of other receivables are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Lease deposits (i)	12,747	112,760
Non-current subtotal	12,747	112,760
Current		
Receivables from related parties (Note 41(c)(ii))	125,300	13,547
Advances for coal purchase price on behalf of customers	122,889	104,471
Lease deposits (i)	140,938	36,601
Other deposits	13,932	13,460
Interest receivable	2,305	205
Others	24,042	7,929
Current subtotal	429,406	176,213
Total	442,153	288,973

(i) Lease deposits were the deposits placed to third parties to obtain loans in the sub-lease arrangement.

25 Other receivables (continued)

(c) Movements on the provision for impairment of other receivables are as follow:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	12,335	7,174
Provision for impairment of other receivables	14,137	5,161
End of the year	26,472	12,335

26 Prepayments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments for goods and services	153,221	66,708
Prepayments for listing expenses	–	20,216
	153,221	86,924

As at 31 December 2022 and 2021, all the carrying amounts of prepayments were denominated in RMB.

27 Restricted cash at banks

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Restricted cash at banks	16,158	84,816

27 Restricted cash at banks (continued)

As at 31 December 2022 and 2021, the breakdown of restricted cash at banks are as follow:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deposits for the issuance of notes payable	12,719	84,816
Deposits for the issuance of bank borrowings	3,439	–
	16,158	84,816

28 Cash and cash equivalents

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at banks and on hand	1,148,967	213,339

29 Share capital

	As at 31 December	
	2022	2021
Registered, issued and fully paid		
Number of shares (shares)	2,236,042,500	1,629,000,000
Share capital (in RMB)	2,236,042,500	1,629,000,000

29 Share capital (continued)

Movements on share capital are as follow:

	RMB
As at 31 December 2021	1,629,000,000
Newly issued H shares (a)	607,042,500
As at 31 December 2022	2,236,042,500

(a) On 15 July 2022, the Company newly issued 543,000,000 H shares of RMB1.00 each at HKD1.80 per share in connection with the initial listing of H shares of the Company on the Main Board of HKEX. (Note 30(a)).

On 12 August 2022, the Company completed the over-allotment of 64,042,500 listed H shares (the "Over-allotment of H Shares") of RMB1.00 each at HKD1.80 per share. (Note 30(a)).

30 Other reserves

	Capital surplus(a) RMB'000	Statutory reserves(b) RMB'000	Safety fund(c) RMB'000	Total RMB'000
As at 1 January 2021	475,108	11,508	1,503	488,119
Appropriation of statutory reserves	–	23,397	–	23,397
Appropriation of safety fund	–	–	5,348	5,348
Utilisation of safety fund	–	–	(1,236)	(1,236)
As at 31 December 2021	475,108	34,905	5,615	515,628
As at 1 January 2022	475,108	34,905	5,615	515,628
Initial public offering issue of H Shares (i)	261,751	–	–	261,751
Appropriation of statutory reserves	–	21,541	–	21,541
Appropriation of safety fund	–	–	4,477	4,477
Utilisation of safety fund	–	–	(807)	(807)
As at 31 December 2022	736,859	56,446	9,285	802,590

30 Other reserves (continued)

(a) Capital surplus

(i) The net proceeds from the initial public offering of H shares of the Company, after deduction of the underwriting commission and other expenses payable by the Company in connection with the initial public offering of H shares, are RMB868,794,000, of which RMB607,043,000 and RMB261,751,000 was credited to share capital and share premium, respectively (Note 29 (a)and(b)).

(b) Statutory reserves

In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies.

The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance and Ministry of Emergency Management of the People's Republic of China (the previous name as Safety Production General Bureau), the Group is required to set aside an amount to safety fund based on the revenue generated from transportation service provided. The fund can be used for improvements of safety and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

31 Retained earnings

	RMB'000
As at 1 January 2021	30,736
Profit for the year	362,719
Dividends declared (Note 38)	(66,199)
Appropriation of statutory reserves (Note 30)	(23,397)
Appropriation of safety fund (Note 30 (c))	(5,348)
Utilisation of safety fund (Note 30 (c))	1,236
As at 31 December 2021	299,747
As at 1 January 2022	299,747
Profit for the year	226,412
Dividends declared (Note 38)	(201,126)
Appropriation of statutory reserves (Note 30)	(21,541)
Appropriation of safety fund (Note 30 (c))	(4,477)
Utilisation of safety fund (Note 30 (c))	807
As at 31 December 2022	299,822

32 Lease liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Minimum lease payments due		
– Within one year	20,275	26,729
– Between one and two years	16,520	14,776
– Between two and five years	6,201	13,941
– Later than five years	1,434	–
	44,430	55,446
Less: future finance charges	(2,681)	(7,307)
	41,749	48,139

32 Lease liabilities (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Present value of lease liabilities		
– Within one year	18,613	24,730
– Between one and two years	15,992	13,054
– Between two and five years	5,866	10,355
– Later than five years	1,278	–
	41,749	48,139

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases for the years ended 31 December 2022 and 2021 was RMB31,287,000 and RMB34,541,000, respectively.

33 Bond payables

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

The Group's bond payables as at 31 December 2021 were supported by guarantees provided by SXAG. The guarantees were fully released during year ended 31 December 2022.

33 Bond payables (continued)

Major terms of the asset-backed securities are summarised as below:

Asset-backed securities ("ABS")

ABS 1	As at 31 December 2022
Issue date: 30 March 2022	
Outstanding principal amount (senior A1 tranches) (RMB'000)	37,708
Coupon rate (senior A1 tranches) (%)	3.15%
Maturity date (senior A1 tranches)	28 February 2023
Payment terms of principal and interests	monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	90,000
Coupon rate (senior A2 tranches) (%)	3.40%
Maturity date (senior A2 tranches)	30 June 2023
Payment terms of principal and interests	monthly
Outstanding principal amount (senior B tranches) (RMB'000)	35,000
Coupon rate (senior B tranches) (%)	4.00%
Maturity date (senior B tranches)	31 August 2023
Payment terms of principal and interests	monthly

ABS 2	As at 31 December 2022
Issue date: 27 July 2022	
Outstanding principal amount (senior A1 tranches) (RMB'000)	150,340
Coupon rate (senior A1 tranches) (%)	3.00%
Maturity date (senior A1 tranches)	30 June 2023
Payment terms of principal and interests	monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	15,000
Coupon rate (senior A2 tranches) (%)	3.10%
Maturity date (senior A2 tranches)	31 July 2023
Payment terms of principal and interests	monthly
Outstanding principal amount (senior B tranches) (RMB'000)	31,000
Coupon rate (senior B tranches) (%)	3.8%
Maturity date (senior B tranches)	31 October 2023
Payment terms of principal and interests	monthly

33 Bond payables (continued)

ABS 3	As at 31 December 2022
Issue date: 30 November 2022	
Outstanding principal amount (senior A1 tranches) (RMB'000)	281,632
Coupon rate (senior A1 tranches) (%)	2.99%
Maturity date (senior A1 tranches)	31 October 2023
Payment terms of principal and interests	monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	140,000
Coupon rate (senior A2 tranches) (%)	3.39%
Maturity date (senior A2 tranches)	28 June 2024
Payment terms of principal and interests	monthly
Outstanding principal amount (senior B tranches) (RMB'000)	27,000
Coupon rate (senior B tranches) (%)	4.30%
Maturity date (senior B tranches)	31 July 2024
Payment terms of principal and interests	monthly

ABS 4	As at 31 December 2022	As at 31 December 2021
Issue date: 16 September 2021		
Outstanding principal amount (senior A1 tranches) (RMB'000)	–	256,926
Coupon rate (senior A1 tranches) (%)	3.50%	3.50%
Maturity date (senior A1 tranches)	29 July 2022	29 July 2022
Payment terms of principal and interests	monthly	monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	30,806	236,000
Coupon rate (senior A2 tranches) (%)	3.90%	3.90%
Maturity date (senior A2 tranches)	28 February 2023	28 February 2023
Payment terms of principal and interests	monthly	monthly
Outstanding principal amount (senior B tranches) (RMB'000)	70,000	70,000
Coupon rate (senior B tranches) (%)	4.70%	4.70%
Maturity date (senior B tranches)	28 April 2023	28 April 2023
Payment terms of principal and interests	monthly	monthly

33 Bond payables (continued)

ABS 5	As at 31 December 2021
Issue date: 9 June 2021	
Outstanding principal amount (senior A1 tranches) (RMB'000)	125,178
Coupon rate (senior A1 tranches) (%)	4.00%
Maturity date (senior A1 tranches)	29 April 2022
Payment terms of principal and interests	monthly
Outstanding principal amount (senior A2 tranches) (RMB'000)	127,000
Coupon rate (senior A2 tranches) (%)	4.20%
Maturity date (senior A2 tranches)	31 August 2022
Payment terms of principal and interests	monthly
Outstanding principal amount (senior B tranches) (RMB'000)	82,000
Coupon rate (senior B tranches) (%)	4.90%
Maturity date (senior B tranches)	30 November 2022
Payment terms of principal and interests	monthly

Asset-backed notes ("ABN")

ABN 1	As at 31 December 2021
Issue date: 3 November 2020	
Outstanding principal amount (senior A tranches) (RMB'000)	12,753
Coupon rate (senior A tranches) (%)	4.35%
Maturity date (senior A tranches)	28 February 2022
Payment terms of principal and interests	Quarterly
Outstanding principal amount (senior B tranches) (RMB'000)	30,000
Coupon rate (senior B tranches) (%)	4.78%
Maturity date (senior B tranches)	28 May 2022
Payment terms of principal and interests	Quarterly

33 Bond payables (continued)

Deewin Financing Leasing Co., Ltd, a subsidiary of the Company, transferred its loan receivables to the asset plan administrator which issue asset-backed securities or asset-backed notes to investors.

The Group has subsequently repurchased and held all of the subordinate tranches of the issued asset-backed securities and asset-backed notes and hence the risks and rewards of the aforesaid loan receivables transferred are still substantially retained by the Group. Accordingly, the Group has not de-recognised the related loan receivables in the consolidated financial statement.

34 Borrowings

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Long term bank borrowings, secured (a)	128,245	–
Long term bank borrowings, guaranteed by SXAG	–	67,187
Long term bank borrowings, unsecured	747,949	–
Other long term borrowings, secured (b)	835,146	2,498,429
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)
Total non-current portion:	852,116	395,019
Current:		
Short term bank borrowings, secured (a)	75,906	–
Short term bank borrowings, guaranteed by SXAG	–	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
Total current portion:	1,840,652	3,705,410
Total borrowings	2,692,768	4,100,429

34 Borrowings (continued)

(a) As at 31 December 2022, the Group's long term and short term bank borrowings of RMB128,245,000 and RMB10,921,000 were secured by the pledge of the Group's loan receivables of RMB228,550,000 (Note 24) and notes receivables of RMB64,985,000 (Note 23).

(b) Other borrowings were the loans obtained from third parties in the form of sub-lease arrangement. As at 31 December 2022, other borrowings of RMB835,146,000 (31 December 2021: RMB2,498,429,000) were secured by loan receivables of RMB1,433,797,000 (31 December 2021: RMB2,816,032,000) (Note 24).

(c) The weighted average effective interest rates for borrowings at each balance sheet date are as follows:

	As at 31 December	
	2022	2021
Bank borrowings	3.80%	4.43%
Other borrowings	4.65%	5.18%

(d) At 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	1,840,652	3,705,410
Between one and two years	852,116	395,019
	2,692,768	4,100,429

(e) All the borrowings were denominated in RMB.

35 Provisions for warranty

The analysis of provisions for warranty is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Provisions for warranty	1,194	2,558

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	2,558	8,573
– Utilisation and reversal for the year	(1,364)	(6,015)
End of the year	1,194	2,558

Provision for warranty represents warranty program provided by the Group in terms of the sales of intelligent internet of vehicle (IoV) terminal products.

36 Trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Notes payable	38,238	238,103
Trade payables – related parties (Note 41 (c)(i))	56,254	74,175
Trade payables – third parties	275,393	331,611
Other payables – loan from related parties (Note 41 (c)(ii))	973,000	854,000
Other payables – advances from related parties (Note 41 (c)(ii))	8,469	1,467
Other payables – interest payable to related party (Note 41 (c)(ii))	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
Early retirement benefits payable	1,301	3,634
Interest payable	–	2,284
Accrued taxes other than income tax	4,751	7,068
Trade and other payables	2,018,352	2,430,029
Less: non-current portion:		
– Other payables -deposits collected from lessees of commercial vehicles	(160,537)	(381,893)
– Early retirement benefits payable	(385)	(1,297)
– Other payables – loan from related parties	–	(643,000)
– Other payables – loan from a third party	(50,000)	–
Total non-current portion	(210,922)	(1,026,190)
Current portion	1,807,430	1,403,839

As at 31 December 2022 and 2021, all trade and other payables except for loan from related parties of the Group were non-interest bearing, and their fair values, except for the staff salaries and welfare payables, early retirement benefits payable and accrued taxes other than income tax which are not financial liabilities, approximated to their carrying amounts.

36 Trade and other payables (continued)

(a) The Group's notes payable as at 31 December 2021 were supported by guarantees provided by SAHG. The guarantees were fully released during year ended 31 December 2022.

(b) As at 31 December 2022, loan from a third party was the loan provided to the Company through a bank entrusted and guaranteed by third parties.

(c) The weighted average effective interest rates for loan from related parties and third parties at each balance sheet date are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Loan from related parties	3.21%	3.40%
Loan from a third party	3.00%	–

The exposure of loan from related parties at variable interest rates at each balance sheet date are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Loan from related parties	643,000	854,000

36 Trade and other payables (continued)

(d) Maturity of loan from related parties were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	973,000	211,000
One year to two years	–	643,000
	973,000	854,000

(e) As at 31 December 2022, the maturity of loan from a third party was one year to two years.

(f) 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
	331,647	405,786

37 Deferred government grants

The analysis of deferred government grants is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred government grants	16,744	14,043

Movements in deferred government grants for the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	14,043	16,088
Additions for the year	6,689	4,342
Credited to profit or loss (Note 5.3)	(3,988)	(6,387)
End of the year	16,744	14,043

38 Dividends

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Dividends declared to equity holders of the Company	201,126	66,199
Dividends declared to the non-controlling interests	1,901	1,792
Total	203,027	67,991

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 equityholders 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) per 10 shares to the shareholders in respect of the year ended 31 December 2022. The proposed dividend is not recorded as liability in the consolidated financial statements for the year ended 31 December 2022.

39 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	278,777	444,594
Adjustments for:		
– Net impairment losses on financial assets (Note 3.1(b))	78,836	146,157
– Provision for impairment of inventory (Note 7)	2,709	3,812
– Depreciation of property, plant and equipment (Note 14)	18,464	18,172
– Depreciation of investment properties (Note 15)	266	–
– Amortisation of right-of-use assets (Note 13)	29,696	29,437
– Amortisation of intangible assets (Note 16)	5,628	4,335
– Losses/(gains) on disposal of property, plant and equipment (Note 6)	34	(36)
– Finance costs/(income)-net	226	(5,708)
– Share of net profit of associate accounted for using the equity method (Note 18)	(4,657)	(5,123)
– Other losses-net	815	–
– Increase/(decrease) of deferred government grants (Note 37)	2,701	(2,046)
– Reversal of provisions for warranty (Note 35)	(1,096)	(5,172)
Changes in working capital:		
– Restricted cash at banks (Note 27)	68,658	382,636
– Financial assets at fair value through other comprehensive income (FVOCI) (Note 22)	30,151	153,294
– Notes receivable	(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 warranty	(268)	(843)
Cash used in operations	(49,102)	(375,482)

39 Cash flow information (continued)

(b) Major non-cash transactions

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
– Payment for inventories and services by endorsement of notes receivable	246,600	1,133,285
– Acquisition of right-of-use asset (Note 13)	25,217	57,527
	271,817	1,190,812

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented. For details of net debt please refer to note 3.2.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and restricted cash at banks	1,165,125	298,155
Gross debt – fixed interest rates	(3,775,170)	(5,083,425)
Gross debt – variable interest rates	(890,833)	(859,000)
Net debt	(3,500,878)	(5,644,270)

39 Cash flow information (continued)

(c) Net debt reconciliation (continued)

	Assets		Liabilities								
	Cash and cash equivalents RMB'000	Restricted cash at banks RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Other payables due within 1 year RMB'000	Other payables due after 1 year RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Bond payables due within 1 year RMB'000	Bond payables due after 1 year RMB'000	Total RMB'000
At 1 January 2021	196,915	467,452	(1,613,816)	(124,068)	(3,071,000)	(854,000)	(10,288)	(12,172)	(248,459)	(74,544)	(5,343,980)
Cash flows	16,424	(382,636)	(2,362,545)	–	3,071,000	–	34,541	–	(616,854)	–	(240,070)
Non-cash change											
– Acquisitions of lease incentives	–	–	–	–	–	–	–	(57,526)	–	–	(57,526)
– Interest expenses on lease liabilities	–	–	–	–	–	–	–	(2,694)	–	–	(2,694)
– Reclassification	–	–	270,951	(270,951)	(211,000)	211,000	(48,983)	48,983	29,241	(29,241)	–
At 31 December 2021	213,339	84,816	(3,705,410)	(395,019)	(211,000)	(643,000)	(24,730)	(23,409)	(836,072)	(103,785)	(5,644,270)
At 1 January 2022	213,339	84,816	(3,705,410)	(395,019)	(211,000)	(643,000)	(24,730)	(23,409)	(836,072)	(103,785)	(5,644,270)
Cash flows	935,628	(68,658)	1,407,661	–	(169,000)	–	31,287	–	31,371	–	2,168,289
Non-cash change											
– Acquisitions of lease incentives	–	–	–	–	–	–	–	(23,739)	–	–	(23,739)
– Interest expenses on lease liabilities	–	–	–	–	–	–	–	(1,158)	–	–	(1,158)
– Reclassification	–	–	457,097	(457,097)	(593,000)	593,000	(25,170)	25,170	20,676	(20,676)	–
At 31 December 2022	1,148,967	16,158	(1,840,652)	(852,116)	(973,000)	(50,000)	(18,613)	(23,136)	(784,025)	(124,461)	(3,500,878)

40 Contingent liabilities

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities.

41 Related party transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions. SXAG is the Company's controlling shareholder.

The Company is controlled by SXAG, which is a government-related enterprise established in the PRC by Shaanxi SASAC. In accordance with IAS 24 (Revised), "Related Party Disclosures", issued by the IASB, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the government are defined as related parties of the Group. On that basis, related parties include SXAG and its subsidiaries (other than the Group), entities controlled by Shaanxi SASAC, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include deposits and borrowings, trade and other receivables, trade and other payables and cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in the consolidated financial statements.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed. Sales of goods to related parties are at market prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material transactions or balances with related parties.

41 Related party transactions (continued)

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year ended 31 December 2022 and 2021:

List of related parties

Name of related parties	Relationship with the Group
SAHG	– Ultimate Controlling Shareholder
SXAG	– Parent Company
SXHDA	– Entities over which the Parent Company has significant influence
Shaanxi Jinding Casting Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Heavy Duty Automobile Import and Export Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Hande Axle Co., Ltd Xi'an Branch	– Entities over which the Parent Company has significant influence
Shaanxi Jiahe Huaheng Thermal System Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi poly Special Vehicle Manufacturing Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Huainan Special Purpose Vehicle Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Yulin Dongfang New Energy Special Purpose Vehicle Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Xinjiang Automobile Co., Ltd	– Entities over which the Parent Company has significant influence
Xi'an Shanqi Wheel Co., Ltd	– Entities over which the Parent Company has significant influence
Xi'an Desen New Energy Equipment Co., Ltd	– Entities over which the Parent Company has significant influence
Xi'an Cummins Engine Co., Ltd	– Entities over which the Parent Company has significant influence
Grammer Vehicle Seat (Shaanxi) Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Automobile Datong Special Purpose Vehicle Co., Ltd	– Entities over which the Parent Company has significant influence
Shaanxi Jianke Fangyuan Auto Parts Co., Ltd	– Entities over which the Ultimate Controlling Shareholder has significant influence
Tongchuan Dongsen Machinery Manufacturing Co., Ltd	– Entities over which the Ultimate Controlling Shareholder has significant influence
Shaanxi Tongjia Automobile Co., Ltd	– Entities over which the Ultimate Controlling Shareholder has significant influence
Shaanxi R Duty Automobile Special Purpose Vehicle Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Deshi Electronic Equipment Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Deshi Auto Parts (Group) Co., Ltd	– Entities controlled by the Parent Company

41 Related party transactions (continued)

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year ended 31 December 2022 and 2021: (continued)

List of related parties (continued)

Name of related parties	Relationship with the Group
SAGCV	– Entities controlled by the Parent Company
Xi'an Huanyu Car Light Co., Ltd	– Entities controlled by the Parent Company
Xi'an Oude Rubber & Plastic Technology Co., Ltd	– Entities controlled by the Parent Company
Xi'an Deshi Auto Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Automobile City Hotel Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Automobile Technical School	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Automobile Industry Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Oushute Automobile Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Huazhen Modern Agriculture Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Dongfeng Vehicle Axle Transmission System Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Fangyuan Automobile Standard Parts Co., Ltd.	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Dongming Vehicle System Co., Ltd	– Entities controlled by the Ultimate Controlling Shareholder
Shaanxi Tongli Special Purpose Automobile Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Lantong Drive Shaft Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Huazhen Auto Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Huazhen Vehicle Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Huazhen Automotive Filtration System Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Sanzhen Auto Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Wanfang Auto Parts Co., Ltd	– Entities controlled by the Parent Company
Shaanxi Wanfang Tianyun Automobile Electric Co., Ltd	– Entities controlled by the Parent Company
Xi'an Zhide Automobile Electronic Control System Co., Ltd	– Entities controlled by the Parent Company
Baoji Tongli Automobile Body Co., Ltd	– Entities controlled by the Parent Company
MXIB.	– Associates
Shaanxi Automobile Wuhai Special Purpose Vehicle Co., Ltd	– Unrelated parties/entities over which the Parent Company has significant influence (i)

Same as disclosed elsewhere in this consolidated financial statements, during the year ended 31 December 2022 and 2021, the Group had the following significant transactions with related parties.

(i) These related parties' relationship with the Group changed during the year ended 31 December 2022 and 2021 due to the impact of changes in equity relationship.

41 Related party transactions (continued)

(b) Transactions with related parties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of goods		
– Entities over which the Parent Company has significant influence	35,312	91,174
– Entities controlled by the Parent Company	30,394	113,748
	65,706	204,922
Rendering of logistics and warehousing service		
– Entities over which the Parent Company has significant influence	229,357	365,676
– Entities controlled by the Parent Company	54,581	115,430
– Entities over which the Ultimate Controlling Shareholder has significant influence	482	597
– Entities controlled by the Ultimate Controlling Shareholder	2	3
	284,422	481,706
Interest income from factoring business		
– Entities over which the Parent Company has significant influence	164	–
Rendering of Internet of Vehicle (IoV) and data service		
– Entities over which the Parent Company has significant influence	11,292	1,757
– Entities controlled by the Parent Company	90	–
	11,382	1,757

41 Related party transactions (continued)

(b) Transactions with related parties (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rendering of maintenance and other services		
– Entities over which the Parent Company has significant influence	25	167
– Entities controlled by the Parent Company	13	3
– Entities controlled by the Ultimate Controlling Shareholder	–	2
	38	172
Purchase of goods and services		
– Entities controlled by the Parent Company	31,110	462,756
– Parent Company	28,348	5,887
– Associates	2,352	7,964
– Entities over which the Parent Company has significant influence	1,069	1,829
– Entities controlled by the Ultimate Controlling Shareholder	13	751
	62,892	479,187
Loan advanced from related parties		
– Parent Company	370,000	1,330,000
– Ultimate Controlling Shareholder	100,000	–
– Associates	10,000	35,000
	480,000	1,365,000
Repayment of loan to related parties		
– Parent Company	251,000	3,211,000
– Ultimate Controlling Shareholder	100,000	1,190,000
– Associates	10,000	35,000
	361,000	4,436,000
Accrued interest on loan from related parties		
– Parent Company	20,969	45,945
– Associates	376	746
– Ultimate Controlling Shareholder	304	14,115
	21,649	60,806

41 Related party transactions (continued)

(b) Transactions with related parties (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Payment of interest on loan from related parties		
– Parent Company	26,920	54,727
– Associates	376	–
– Ultimate Controlling Shareholder	61	15,072
– Entities over which the Parent Company has significant influence	–	746
	27,357	70,545
Loan to related parties in the form of factoring receivables		
– Entities over which the Parent Company has significant influence	–	10,000
Factoring receivables repaid from related parties		
– Entities over which the Parent Company has significant influence	10,191	–
Purchase of right-of-use assets		
– Entities over which the Parent Company has significant influence	5,121	19,732
Payment of rental expense		
– Entities over which the Parent Company has significant influence	11,090	9,812
– Entities controlled by the Parent Company	6,506	6,506
– Parent Company	97	86
	17,693	16,404
Collection of transportation fee collected by related parties on behalf of the Group		
– Entities over which the Parent Company has significant influence	88,954	365,286
– Entities controlled by the Parent Company	32,786	79,665
	121,740	444,951

41 Related party transactions (continued)

(b) Transactions with related parties (continued)

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Repayment of social benefits expense which was previously paid by related parties on behalf of the Group		
– Ultimate Controlling Shareholder	3,333	7,395
– Entities controlled by the Ultimate Controlling Shareholder	–	18
	3,333	7,413
Factoring receivables repaid by related parties on behalf of third parties		
– Entities over which the Parent Company has significant influence	113,919	93,060
– Entities controlled by the Parent Company	67,533	162,785
	181,452	255,845
Lease payment received from related parties on behalf of lessees		
– Entities over which the Parent Company has significant influence	52,944	99,539
– Entities controlled by the Parent Company	6,177	68,616
	59,121	168,155

During the year ended 31 December 2022 and 2021, for the purpose of promoting the deals of commercial vehicles, the vehicle manufacturers, whom are related parties, had committed and borne certain portion of lease payment to our Group for the lessees.

	2022	2021
Commercial vehicles purchase price paid to related parties on behalf of vehicles dealers		
– Entities over which the Parent Company has significant influence	–	908,791
– Entities controlled by the Parent Company	–	36,680
	–	945,471

According to certain third-party agreements among commercial vehicles dealers, Deewin Financing Leasing Co., Ltd, and SXHDA or SAGCV, the purchase price of commercial vehicles due from commercial vehicles dealers could be paid by Deewin Financing Leasing Co., Ltd, on behalf of the commercial vehicles dealers. Deewin Financing Leasing Co., Ltd ceased this business by the end of year 2021.

41 Related party transactions (continued)

(c) Balances with related parties

(i) Trade balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
FVOCI -Notes receivable		
– Entities controlled by the Parent Company	15,761	64,738
– Entities over which the Parent Company has significant influence	8,923	64,553
	24,684	129,291
FVOCI – Trade receivables		
– Entities over which the Parent Company has significant influence	39,378	29,842
– Entities controlled by the Parent Company	403	–
	39,781	29,842
Notes receivable		
– Entities over which the Parent Company has significant influence	10,310	–
– Entities controlled by the Parent Company	5,085	–
	15,395	–
Trade receivables		
– Entities over which the Parent Company has significant influence	160,320	75,694
– Entities controlled by the Parent Company	52,075	73,616
– Entities over which the Ultimate Controlling Shareholder has significant influence	467	256
– Entities controlled by the Ultimate Controlling Shareholder	7	7
	212,869	149,573

As at 31 December 2022 and 2021, the carrying amount of trade receivables are RMB212,869,000 and RMB149,573,000, and the allowance provision of RMB474,000 and RMB87,000, respectively.

41 Related party transactions (continued)

(c) Balances with related parties (continued)

(i) Trade balances with related parties (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Loan receivables		
– Entities over which the Parent Company has significant influence	43,891	10,000
– Entities controlled by the Parent Company	–	7,200
– Entities over which the Ultimate Controlling Shareholder has significant influence	47,386	54,996
	91,277	72,196

As at 31 December 2022 and 2021, the carrying amount of loan receivables are RMB91,277,000 and RMB72,196,000 with allowance provision of RMB47,825,000 and RMB49,921,000, respectively.

41 Related party transactions (continued)

(c) Balances with related parties (continued)

(i) Trade balances with related parties (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments		
– Entities controlled by the Parent Company	56,876	24,542
– Entities over which the Parent Company has significant influence	2,231	–
– Parent company	30	–
– Entities controlled by the Ultimate Controlling Shareholder	–	4
	59,137	24,546
Notes payable		
– Entities over which the Parent Company has significant influence	–	50,000
– Entities controlled by the Parent Company	–	357
	–	50,357
Trade payables		
– Entities controlled by the Parent Company	52,451	59,639
– Parent Company	3,605	7,098
– Entities over which the Parent Company has significant influence	198	7,438
	56,254	74,175
Contract liabilities		
– Entities controlled by the Parent Company	39	307
– Entities over which the Parent Company has significant influence	–	783
	39	1,090

41 Related party transactions (continued)

(c) Balances with related parties (continued)

(ii) Non-trade balances with related parities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other receivables		
– Entities controlled by the Parent Company	125,150	13,051
– Parent Company	100	26
– Entities over which the Parent Company has significant influence	50	470
	125,300	13,547

As at 31 December 2022 and 2021, the carrying amount of other receivables were RMB125,300,000 and RMB13,547,000 and the allowance provision were RMB141,000 and RMB16,000, respectively.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other payables		
– Parent Company	973,836	854,888
– Entities controlled by the Parent Company	6,592	40
– Entities over which the Parent Company has significant influence	1,877	1,425
– Entities over which the Ultimate Controlling Shareholder has significant influence	–	2
	982,305	856,355

There was no pledge/guarantee provided to the related parties, and the pledge/guarantee provided by the related parties will be partially released upon the Listing.

41 Related party transactions (continued)

(d) Key management compensation

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other short-term employee benefits	2,720	2,802
Pension costs, housing fund, medical insurances and other social insurances	669	445
	3,389	3,248

(e) Use of registered trademark

Pursuant to the trademark agreements with SXAG, the Company has the right to use the registered trademark of "che lun gun gun" at no cost from 28 August 2016 to 27 August 2026, Deewin Financing Leasing Co., Ltd. has the right to use the registered trademark of "Deyingtianxia" at no cost from 7 August 2012 to 6 August 2022, Shanghai Fargo Supply-chain Management(Group) Co., Ltd. has the right to use the registered trademark, which is a logo, at no cost from 21 March 2017 to 20 March 2027.

42 Subsequent event

Profit distribution for 2022

On 29 March 2023, the Board of Directors proposed the 2022 final dividend of RMB0.4336(tax inclusive) per 10 shares, amounting to RMB96,955,000. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43 Subsidiaries

The Company had direct and indirect interests in the following subsidiaries during the year ended 31 December 2022 and 2021:

Directly held (Note (a))	Place and date of incorporation /Establishment	Registered capital	Percentage of equity attributable to the Company As of 31 December 2021	As of 31 December 2022	Principle activities
Deewin Financing Leasing Co., Ltd (德銀融資租賃有限公司)	PRC, 24 November 2011	RMB1,550,000,000	100%	100%	Financial leasing business
Shanghai Deewin Commercial Factoring Co., Ltd (上海德銀商業保理有限公司)	PRC, 17 September 2013	RMB200,000,000	100%	100%	Factoring service
Shanghai Fargo Supply-chain Management (Group) Co., Ltd (上海遠行供應鏈管理(集團)有限公司)	PRC, 13 June 2012	RMB50,000,000	100%	100%	Logistics and supply chain business
Shaanxi Tianxingjian IoV Information Technology Co., Ltd (陝西天行健車聯網信息技術有限公司)	PRC, 18 June 2013	RMB10,000,000	100%	100%	Internet of Vehicle ("IoV") and data service
Shaanxi Tonghui Automobile Logistics Co., Ltd (陝西通匯汽車物流有限公司)	PRC, 20 October 2005	RMB20,000,000	100%	100%	Logistics and supply chain business
Shanghai Fargo Logistics Service Co., Ltd (上海遠行物流服務有限公司)	PRC, 18 May 2015	RMB 10,000,000	100%	100%	Logistics and supply chain business
Shaanxi Zhongfu Wulian Technology Service Co., Ltd (陝西中富物聯科技服務有限公司)	PRC, 12 June 2012	RMB 16,000,000	100%	100%	Logistics and supply chain business
Xinjiang Fargo Supply Chain Management Co., Ltd (新疆遠行供應鏈管理有限公司)	PRC, 28 January 2013	RMB 20,000,000	51%	51%	Logistics and supply chain business
Shaanxi Fargo Supply Chain Management Co., Ltd (陝西遠行供應鏈管理有限公司)	PRC, 12 December 2013	RMB 3,000,000	100%	100%	Logistics and supply chain business
Henan Deewin Supply Chain Management Co., Ltd (河南德銀供應鏈管理有限公司)	PRC, 28 February 2014	RMB 30,000,000	51%	51%	Logistics and supply chain business
Shanxi Deewin Fargo Supply Chain Management Co., Ltd (山西德銀遠行供應鏈管理有限公司)	PRC, 13 March 2014	RMB 3,000,000	100%	100%	Logistics and supply chain business
Inner Mongolia Fargo Supply Chain Management Co., Ltd (內蒙古遠行供應鏈管理有限公司)	PRC, 14 March 2014	RMB 3,000,000	100%	100%	Logistics and supply chain business
Beijing Deewin Fargo Supply Chain Management Co., Ltd (北京德銀遠行供應鏈管理有限公司)	PRC, 10 June 2015	RMB 3,000,000	100%	100%	Logistics and supply chain business
Shaanxi Huazhen Logistics Co., Ltd (陝西華臻物流有限公司)	PRC, 24 January 2011	RMB 6,000,000	100%	100%	Logistics and supply chain business

(a) All of the companies comprising the Group are incorporated/established with limited liability in the PRC and adopted 31 December as their financial year end date.

44 Statements of financial position and changes in equity of the company

	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,352	5,115
Investment properties	4,389	6,586
Intangible assets	1,401	–
Financial assets at amortised cost	20,500	–
Investment in an associate	9,157	9,623
Investments in subsidiaries	2,302,053	2,302,053
Other receivables from subsidiaries	785,730	–
	3,128,582	2,323,377
Current assets		
Prepayments	1,035	23,404
Other receivables from third parties	17,561	272
Other receivables from subsidiaries	1,355,732	991,563
Financial assets at fair value through profit or loss ("FVTPL")	–	43,000
Restricted cash at banks	10,108	49,389
Cash and cash equivalents	876,753	48,645
	2,261,189	1,156,273
Total assets	5,389,771	3,479,650
EQUITY		
Share capital (a)	2,236,043	1,629,000
Other reserves (a)	1,094,562	811,270
Retained earnings (a)	240,687	247,944
Total equity	3,571,292	2,688,214

44 Statements of financial position and changes in equity of the company (continued)

	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	670,000	–
Other payables to third parties	50,000	–
Deferred government grants	2,781	2,879
	722,781	2,879
Current liabilities		
Other payables to third parties	382,701	143,456
Other payables to subsidiaries	5	76,604
Current income tax liabilities	–	59
Borrowings	712,992	568,438
	1,095,698	788,557
Total liabilities	1,818,479	791,436
Total equity and liabilities	5,389,771	3,479,650

The statement of financial position of the Company was approved by the Board on 29 March 2023 and was signed on its behalf.

Chairman: Guo Wancai

Director: Wang Runliang

44 Statements of financial position and changes in equity of the company (continued)

(a) Changes in equity of the Company

	Attributable to equity holders of the Company			
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021				
Comprehensive income	1,629,000	787,873	103,573	2,520,446
Profit for the year	–	–	233,967	233,967
Transaction with owners:				
Dividends declared and paid	–	–	(66,199)	(66,199)
Appropriation of statutory reserves	–	23,397	(23,397)	–
Subtotal	–	23,397	(89,596)	(66,199)
At 31 December 2021	1,629,000	811,270	247,944	2,688,214
At 1 January 2022				
Comprehensive income	1,629,000	811,270	247,944	2,688,214
Profit for the year	–	–	215,410	215,410
Transaction with owners:				
Initial Public Offering Issue of H Shares	607,043	261,751	–	868,794
Dividends declared and paid	–	–	(201,126)	(201,126)
Appropriation of statutory reserves	–	21,541	(21,541)	–
Subtotal	607,043	283,292	(222,667)	667,668
At 31 December 2022	2,236,043	1,094,562	240,687	3,571,292

Definition

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

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company
"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 report, 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
"Connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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

Definition

"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
"Independent Customers"	including Independent Logistics Supply Chain Customers, Independent Factoring Customers, Independent Financial Leasing Customers and Independent IoV Customers
"IoV" or "Internet of Vehicles"	the business which uses sensing technology to collect data in relation to automobile, in particular the data of automobile operation, driving behaviour of drivers and driving location, in order to provide data service and information service to various market participants of automobile ecosphere
"Latest Practicable Date"	29 March 2023, being the latest practicable date for ascertaining certain information in this report before its publication
"Listing"	the listing of the H Shares on the Main Board
"Listing Date"	15 July 2022, being the date on which the H Shares was listed and on which dealings in the H Shares was first permitted to take place on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"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
"Nomination Committee"	nomination committee of the Board

"Over-allotment Option"	the option expected to be granted by the Company to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters)
"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
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"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 Group"	Shaanxi Automobile and its affiliated companies
"Shaanxi Automobile Holding"	Shaanxi Automobile Holding Group Co., Ltd.* (陝西汽車控股集團有限公司), a limited liability company established in the PRC on 20 August 2012 and a Controlling Shareholder, in which 51.00% equity interest is held by the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province and 49.00% equity interest is held by one company that is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Shaanxi Province

"Shaanxi Commercial Automobile"	Shaanxi Group Commercial Automobile Co., Ltd.* (陝汽集團商用車有限公司), a limited liability company established in the PRC on 10 April 2002 and a Controlling Shareholder, in which 68.51% equity interest is held by Shaanxi Automobile and 31.49% equity interest is held in aggregate by three independent third parties. The Company was held as to 0.52% by Shaanxi Commercial Automobile as at the Latest Practicable Date
"Shaanxi Heavy Duty Automobile"	Shaanxi Heavy Duty Automobile Co., Ltd.* (陝西重型汽車有限公司), a limited liability company established in the PRC on 18 September 2002, in which 49.00% equity interest is held by Shaanxi Automobile and 51.00% equity interest is held by Weichai Power Co., Ltd. (濰柴動力股份有限公司), which is a company listed on the Main Board of the Stock Exchange (stock code: 2338) and the main board of Shenzhen Stock Exchange (stock code: SZ000338) and an independent third party. The Company was held as to 5.24% by Shaanxi Heavy Duty Automobile as at the Latest Practicable Date
"Shaanxi Holding Group"	Shaanxi Automobile and Shaanxi Automobile Holding and/or their respective associates (excluding the members of our Group)
"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
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"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.