
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile held approximately 92.09%, 7.19% and 0.72% of the total issued share capital of the Company, respectively. Details of each of our foregoing shareholders are set out below:

- **Shaanxi Automobile Holding, Shaanxi Automobile and Shaanxi Commercial Automobile**

Shaanxi Automobile Holding is a state-owned enterprise established in 2012 and its predecessor was founded in 1968. As at the Latest Practicable Date, Shaanxi Automobile Holding was held as to 51.00% by the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province, while the remaining 49.00% is held by one wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province. Shaanxi Automobile Holding is an investment holding company and its business scope mainly covers commercial automobiles industry, industrial investment and investment management consulting. Shaanxi Automobile Holding has more than 100 subsidiaries and associated companies, including its subsidiaries, Shaanxi Automobile and Shaanxi Commercial Automobile, as well as its associated company, Shaanxi Heavy Duty Automobile. It is a large-scale commercial automobile manufacturer in the northwestern region of the PRC. To the best knowledge of our Directors, according to the consolidated financial statements of Shaanxi Automobile Holding for the year ended 31 December 2021 under the PRC GAAP, the total revenue, net profit, total asset and net assets of Shaanxi Automobile Holding were approximately RMB19.3 billion, RMB30.2 million, RMB31.9 billion and RMB8.0 billion, respectively.

Shaanxi Automobile is a limited liability company established in the PRC in 1989 and was converted into a joint stock company with limited liability on 30 March 2021. As at the Latest Practicable Date, Shaanxi Automobile was held as to 67.06% by Shaanxi Automobile Holding. Accordingly, Shaanxi Automobile is a non wholly-owned subsidiary of Shaanxi Automobile Holding. It is primarily engaged in the research and development, production and sales of commercial automobiles, special-purpose vehicles and components of commercial automobiles.

Shaanxi Commercial Automobile is a limited liability company established in the PRC in 2002, with approximately 68.51% of its shareholding held by Shaanxi Automobile. It is primarily engaged in the research and development, production and sales of commercial automobiles, special-purpose vehicles and components of commercial automobiles.

- **Shaanxi Heavy Duty Automobile**

Shaanxi Heavy Duty Automobile is a limited liability company established in the PRC in 2002, which is held as to approximately 49.00% by Shaanxi Automobile and the remaining 51.00% interest of Shaanxi Heavy Duty Automobile is held by Weichai Power Co., Ltd.* (潍柴动力股份有限公司), which is a company listed on both the Main Board of the Stock Exchange (stock code: 2338) and the Main Board of Shenzhen Stock Exchange (stock code: SZ000338). Shaanxi Heavy Duty Automobile is principally engaged in the manufacturing of heavy trucks, such as heavy dump trucks, heavy tractors and heavy cargo trucks. To the best knowledge of our Directors, according to the consolidated financial statements of Shaanxi

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Heavy Duty Automobile for the year ended 31 December 2021 under the PRC GAAP, the total revenue, net loss, total asset and net assets of Shaanxi Heavy Duty Automobile were approximately RMB54.1 billion, RMB0.5 billion, RMB46.5 billion and RMB10.1 billion respectively.

The main types of commercial automobile manufactured by Shaanxi Holding Group were commercial automobile such as tractors (牽引車), dump trucks (自卸車), cargo trucks (載貨車), off-road vehicle (越野車) and special-purpose vehicles. Shaanxi Holding Group has over 50 years of experience in the commercial automobile industry. The main competitive advantage of Shaanxi Holding Group is its research, development and innovation capability. It has developed multiple generations of commercial automobile platform, spanning across the entire spectrum of trucks of different sizes, and its products are known in the market for its reliability and adaptability to complex environments. It also has established a marketing and service system. According to the Frost & Sullivan Report, the top five commercial automobile manufacturers in the PRC market in aggregate accounted for approximately 85.7% of the sales of commercial automobiles in 2021 and Shaanxi Holding Group ranked 4th in the PRC commercial automobile industry in terms of sales volume of heavy commercial automobiles in 2021, with a market share of 13.8%. According to the Frost & Sullivan Report, for the years ended 31 December 2019, 2020 and 2021, the total number of commercial automobiles manufactured by Shaanxi Holding Group were 191,392 units, 243,853 units and 200,432 units, respectively, accounting for 4.9%, 5.1%, 4.3% share of China’s commercial automobile industry and ranking eighth, eighth, and ninth, respectively.

According to the National Fourteenth Five-Year Plan, future demand and market space for commercial automobiles are expected to be promising, offering a potential opportunity for commercial automobile manufacturers. Driven by national infrastructure construction projects and the development of the trunk logistics transportation industry, the heavy commercial automobile market has witnessed a rapid development in recent years. In 2020, the phasing out of China III vehicles, the phased implementation of the China VI vehicle emission standards, and the construction of new infrastructure, the sales volume of heavy commercial automobiles in China reached 1,395.3 thousand units, maintaining a CAGR of 7.3% from 2017 to 2021. After experiencing high growth in the prior year as a result of phase out of China III vehicles, the phased implementation of China’s VI vehicle emission standards and the construction of new infrastructure, the market demand slightly declined in 2021. In the future, it is predicted that the sales volume of heavy commercial automobiles will return to a normal level in the next few years but remain at a relatively high level, and will amount to 1,277.5 thousand units in 2026, representing a CAGR of -1.7% compared with 2021. Please refer to the section headed “Industry Overview – The Commercial Automobile Industry Chain Service in China” in this document for further details.

Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Shaanxi Automobile, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile will hold approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued share capital of our Company, respectively. Accordingly, Shaanxi Automobile, Shaanxi Automobile Holding and Shaanxi Commercial Automobile will be our Controlling Shareholders immediately upon completion of the [REDACTED].

Our business has been developed along the commercial automobile industry chain. Since our establishment in 2005, we provide services to the participants of commercial automobile industry. With our gradual development in the past 17 years, we have become one of the major providers in the commercial automobile service industry in China, with our services covering three main business sectors of the commercial automobile industry chain, including, among other things, logistics and supply chain services, financial leasing and factoring services, sales

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of intelligent IoV products and provision of solutions applying IoV and related technologies. As such, we provide diverse services to numerous participants along the industry chain, including upstream components suppliers and downstream commercial automobile sales dealers and customers.

During the Track Record Period, approximately 83.1%, 86.9% and 77.3% of the total revenue of the Group was contributed by Shaanxi Holding Group and Associated Customers (the revenue generated from Shaanxi Holding Group and Associated Customers does not include “other” revenue in each business segment). Although a considerable portion of our Group’s business was associated with or related to Shaanxi Automobile and its associates (in particular Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile) and the commercial automobiles manufactured by them, our business relationships with Shaanxi Holding Group and independent third party customers (including Shaanxi Holding Group’s components suppliers, commercial automobile sales dealers and end customers of Shaanxi Automobile branded commercial automobiles) have been developed based on market-oriented principles, and they are not an integral part of our Controlling Shareholders’ business. All of our customers (including our Controlling Shareholders and its associates) have the option to choose whether or not to use our services or purchase our products, and they choose us mainly due to the recognition of our strengths and competitiveness. In the meantime, our Group has a discretion to determine whether to provide services or sell products to such customers. Shaanxi Holding Group will not be involved in, nor have any direct or indirect influence on, such decision making by our customers.

In particular, all the agreements entered into between our Group and Shaanxi Holding Group as set out in the section headed “Connected Transactions” in this document were, or shall be entered into, on arm’s length basis and on fair and reasonable terms. Such agreements will be conducted on normal commercial terms in accordance with the pricing policy of our Group. In addition, Our Company has also adopted internal control procedures in relation to continuing connected transactions to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better. Please refer to the “Connected Transactions” section in this document for further details.

The business relationships between our Group and independent third party customers (including Shaanxi Holding Group’s components suppliers, commercial automobile sales dealers and end customers of Shaanxi Automobile branded commercial automobiles) were developed based on their independent decision-making process from a commercial perspective, mainly because of our in-depth understanding of the commercial automobile industry and our capabilities to provide quality services. There is no arrangement in place (whether formal or informal) pursuant to which Shaanxi Holding Group refers its customers, its suppliers or other business partners to our Group. The Directors believe that the long-term business relationship with Shaanxi Automobile and its associates is mutually beneficial and complementary, and expect to maintain our current relationship with them in the future. Please refer to the paragraph headed “Independence from our Controlling Shareholders — Operational Independence” in this section for further details. During the Track Record Period, our Group has expanded and will continue to expand our services and diversify our customer base in all our three business sectors by, for example, selling external branded commercial automobiles and aftermarket products, providing financing leasing services to customers of external branded commercial automobiles, and pre-installing our intelligent IoV products on external branded commercial automobiles. For the year ended 31 December 2021, the Group’s revenue generated from Independent Customers was approximately RMB690.5 million (the revenue generated from Independent Customer does not include “other” revenue in each business segment). For further details, please refer to the section headed “Relationship with Controlling Shareholders — Continued diversification forms a strong foundation base” in this document.

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COMPETING INTERESTS OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Controlling Shareholders and Shaanxi Heavy Duty Automobile and each of their respective associates did not have any interests in any business which competes or is likely to compete (either directly or indirectly) with our Group’s business and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

DELINEATION OF BUSINESS

Whilst Shaanxi Holding Group is primarily engaged in the research and development, production and sales of commercial automobiles, special vehicles and commercial automobile components and Shaanxi Automobile is a leading state-owned commercial automobiles manufacturer with headquarters in Xi’an, Shaanxi, PRC, our Group is primarily engaged in the following core businesses (the “**Core Business**”): (i) logistics and supply chain service sector, including supply chain business, automobile sales business and aftermarket product business, (ii) supply chain financial service sector, including financial leasing business, factoring business and insurance brokerage business, and (iii) IoV and data service sector. For further information about the Core Business, please refer to the section headed “Business” in this document. We currently do not manufacture commercial automobile or any vehicles. Therefore, there is a clear delineation between our businesses and those of Shaanxi Holding Group in terms of the principal business and key products and services.

As at the Latest Practicable Date, Shaanxi Automobile held the entire interests of Shaanxi Wanfang and Shaanxi Huazhen.

- **Shaanxi Wanfang**

As at the Latest Practicable Date, Shaanxi Wanfang was a wholly-owned subsidiary of Shaanxi Automobile. Shaanxi Wanfang is principally engaged in manufacture of commercial automobile components and generates the vast majority of its revenue from the sales of commercial automobile components. The commercial automobile components business of Shaanxi Wanfang is different from our aftermarket products business. Our aftermarket products are mainly manufactured by independent third party manufacturers and mainly cover (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. On the other hand, Shaanxi Wanfang’s commercial automobile components are manufactured by Shaanxi Wanfang and mainly cover intake and exhaust series products, electronics series products and vehicle mounting system products. As our aftermarket products are different from Shaanxi Wanfang’s commercial automobile components as they serve different functions and are non-substitutable products, even though such products can be purchased by the same set of customers in the same geographical locations, the Company is of the view that there is no competition between the Group’s aftermarket product business and Shaanxi Wanfang’s commercial automobile components business.

To the best knowledge of our Directors, there is no overlap in the directors of Shaanxi Wanfang and those of our Group and Shaanxi Automobile does not intend to inject its interest in Shaanxi Wanfang into our Group.

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Shaanxi Huazhen

As at the Latest Practicable Date, Shaanxi Huazhen was a wholly-owned subsidiary of Shaanxi Automobile. Shaanxi Huazhen is principally engaged in manufacture of commercial automobile components and generates most of its revenue from the sales of commercial automobile components. The commercial automobile components business of Shaanxi Huazhen is different from our aftermarket products business. Our aftermarket products are mainly manufactured by independent third party manufacturers and mainly cover (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. On the other hand, Shaanxi Huazhen’s commercial automobile components are manufactured by Shaanxi Huazhen and mainly cover drum type brake, engine support, interior, filtration system, antifreezing solution and stamping parts. As our aftermarket products are different from Shaanxi Huazhen’s commercial automobile components as they serve different functions and are non-substitutable products, even though such products can be purchased by the same set of customers in the same geographical locations, the Company is of the view that there is no competition between the Group’s aftermarket product business and Shaanxi Huazhen’s commercial automobile components business.

To the best knowledge of our Directors, there is no overlap in the directors of Shaanxi Huazhen and our Group, and Shaanxi Automobile does not intend to inject its interest in Shaanxi Huazhen into our Group.

In order to further safeguard the interests of the Shareholders, our Company has adopted various corporate governance measures to manage any potential conflict of interest and competition with our Controlling Shareholders. For further details, please refer to the paragraphs headed “Corporate Governance Measures in relation to the Implementation of the Non-competition Undertaking” and “Corporate Governance Measures” in this section of this document.

COMPETING INTERESTS OF DIRECTORS

Other than the positions held by our Directors in Shaanxi Holding Group (which is further disclosed in the paragraph headed “— Management Independence” in this section), our Directors have confirmed that they do not have any interests in any business, which directly or indirectly competes or is likely to compete with our Core Business as at the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

To avoid any actual or potential competition between the business of the Controlling Shareholders and our Company, on 23 June 2022, each of the Controlling Shareholders had undertaken to us (the “**Non-Competition Undertaking**”) that, subject to certain exceptions, each of the Controlling Shareholders shall not, and shall procure that their associates (other than members of our Group) will not engage in any business which directly or indirectly competes with our Core Business within the Relevant Period (as defined below).

The Non-Competition Undertaking above does not apply to the following circumstances:

- the Controlling Shareholders having interests in the shares of any member of our Group; and

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- the Controlling Shareholders having interests in the shares of a company, other than our Group, provided that:
 - (i) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5.00% of the issued shares of that class of that company; and
 - (ii) the Controlling Shareholders and their respective associates are not in control of the board of directors of that company or entitled to appoint a majority of the directors of that company. In addition, that company shall at any time have at least one shareholder whose shareholding is more than the shareholding in aggregate owned by our Controlling Shareholders and their associates or that company is controlled by a third party.

Option for New Business Opportunities

Each of our Controlling Shareholders has undertaken in the Non-Competition Undertaking that within the Relevant Period, if any of our Controlling Shareholders and its associates (other than members of our Group) become aware of, are recommended or provided with a new business opportunity which will directly or indirectly compete with the Core Business, including but not limited to the opportunities which are the same with or similar to the Core Business (the "**New Business Opportunities**"), each of our Controlling Shareholders shall and shall procure its associates (other than members of our Group) to refer or recommend the New Business Opportunities to our Group subject to compliance with all relevant laws, regulations or contractual arrangements with third parties:

- (i) Each of our Controlling Shareholders and/or its associates shall provide our Group with a written notification which includes all reasonable and necessary information known by the Controlling Shareholders and/or its associates (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Core Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and
- (ii) our Group shall respond to the relevant Controlling Shareholders and/or its associates within 30 days upon receipt of the Offer Notice. If our Group fails to reply to the relevant Controlling Shareholders and/or its associates within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, the relevant Controlling Shareholders and/or its associates (other than members of our Group) would be obligated to offer such New Business Opportunities to our Group.

Pre-emptive Rights

Each of our Controlling Shareholders has undertaken that within the Relevant Period, if it and/or its associates (other than members of our Group) intend(s) to transfer, sell, lease or licence to a third party any businesses engaged by Shaanxi Automobile Holding and/or its associates which competes or potentially competes with the Core Business or any other businesses which would cause direct or indirect competition with the Core Business, it shall

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subject to relevant laws, regulations or contractual arrangements with third parties offer our Group the pre-emptive right of first refusal to take up such opportunity. Such pre-emptive rights shall be exercised in the following manner:

- (i) each of our Controlling Shareholders and/or its associates shall provide our Group with written notice no later than the time of any such disposals (the “**Disposal Notice**”). For the avoidance of doubt, the Controlling Shareholders and/or its associates are entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to our Group;
- (ii) our Group shall reply to the relevant Controlling Shareholders and/or its associates in writing within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by each of our Controlling Shareholders and/or its associates before exercising its pre-emptive rights;
- (iii) if our Group intends to exercise such pre-emptive rights, the terms shall be determined with reference to fair market price; and
- (iv) each of our Controlling Shareholders and/or its associates (other than members of our Group) shall not dispose of such businesses and interests to any third parties unless: (a) our Group declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive rights has not been received by the relevant Controlling Shareholders and/or its associates (other than members of our Group) from our Group within, whichever the later of, the 30th day after receipt of the Disposal Notice or expiration of the period offered to third parties for them to reply by each of our Controlling Shareholders and/or its associates (other than members of our Group); or (c) our Group fails to offer the same or more favourable terms of acquisitions than those offered by any third parties to each of our Controlling Shareholders and/or its associates (other than members of our Group).

For the avoidance of doubt, the terms of disposal offered by each of our Controlling Shareholder and/or its associates (other than members of our Group) to any third parties shall not be more favourable than those offered to our Group.

Option for Purchase

Within the Relevant Period, subject to relevant laws, requirements or contractual arrangements with third parties, our Group is entitled to acquire any businesses operated by each of our Controlling Shareholders and/or its associates (other than members of our Group) which compete or potentially compete with the Core Business or any businesses or any interests of Shaanxi Automobile Holding and/or its associates (other than members of our Group) which are gained through the New Business Opportunities (the “**Option for Purchase**”). Our Group is entitled to exercise the Option for Purchase at any time, and each of our Controlling Shareholders and/or its associates (other than members of our Group) shall offer the Option for Purchase to our Group in the following manner:

- (i) the commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties in line with the normal commercial practice of our Group and shall be fair, reasonable and in the interests of our Group as a whole; and

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- (ii) if a third party has any pre-emptive rights prevailing over the relevant Option for Purchase in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Options for Purchase of our Group shall be subject to such third party rights. In such a case, each of our Controlling Shareholders and/or its associates (other than members of our Group) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Controlling Shareholders' Further Undertakings

Each of our Controlling Shareholders has further undertaken in the Non-Competition Undertaking that, subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) after the [REDACTED], it shall provide its confirmation on its compliance with the Non-Competition Undertaking to our Company annually before our Company convenes its annual general meeting;
- (ii) upon the request of our Group, it shall and shall procure its associates (other than members of our Group) to provide any necessary information for the implementation of the Non-Competition Undertaking;
- (iii) it would allow the authorised representatives or auditors of our Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgements of our Group in respect of whether each of our Controlling Shareholders and/or its associates (other than members of our Group) have complied with this Non-Competition Undertaking; and
- (iv) it would ensure that within ten business days of receipt of the written request from our Group, provide the necessary confirmations in writing as to each of our Controlling Shareholders' and its associates' (other than members of our Group) performance under the Non-Competition Undertaking and each of our Controlling Shareholders and its associates (other than members of our Group) shall allow such confirmation to be included into the annual reports or other mandatory regulatory disclosures of our Group.

Corporate Governance Measures in relation to the Implementation of the Non-competition Undertaking

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-Competition Undertaking are observed:

- (i) *Review by independent non-executive Directors* — our independent non-executive Directors will be responsible for reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by our Controlling Shareholders, and decide whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take such business opportunities, our independent non-executive Directors will consider various factors including the due diligence to be conducted towards the target businesses, the purchase price, the benefits that it will bring to our Group as well as whether we have adequate

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management and resources to manage and operate the business operations of such businesses. Our independent non-executive Directors will also be responsible for reviewing the annual confirmation from the Controlling Shareholders regarding their compliance with the Non-Competition Undertaking.

- (ii) *Increased transparency* — each of our Controlling Shareholders has undertaken to provide all information necessary for the enforcement of the options for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on the New Business Opportunity or pre-emptive rights referred to us by each of our Controlling Shareholders within seven days of receipt, and our independent non-executive Directors would be allowed to propose the exercise of the Option for Purchase at any time.
- (iii) *Public disclosure of decisions* — our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance by each of our Controlling Shareholders of the Non-Competition Undertaking and (b) any decision made pursuant to the options and pre-emptive rights granted to our Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up new business opportunities or our pre-emptive rights. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of our Company, in connection with the exercise or non-exercise of the options or pre-emptive rights under the Non-Competition Undertaking.

Termination of the Non-Competition Undertaking

The Non-Competition Undertaking will become effective upon [REDACTED] and remain in full force until terminated upon the earlier of (the “**Relevant Period**”):

- (i) each of our Controlling Shareholders and its associates (other than members of our Group), individually or in aggregation, directly and/or indirectly hold less than 30.00% of the voting rights or control of the exercise of voting rights in any general meeting of our Company; and
- (ii) our H Shares no longer being [REDACTED] on the Stock Exchange (except for the circumstances under which our H Shares are temporarily suspended from [REDACTED] in accordance with the [REDACTED]).

Based on the obligations of each of our Controlling Shareholders as set out in the Non-Competition Undertaking and the related grant of the option for New Business Opportunities, pre-emptive rights and Option For Purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by each of our Controlling Shareholders, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by each of our Controlling Shareholders with its obligations under the Non-Competition Undertaking.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we can conduct our business independently from our Controlling Shareholders upon [REDACTED]:

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licences and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their associates for any such licences and permits. We have established our internal organisational and management structure which includes shareholders’ meetings, our Board of Directors and other committees and formulated the terms of reference of each of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Save for certain continuing connected transactions conducted in the ordinary course of business of our Group as set out in the section headed “Connected Transactions” in this document, our Directors do not expect that there will be any other continuing connected transactions between our Group and our Controlling Shareholders or their respective associates upon, or shortly after, the completion of the [REDACTED]. Such continuing connected transactions are entered into in the ordinary and usual course of business of our Group and will be conducted on normal commercial terms in accordance with the pricing policy of our Group.

We have a long business relationship with Shaanxi Holding Group. Similar to many other companies in the commercial automobile supply chain and aftermarket service industry, our business was initially structured around the needs of Shaanxi Holding Group, to complement the commercial automobile industry chain business of Shaanxi Holding Group in offering one-stop services to the industry. In order to better develop integrated and solutions covering the commercial automobile industry chain, in 2014, our Controlling Shareholder, Shaanxi Automobile, established our Company. Notwithstanding our Group’s gradual development which led us to become one of the leaders in the commercial automobile service industry in China, a substantial part of our business was derived from, associated with, or related to Shaanxi Automobile and its associates, in particular, Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the commercial automobiles manufactured by them during the Track Record Period. As stated in the sections headed “Business — Customers and Sales” and “Business — Suppliers and Purchases” of this document, certain of our top customers and suppliers during the Track Record Period were our connected persons. In addition to the connected transactions between our Group and Shaanxi Holding Group, as described in the section headed “Connected Transactions” in this document, a substantial part of our customers, which are independent third parties of our Group, are also customers or suppliers of Shaanxi Holding Group, or have business relationships with Shaanxi Holding Group.

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We expect to maintain our current business relationship with Shaanxi Holding Group in the future and our Directors believe that maintenance of our current business relationship with Shaanxi Holding Group does not indicate any undue reliance by our Group on our Controlling Shareholders and is beneficial to our Group and our Shareholders as a whole. Our business relationship with Shaanxi Holding Group is unlikely to materially adversely change or be terminated for the reasons set out below:

Industry norm and mutually beneficial and complementary relationship

Frost & Sullivan is of the view that it is an industry norm for a commercial automobile supply chain service provider to conduct business with only a limited number of major commercial automobile manufacturers on the basis that: (i) Frost & Sullivan has obtained and analysed information from third party experts in the industry as part of its research on the commercial automobile manufacturing industry, including in relation to the usual business model of commercial automobile manufacturers and the characteristics of the overall industry in China. Based on such research, Frost & Sullivan is of the view that the total number of commercial automobile manufacturers in China is around 50, and the industry is highly concentrated with top five manufacturers accounting for more than 80% of the market share in terms of sales volume in 2021; and (ii) Frost & Sullivan also interviewed industry participants, including the Group’s peer companies and commercial automobile manufacturers, for its research regarding how commercial automobile supply chain service providers usually cooperate and interact with commercial automobile manufacturers. From such interviews, it is understood that as the commercial automobile supply chain service is highly complicated and requirements (such as time sensitivity) differ between different manufacturers, the commercial automobile supply chain service providers tend to cooperate with a limited number of manufacturers to ensure service quality. The Sole Sponsor concurs with the aforementioned views of Frost & Sullivan after due and careful enquiry. Further, according to the Frost & Sullivan Report, all of top five commercial automobile manufacturers have their own connected supply chain service, financial leasing, factoring and IoV and data service companies. The main reasons for such norms are as follows: (i) the commercial automobile manufacturing industry is dominated by a few top market players, and to provide services for one particular manufacturer or brand requires a significant amount of investment, (ii) a high level of understanding of the customers, in addition to industry knowledge of the general commercial automobile manufacturing industry, is required to be able to provide the relevant services, and (iii) a solid and stable business relationship with the companies engaged in serving the supply chain for a commercial automobile manufacturer is important for the commercial automobile manufacturer to retain long-term customers and maintain efficient operations. In line with the aforementioned industry norms, we have maintained a close relationship with Shaanxi Holding Group. Given that our Controlling Shareholders are state-owned enterprises under the control of the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province, and the controlling ownership of state-owned enterprises are relatively stable, we intend to continue leveraging our long term and stable business relationship with Shaanxi Holding Group and

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build on our deep understanding of their business and operational needs gained throughout the years of cooperation. Our three main business sectors covers the commercial automobile product lifecycle of Shaanxi Holding Group as set out below:

The following table sets forth a breakdown of the revenue by customer for the years indicated:

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
Supply Chain Financial Service Sector									
<i>Financial Leasing Services</i>									
Overlapping Financial									
Leasing Customers	411,644	90.6	14.2	546,017	86.0	16.7	631,368	84.4	20.2
Independent Financial									
Leasing Customers	42,520	9.4	1.5	88,568	14.0	2.8	116,425	15.6	3.7
Sub-total	454,164	100.0	15.7	634,585	100.0	19.5	747,793	100.0	23.9
<i>Factoring business</i>									
Shaanxi Holding Group									
	2,329	3.9	0.1	–	0.0	0.0	–	0.0	0.0
Overlapping Factoring Customers									
	35,755	60.5	1.2	30,543	79.1	1.0	24,656	70.0	0.8
Independent Factoring Customers									
	21,026	35.6	0.7	8,046	20.9	0.2	10,565	30.0	0.4
Sub-total	59,110	100.0	2.0	38,589	100.0	1.2	35,221	100.0	1.2
Sub-total revenue of the sector	525,201	100.0	18.1	673,783	100.0	20.7	783,953	100.0	25.1
IoV and data service sector									
<i>Intelligent IoV Products</i>									
<i>Sales Business</i>									
Shaanxi Holding Group									
	173,790	95.4	6.0	250,423	98.7	7.7	202,666	88.3	6.5
Overlapping IoV Customers									
	172	0.1	0.0	1,910	0.8	0.1	2,047	0.9	0.1
Independent IoV Customers									
	8,139	4.5	0.3	1,313	0.5	0.0	24,785	10.8	0.7
Sub-total	182,101	100.0	6.3	253,646	100.0	7.8	229,498	100.0	7.3
<i>IoV and Related Technologies Application Solution Business</i>									
Shaanxi Holding Group									
	2,447	4.1	0.1	488	0.6	0.0	1,757	1.6	0.1
Overlapping IoV Customers									
	29,862	50.2	1.0	46,539	57.0	1.4	58,383	53.7	1.9
Independent IoV Customers									
	27,172	45.7	1.0	34,565	42.4	1.1	48,674	44.7	1.5
Sub-total	59,481	100.0	2.1	81,592	100.0	2.5	108,814	100.0	3.5
Sub-total revenue of the sector	241,582	100.0	8.4	335,238	100.0	10.3	338,312	100.0	10.8
Total revenue of the Group	2,892,031		100.0	3,261,673		100.0	3,126,850		100.0

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

To the best knowledge of the Group, “Overlapping Logistics Customers”, “Overlapping Financial Leasing Customers”, “Overlapping Factoring Customers” and “Overlapping IoV Customers” are independent third parties of the Group, please refer to the section headed “Operational Independence” in this section for further details of the aforementioned defined terms.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- *Logistics and supply chain service sector*

Supply Chain Business — We provide three types of services under the supply chain business, including (i) automobile manufacturing supply chain service; (ii) automobile logistics service; and (iii) third party logistics service. Our customers fall into three main categories, which are (i) Shaanxi Holding Group, for instance, through integration with the manufacturing plans of Shaanxi Holding Group, we provide automobile manufacturing supply chain services to support the manufacturing process of Shaanxi Holding Group; (ii) Overlapping Logistics Customers. For instance, we provide automobile manufacturing supply chain services to components suppliers of Shaanxi Holding Group. We also enter into agreements with commercial automobile sales dealers, who are independent third parties to the Group, to engage in the transportation of commercial automobiles from Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile to designated pick-up points of the commercial automobile sales dealers. For the years ended 31 December 2019, 2020 and 2021, we provided supply chain services to 419, 483 and 661 components suppliers of Shaanxi Holding Group, which accounted for 52.0%, 68.8% and 84.3% of the total number of components suppliers of Shaanxi Holding Group. While the aforementioned components suppliers also supply components to other commercial automobile manufacturers, our Group does not provide automobile manufacturing supply chain services in those circumstances mainly because, according to Frost & Sullivan, all of the top five commercial automobile manufacturers have their own related logistics companies and heavily rely on their related logistics companies as they will have access to various commercially sensitive information, such as unreleased product information and production planning in the process of providing such services; and (iii) Independent Logistics Supply Chain Customers.

The following table sets forth a breakdown of the revenue derived from our supply chain business according to the three types of customers for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
Supply chain business									
<i>Automobile manufacturing supply chain services</i>									
Shaanxi Holding Group (Note 1)	439,110	71.1	15.2	602,165	75.6	18.5	423,257	67.4	13.5
Shaanxi Heavy Duty Automobile	382,919	62.0	13.2	496,456	62.3	15.3	317,604	50.6	10.2
Shaanxi Commercial Automobile	34,951	5.7	1.2	79,273	9.9	2.4	68,399	10.9	2.2
Other members of Shaanxi Holding Group	21,240	3.4	0.8	26,436	3.4	0.8	37,254	5.9	1.1
Overlapping Logistics Customers	178,674	28.9	6.2	192,950	24.2	5.8	199,284	31.8	6.4
Independent Logistics Supply Chain Customers	67	0.0	0.0	1,732	0.2	0.1	5,028	0.8	0.2
Sub-total	617,851	100.0	21.4	796,847	100.0	24.4	627,569	100.0	20.1

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
<i>Automobile logistics services (Note 2)</i>									
Shaanxi Holding Group	30,369	6.9	1.1	14,346	2.9	0.4	58,449	13.4	1.9
Shaanxi Heavy Duty Automobile (note 3)	24,010	5.5	0.8	–	0.0	0.0	40,907	9.4	1.4
Shaanxi Commercial Automobile	6,359	1.4	0.3	14,346	2.9	0.4	13,933	3.2	0.4
Other members of Shaanxi Holding Group	–	0.0	0.0	–	0.0	0.0	3,609	0.8	0.1
Overlapping Logistics Customers	406,643	93.1	14.0	476,666	97.1	14.7	378,784	86.6	12.1
Sub-total	437,012	100.0	15.1	491,012	100.0	15.1	437,233	100.0	14.0
<i>Third party logistics services (Note 4)</i>									
Independent Logistics Supply Chain Customers	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Sub-total	332,847	100.0	11.5	189,690	100.0	5.8	395,056	100.0	12.6
Total revenue of the supply chain business	1,387,710		48.0	1,477,549		45.3	1,459,858		46.7

Notes:

- (1) The revenue derived from Shaanxi Heavy Duty Automobile increased by 29.7%, or by RMB113.6 million from RMB382.9 million in 2019 to RMB496.5 million in 2020, primarily due to the production volume of commercial automobiles of Shaanxi Heavy Duty Automobiles and its subsidiaries was increased significantly. The revenue derived from Shaanxi Commercial Automobile increased by 126.6%, or by RMB44.3 million to RMB79.3 million in 2020, primarily due to following reasons: (i) sales volume of commercial automobiles driver’s cabs of Shaanxi Commercial Automobile was increased significantly and our corresponding transportation services for Shaanxi Commercial Automobile also increased, and (ii) in addition to inbound logistics services and warehousing services, we began to provide sorting and outbound distribution services to Shaanxi Commercial Automobile in 2020 as its new plants started its operation and production. The revenue derived from Shaanxi Heavy Duty Automobile decreased by 36.0%, or by RMB178.9 million from RMB496.5 million in 2020 to RMB317.6 million in 2021, primarily due to the production volume of commercial automobile manufactured by Shaanxi Heavy Duty Automobile was decreased in 2021 and the gradual adjustment of our business structure to expand our business with Independent Logistics Supply Chain Customers.
- (2) The revenue generated from automobile logistics service in 2020 was higher than 2019 and 2021 mainly because the market demand of commercial automobile experienced a rapid growth in 2020 and sales volume of commercial automobiles manufactured by Shaanxi Holding Group was also increased in 2020.
- (3) Shaanxi Heavy Duty Automobile has its own marketing policy to its major customers, including, among other things, entrusting us to provide automobile logistics services to such customers. In 2020, we did not provide such services to their major customers.
- (4) The revenue derived from the Independent Logistics Supply Chain Customers decreased by 43.0%, or by RMB143.1 million from RMB332.8 million in 2019 to RMB189.7 million in 2020, primarily due to the aforementioned major customer ceasing its transportation due to its own business development needs, which affected our revenue of the third-party logistics project. The revenue derived from Independent Logistics Supply Chain Customers increased by 108.3%, or by RMB205.4 million from RMB189.7 million in 2020 to RMB395.1 million in 2021, primarily because the Company has actively developed its third party logistics services in the fourth quarter of 2021, leading to a growth in revenue.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Automobile manufacturing supply chain service (Note 1)						
<i>Shaanxi Holding Group</i>	57,382	13.1	92,714	15.4	67,005	15.8
<i>Overlapping Logistics Customers</i>	24,530	13.7	36,679	19.0	50,873	25.5
<i>Independent Logistics Supply Chain Customers (Note 2)</i>	6	9.1	89	5.1	159	3.2
Sub-total (Note 3)	81,918	13.3	129,482	16.2	118,037	18.8
Automobile Logistics service (Note 4)						
<i>Shaanxi Holding Group</i>	603	2.0	114	0.8	1,052	1.8
<i>Overlapping Logistics Customers</i>	8,068	2.0	3,779	0.8	6,817	1.8
Sub-total	8,671	2.0	3,893	0.8	7,869	1.8
Third party logistics services (Note 5)						
<i>Independent Logistics Supply Chain Customers</i>	7,152	2.1	197	0.1	10,224	2.6
Sub-total	7,152	2.1	197	0.1	10,224	2.6
Sub-total of the supply chain business	97,741	7.0	133,572	9.0	136,130	9.3

Notes:

- (1) The year-on-year increase in gross profit margin of automobile manufacturing supply chain services was mainly due to cost reductions, increased efficiency, and increased business volume. In particular, since 2019, the Company continued to reduce its staff numbers and increase efficiency to maintain a steady growth in gross profit margin.
- (2) Under our automobile manufacturing supply chain services, the gross profit margin for Independent Logistics Supply Chain Customer was lower than that of the gross profit margin for Shaanxi Holding Group and Overlapping Logistics Customers during the Track Record Period, mainly due to following factors: (i) substantially all the services we provide to Independent Logistics Supply Chain Customer are inbound logistics services and according to Frost & Sullivan report, the inbound logistics services generally has a low gross profit margin ranging from 4% to 17% during the Track Record Period; (ii) the Group has a small number of Independent Logistics Supply Chain Customers and the business volume was small as the business was at an early stage. As a result, a small number of customers have significant impact on our gross profit margin with respect to Independent Logistics Supply Chain Customers and our gross profit margin is subject to large fluctuation; (iii) the Group provided inbound logistics services to Independent Logistics Supply Chain Customers to expand customer base and to build business relationship with such Independent Logistics Supply Chain Customer, which the Group believes will generate business opportunities for other high-margin services in the future; and (iv) all of our Independent Logistics Supply Chain Customers are small and medium-sized enterprises, which have been hit particularly hard by the COVID-19 pandemic according to Frost & Sullivan report, and therefore created pressure on our gross profit margin with respect to such customers. The Group believes that the impact of COVID-19 pandemic on such customers are temporary and the growth potential of our business with such customers is substantial.
- (3) The profit margins for each group of customers differ mainly due to different type of services provided: the inbound logistics services under our automobile manufacturing supply chain services, which has a low gross profit margin ranging from 4% to 17% during the Track Record Period, represents the majority of the services we provide to Shaanxi Holding Group. The warehousing and inventory management, sorting and outbound distribution services under our automobile manufacturing supply chain services, which has a higher gross profit margin ranging from 10% to 27% during the Track Record Period, represents the majority of the services we provide to the Overlapping Logistics Customers.
- (4) In 2020, the overall gross profit margin was low primarily due to our long-haul transportation business was hampered by the impact of the COVID-19 pandemic in 2020 as strict control and measures were imposed by the governments in transportation between provinces, and labour costs increased, which lowered the overall gross profit margin. In 2021, the overall gross profit margin recovered to a similar level as in 2019 mainly because our business gradually recovered to the previous level.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (5) The profit margin of our third party logistics services in 2020 was lower than those in 2019 and 2021 mainly due to: the majority of projects with certain customers were completed in 2020 with a lower gross profit margin as the Company considered that this customer could bring in high business potential and volume, as well as prospects for future collaboration.

We have maintained our long term business relationship with Shaanxi Holding Group in relation to the provision of automobile manufacturing supply chain services and automobile logistics services. Our logistics services, especially the automobile manufacturing supply chain services we provide to Shaanxi Holding Group, are highly complex and tailored, as further detailed in the section headed “Business — Logistics and Supply Chain Service Sector — Supply Chain Business — Automobile Manufacturing Supply Chain Service” in this document. We handle commercial automobile components logistics, warehousing and distribution in accordance with the manufacturing and procurement plans of Shaanxi Holding Group and deliver such materials to their designated warehouses or assembly halls. Compared with other third party logistics companies (which specialise solely in providing logistics services), we have our own core advantage of having a unique manufacturing plan, management and control system and a complete resources analysis system to support the supply chain of commercial automobile manufacturers. Furthermore, in the process of inbound logistics organisation, such logistics companies will have access to various commercially sensitive information of Shaanxi Holding Group, such as its manufacturing process, supply chain management, and quality management. As a result, it is unlikely that Shaanxi Holding Group will choose to cooperate with companies that are not highly connected to them. For automobile manufacturing supply chain services, we were the sole services provider for commercial automobiles manufactured by Shaanxi Heavy Duty Automobile and commercial automobiles manufactured by Shaanxi Commercial Automobile during the Track Record Period. For automobile logistics services, we were the sole services provider for commercial automobiles manufactured by Shaanxi Heavy Duty Automobile during the Track Record Period. In 2019, Shaanxi Commercial Automobile engaged five other providers of automobile logistic services and selected us as the sole automobile logistics services provider of its commercial automobiles in 2020 due to our in-depth industry experience and the good track record of our stable and efficient service capabilities. The following table sets out a breakdown of our provision of services in relation to such mutually beneficial relationship for the years indicated:

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

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According to the Frost & Sullivan Report, a number of other commercial automobile manufacturers have similar business relationships and business arrangements with their associated companies as this type of cooperation is determined by the industry norm. Prior to the establishment of Tonghui, Shaanxi Heavy Duty Automobile and one of the founders of Tonghui entered into a cooperation agreement, pursuant to which, among other matters, Shaanxi Heavy Duty Automobile had committed to a long term cooperation undertaking to select Tonghui as the long term sole contractor for providing logistics, warehousing and supply chain services for Shaanxi Heavy Duty Automobile. Such long term business relationship is also supported by Tonghui’s operational capability, which we believe is beneficial to Shaanxi Heavy Duty Automobile. Since its establishment for over 17 years, Tonghui has been committed to continue streamlining redundant processes in the supply chain and improving service quality. According to the Frost & Sullivan Report, Tonghui has focused on the sub-division of commercial automobile inbound logistics and is in a good position in the field. In terms of automobile logistics, we have also established a transportation and warehousing network, and the rapid growth in the scale of our services since we started to provide automobile logistics services for Shaanxi Commercial Automobile in 2018 also demonstrates our positive impact on its business.

Due to the deep-rooted business cooperation with each other, the high replacement cost of business partners, and the need to protect commercially sensitive information, the cooperative relationship between our Group and Shaanxi Holding Group has remained strong and stable, and it is unlikely that there would be any materially adverse changes to, or termination of, such relationship in the foreseeable future.

Automobile sales business — During the Track Record Period, our Group provided automobile sales service that mainly covered the commercial automobiles manufactured by Shaanxi Commercial Automobile and Shaanxi Heavy Duty Automobile (the “**Shaanxi Holding Group Automobiles**”). The following table sets forth a breakdown of the revenue and cost of revenue as follows for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
<i>Automobile sale business</i>									
Shaanxi Holding Group	126	0.0	0.0	231	0.0	0.0	-	0.0	0.0
Overlapping Logistics Customers									
(Note 1)	651,428	100.0	22.5	665,056	100.0	20.4	433,908	98.3	13.9
Independent Customer	-	0.0	0.0	-	0.0	0.0	7,329	1.7	0.2
Sub-total	651,554	100.0	22.5	665,287	100.0	20.4	441,237	100.0	14.1

Note:

- (1) Due to the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021 after experiencing high growth in the prior year as a result of the phase out of China’s Phase 3 Automobile Emission Standards, the phased implementation of China’s Phase 6 Automobile Emission Standards and the construction of new infrastructure, our sales of commercial automobiles decreased from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

For the year ended 31 December

	2019		2020		2021	
	Percentage to the total cost of revenue for the entire business of the Company		Percentage to the total cost of revenue for the entire business of the Company		Percentage to the total cost of revenue for the entire business of the Company	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)
Cost for purchasing Shaanxi Holding Group Automobiles (Note 1)	583,380	29.3	579,883	27.9	468,180	25.5

Note:

- (1) The revenue generated from sales of Shaanxi Holding Group Automobiles was increased by RMB13.7 million from RMB651.6 million in 2019 to RMB665.3 million in 2020, whereas the cost of purchase from Shaanxi Holding Group Automobiles was decreased by RMB3.5 million from RMB583.4 million in 2019 to RMB579.9 million in 2020, which was mainly due to a portion of commercial automobiles purchased by the Group in 2019 were sold in 2020 instead of 2019.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

For the year ended 31 December

	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Automobile Sale Business						
Shaanxi Holding Group (Note 1)	10	8.0	15	6.5	–	0.0
Overlapping Logistics Customers	25,308	3.9	20,208	3.0	14,123	3.3
Independent Automobile Sale						
Customers	–	0.0	–	0.0	64	0.9
Sub-total	25,318	3.9	20,223	3.0	14,187	3.2

Note:

- (1) The profit margins for each group of customers differ mainly due to our sale of commercial automobiles to Shaanxi Holding Group are mostly low frequency sales and such sales are mainly experimental cars, where the gross profit margin fluctuates significantly depending on the actual commercial automobile model sold.

For the years ended 31 December 2019, 2020 and 2021, the average sale price of automobile sales business were RMB260.3 thousand per unit, RMB223.0 thousand per unit and RMB229.9 thousand per unit. During the Track Record Period, the range of sale price of automobile sales business was RMB81.4 to 361.7 thousand per unit. Our sales volumes of Shaanxi Holding Group Automobiles were 2,503 units, 2,984 units and 1,887 units, respectively. In particular, during the Track Record Period, the number of commercial automobiles of Shaanxi Commercial Automobile sold by us was 2,468 units, 2,946 units and 1,853 units, which accounted for approximately 11.7%, 8.1% and 7.6% of the total number of commercial automobiles of Shaanxi Commercial Automobile sold in the same period and accounted for approximately 11.1%, 7.4% and 6.3% of the total number

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

of commercial automobiles manufactured Shaanxi Commercial Automobile in the same period, respectively. During the Track Record Period, we remained in the top two rankings among all the commercial automobile sales dealers of Shaanxi Commercial Automobile, which we believe is an important factor for the sales of commercial automobiles for Shaanxi Commercial Automobile. Further, there is intense competition among commercial automobile sales dealers, and during the Track Record Period, we were the top dealer of the Xuande 3 series tractor (牽引車) and dump truck (自卸車) in the Xinjiang province and the Xuande 9 series truck (載貨車) in the Henan province, which were manufactured by Shaanxi Commercial Automobile. Shaanxi Holding Group generally engages several primary dealers (including but not limited to our Group) who are able to meet their financial and operational requirements from a holistic perspective for the purpose of selling and distributing the commercial automobiles manufactured by them throughout the PRC. Shaanxi Holding Group generally does not engage or establish business relationship with our direct commercial automobile sales dealers (which are relatively smaller in terms of operational scale than those primary dealers engaged by Shaanxi Holding Group) in conducting sales and distribution of commercial automobiles manufactured by them, and hence we are able to manage our own network of dealership channels in the relevant regions that we operate our automobile sales business. The cooperative relationship between our Group and Shaanxi Holding Group has remained strong and stable mainly due to our following capabilities that help boost sales of commercial automobiles manufactured by Shaanxi Holding Group and further promote its brand name in the PRC: (i) we have a wide and extensive sales network system covering mainly Jiangsu, Zhejiang, Shanghai, Beijing, Tianjin, Hebei, Xinjiang, Henan, Inner Mongolia, Shaanxi, Shanxi and other regions in the PRC; (ii) we have built strong connections with downstream end-customers by providing quality services to meet their entire operational life cycle needs, ranging from the purchasing, using to managing of commercial automobiles; and (iii) we have in-depth industry experience and a good track record of our stable and efficient service capabilities.

Due to the high unit price of commercial automobiles, a large number of customers of our commercial automobiles sales business who have financing needs are referred to our Group’s financial leasing department so that such purchasers can obtain financing from us. As such, compared with other commercial automobile sales dealers, our supply chain financial service sector provides a unique advantage in terms of expanding our customer base and diversifying our business model. For the years ended 31 December 2019, 2020 and 2021, approximately 25.0%, 29.0% and 35.9% respectively, of the commercial automobiles sold under our automobile sales business also obtained the financial leasing services from us, which reflects our unique advantage in promoting the sales of commercial automobiles manufactured by Shaanxi Holding Group.

- *Supply chain financial service sector*

Financial Leasing Services — All of our customers were commercial automobile end-users, whom we believe are independent third parties. However, a substantial portion of such customers were Overlapping Financial Leasing Customers. The remaining financial leasing customers were Independent Financial Leasing Customers. All commercial automobile end-users have the right to choose whether to use our financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers, and our Group has the discretion to determine whether to provide financial leasing services to any of these customers based on various criteria set by our Group. Shaanxi Holding Group is not involved in, nor has direct or indirect influence, on such decision making. In light of common and accepted industry practice, large scale and reputable commercial automobile financial leasing companies would provide commercial

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automobile financial leasing services to customers who purchase automobiles manufactured by their respective affiliated related companies. According to the Frost & Sullivan Report, each of the top five players in China commercial automobile market has its own connected financial leasing companies. Therefore, even though a substantial portion of our customer are Overlapping Financial Leasing Customers, we believe such customers should still be regarded as independent customers on the following basis:

- such customers have the full right and are able to choose whether to use the Group’s financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers. Such customers have the discretion to choose to use the financial leasing services provided by the Group’s competitor’s even if they purchase the commercial automobiles manufactured by Shaanxi Holding Group;
- the Group has the discretion to determine whether to provide financial leasing services to any of these customers based on various criteria independently set by the Group. Shaanxi Holding Group is not involved in, nor has direct or indirect influence, on such decision making;
- the commercial automobile sales dealers and service providers that the Group works with on financial leasing projects sell commercial automobiles with brands from Shaanxi Holding Group as well as other automobile brands;
- the Group provides financial leasing services to customers who purchase commercial automobiles with brands from Shaanxi Holding Group as well as other automobile brands; and
- according to the Frost & Sullivan Report, with the steady development of the commercial automobile financial leasing market, more and more financial leasing companies have ventured into the commercial automobile sector, which has driven the increasingly fierce competition in such market segment. In view of such overall competitive landscape of such market segment, the Company believes that the market is highly fragmented and competitive and, as explained above, commercial automobiles end-users have the full right and are able to choose financial leasing service providers. As such, commercial automobile manufacturers are not able to exert influence over the commercial automobiles end-users’ choice of financial leasing service providers.

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The following table sets forth a breakdown of the revenue derived from our financial leasing business according to the two types of customers for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
Overlapping Financial Leasing Customers <i>(Note 1)</i>	411,644	90.6	14.2	546,017	86.0	16.7	631,368	84.4	20.2
Independent Financial Leasing Customers <i>(Note 2)</i>	42,520	9.4	1.5	88,568	14.0	2.8	116,425	15.6	3.7
Sub-total	454,164	100.0	15.7	634,585	100.0	19.5	747,793	100.0	23.9

Notes:

- (1) Overlapping Financial Leasing Customers have the right to choose whether to use our financial leasing services or not when they purchase the commercial automobiles manufactured by Shaanxi Holding Group from commercial automobile sales dealers. We believe the revenue derived from Overlapping Financial Leasing Customers increased during the Track Record Period primarily due to our in-depth understanding of the commercial automobile sector and our capability in exploring the various financial needs in different scenarios and providing customers with a full range of financial services. Such increase is also in line with our overall expansion of the operational scale of our financial leasing business. Pursuant to the PRC regulations, the risk assets of financial leasing companies shall not exceed eight times of their net asset, which means all the financial leasing companies' development and growth will be restricted by the actual value of its total net assets. As such, in light of the said restriction on the amount of risk assets, we tend to provide financial leasing services to Overlapping Financial Leasing Customers as this will enable us to utilise the in-depth synergy between our IoV business and supply chain financial services. For the commercial automobiles manufactured by Shaanxi Holding Group which have our Tianxingjian IoV System installed, we can conduct real-time collection of their operational data. Through the analysis of automobile operational data, we can calculate the risk of default in advance based on the vehicle mileage and driving record. For the collection and disposal of overdue assets, we can rely on the industry-leading MD5 remote automobile locking technology to lock automobiles of defaulting customers remotely pursuant to the service agreements.
- (2) The revenue derived from Independent Financial Leasing Customers increased by 108.5%, or by RMB46.1 million from RMB42.5 million in 2019 to RMB88.6 million in 2020, further increased by 31.4%, or by RMB27.8 million from RMB88.6 million to RMB116.4 million in 2021 as we continue to develop business with Independent Financial Leasing Customers which is in line with the business strategy of our Group.

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The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)
Overlapping Financial Leasing						
Customers <i>(Note 1)</i>	194,905	47.3	283,290	51.9	334,013	52.9
Independent Financial Leasing						
Customers <i>(Note 1)</i>	25,126	59.1	53,076	59.9	70,687	60.7
Sub-total <i>(Note 2)</i>	220,031	48.4	336,366	53.0	404,700	54.1

Notes:

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

Our financial leasing business can be divided into two categories in accordance with automobile brands subject to our financial leases, namely (i) brands from Shaanxi Holding Group, and (ii) other automobile brands. The other automobile brands generally consist of the mainstream domestic commercial automobile brands other than those from Shaanxi Holding Group, which include external brands, trailers and second hand commercial automobiles. For details, please refer to the section headed “Business — Supply Chain Financial Service Sector — Models and Sales Channels” of this document. The following table, which is also disclosed in the section headed “Business — Supply Chain Financial Service Sector — Models and Sales Channels” of this document, sets forth the breakdown of the units of newly leased and invested amount of the respective main business streams for the years indicated:

	For the year ended 31 December								
	2019			2020			2021		
	Units of newly leased automobiles	Invested amount	Percentage of invested amount	Units of newly leased automobiles	Invested amount	Percentage of invested amount	Units of newly leased automobiles	Invested amount	Percentage of invested amount
	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	(%)
Brands from Shaanxi Holding Group	17,023	5,350,554	89.3	24,808	7,665,149	88.8	19,156	5,735,392	94.9
Other automobile brands	2,327	642,173	10.7	3,216	963,217	11.2	1,150	309,546	5.1
Total	19,350	5,992,727	100.0	28,024	8,628,366	100	20,306	6,044,939	100.0

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By providing timely and flexible financing services to its customers, we have strengthened the loyalty and satisfaction of the customers of Shaanxi Holding Group. According to the Frost & Sullivan Report, financial leasing services for the purchase of commercial automobiles can be offered by both commercial automobile manufacturers’ connected financial leasing companies and other independent financial leasing companies. However, most of the end-users of commercial automobiles will choose connected financial leasing companies for such services. One of the main reasons for this is the connected financial leasing companies’ in-depth understanding of the commercial automobile financing leasing business and the knowledge of the types of automobiles manufactured by connected commercial automobile manufacturers. In addition, we are able to provide one-stop services to the customers, including but not limited to, insurance and logistics services and IoV data related services. The following table sets forth a breakdown of the units of leased commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in relation to our financial leasing business for the years indicated:

		For the year ended 31 December					
		2019		2020		2021	
		Units	Percentage of total number of commercial automobile sold by the respective companies (%)	Units	Percentage of total number of commercial automobile sold by the respective companies (%)	Units	Percentage of total number of commercial automobile sold by the respective companies (%)
Shaanxi Heavy Duty							
Automobile	15,165	11.2	18,661	11.7	13,657	10.8	
Shaanxi Commercial							
Automobile	1,858	12.2	6,147	21.9	5,499	22.7	

We maintained a leading position among all the automobile financial leasing providers for both Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile during the Track Record Period. This reflects our positive impact on the business of Shaanxi Holding Group and our stable business streams in relation to the commercial automobiles manufactured by Shaanxi Holding Group. Given our consistent track record of stable supply of quality services to our customers, in-depth knowledge of the commercial automobile industry and our business relationship with our customers (who selected us independently based on our offerings), it is not economical for our customers to replace us with other financial leasing service providers, and therefore, our customer relationships tend to be very stable.

Factoring Services — During the Track Record Period, we provided factoring services to Shaanxi Holding Group. However, the vast majority of our factoring service customers were independent commercial automobile components suppliers and logistics companies along the manufacturing supply chain. A substantial number of the aforementioned factoring customers were also Overlapping Factoring Customers and the rest of our factoring customers were Independent Factoring Customers. All of our customers have the right to choose whether to use our factoring services or not, and our Group has the discretion to determine whether to provide factoring services to any of these customers based on various criteria set by our Group as well as our risk assessment. Shaanxi Holding Group will not be involved in, nor has direct or indirect influence, on such decision making.

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The following table sets forth a breakdown of the revenue derived from our factoring business according to the three types of customers for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors		Amount	Percentage of the total revenue of the relevant sub-business sectors		Amount	Percentage of the total revenue of the relevant sub-business sectors	
		(RMB'000)	(%)		(%)	(RMB'000)		(%)	(%)
Shaanxi Holding Group (Note 1)	2,329	3.9	0.1	–	0.0	0.0	–	0.0	0.0
Overlapping Factoring Customers	35,755	60.5	1.2	30,543	79.1	1.0	24,656	70.0	0.8
Independent Factoring Customers (Note 2)	21,026	35.6	0.7	8,046	20.9	0.2	10,565	30.0	0.4
Sub-total	59,110	100.0	2.0	38,589	100.0	1.2	35,221	100.0	1.2

Notes:

- (1) The Company will cease providing factoring services to Shaanxi Holding Group and will (as set out in its development plan) focus on Independent Factoring Customers.
- (2) The revenue generated from Independent Factoring Customers decreased by RMB13.0 million from RMB21.0 million in 2019 to RMB8.0 million in 2020 primarily because we started to upgrade our risk management system with stricter customer screening criteria since January 2020. As a result, we slowed down our business expansion in relation to Independent Factoring Customers in 2020. The increase of RMB2.6 million to RMB10.6 million in 2021 was mainly due to the generation of revenue pursuant to the conducting of a high volume of factoring business in order to complement the increased needs from Independent Third Party Logistics Customers due to development of independent logistics business in the fourth quarter of 2021.

The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
		(RMB'000)		(%)		(RMB'000)
Shaanxi Holding Group	1,072	46.0	–	0.0	–	0.0
Overlapping Factoring Customers	14,244	39.8	12,850	42.1	13,782	55.9
Independent Factoring Customers (Note 1)	9,581	45.6	5,331	66.3	6,463	61.2
Sub-total (Note 2)	24,897	42.1	18,181	47.1	20,245	57.5

Notes:

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

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- (2) The gross profit margin for Independent Factoring Customers is generally higher than that of Shaanxi Holding Group and Overlapping Factoring Customers mainly because the fees charged for the former are higher because the risk associated with Independent Factoring Customers is typically higher.

The following table sets forth the breakdown of the amount invested into the provision of factoring services for the two types of customers and the percentage to the total amount invested into the provision of factoring services for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Investment amount	Percentage of investment amount	Investment amount	Percentage of investment amount	Investment amount	Percentage of investment amount
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Overlapping Factoring Customers	1,282,366	67.2	1,260,851	88.0	1,105,391	48.2
Independent Factoring Customers	624,789	32.8	172,090	12.0	1,188,939	51.8
Total	1,907,155	100.0	1,432,941	100.0	2,294,330	100.0

Compared with the independent factoring services provided by financial institutions, due to our close relationship with Shaanxi Holding Group and in-depth knowledge of the commercial automobile industry, we understand various challenges in the production process and are able to provide factoring services to the production process. According to the Frost & Sullivan Report, each of the top five players in China’s commercial automobile market has its own connected factoring companies. Although both connected factoring companies and other independent factoring companies are able to provide factoring services to commercial automobile components suppliers or logistics companies, most of the customers tend to choose connected factoring companies for factoring services as they are familiar with the commercial automobile industry. Our factoring business also plays a synergistic role with our other business sectors to provide one-stop services for our customers.

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The following table sets forth a breakdown of the total amount invested into provision of our factoring services to the components suppliers of Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the percentage of the total amount spent by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile on procuring components for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components	The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components	The investment amount of the provision of our factoring services to the components suppliers of the respective companies	Percentage of total amount spent by the respective companies on procuring components	
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Shaanxi Heavy Duty Automobile	395,340	1.2	481,964	1.0	345,181	0.9
Shaanxi Commercial Automobile	633,230	10.5	559,580	6.1	405,645	4.4

We ranked first among all the factoring providers for both Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in 2020 in terms of the volume of factoring services we provided to them. This reflects our positive impact on the business of Shaanxi Holding Group and our stable business relationship in relation to the commercial automobiles manufactured by Shaanxi Holding Group. Given our consistent track record of stable supply of quality services to our customers, in-depth knowledge of the commercial automobile industry and our business relationship with our customers (who selected us independently based on our offerings), it is not economical for our customers to replace us with other factoring service providers, and therefore our customer relationships tend to be very stable.

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- *IoV and data service sector*

In relation to our IoV and data service sector, we provide two types of services: (i) sales of intelligent IoV products and (ii) provision of solutions applying IoV and related technologies. Our customers consist of two main categories, namely (i) Shaanxi Holding Group. For instance, our IoV products, which are purchased by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile, can be directly installed onto the commercial automobiles manufactured by them in the manufacturing process. We also provide our IoV and related technologies application solutions to Shaanxi Holding Group; and (ii) other small and medium commercial automobile manufacturers which purchase our IoV products for direct installation onto their commercial automobiles and other participants of the commercial automobile industry, including commercial automobile finance companies, supply chain and logistics companies and governmental or industry regulatory bodies which use our IoV and related technologies application solutions. Some of the aforementioned customers also have business relationships with Shaanxi Holding Group are the Overlapping IoV Customers and the rest of such customers which do not deal with Shaanxi Holding Group are the Independent IoV Customers.

The following table sets forth a breakdown of the revenue derived from Shaanxi Holding Group according to the two businesses of our IoV and data service sector for the years indicated:

Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
IoV and data service sector									
Intelligent IoV Products Sales									
Business									
Shaanxi Holding Group (Note 1)	173,790	95.4	6.0	250,423	98.7	7.7	202,666	88.3	6.5
Shaanxi Heavy Duty Automobile	172,819	94.9	6.0	149,595	59.0	4.6	88,944	38.8	2.8
Shaanxi Commercial Automobile	936	0.5	0.0	100,828	39.7	3.1	113,703	49.5	3.7
<i>Other members of Shaanxi</i>									
<i> Holding Group</i>	35	0.0	0.0	–	0.0	0.0	19	0.0	0.0
Overlapping IoV Customers	172	0.1	0.0	1,910	0.8	0.1	2,047	0.9	0.1
Independent IoV Customers	8,139	4.5	0.3	1,313	0.5	0.0	24,785	10.8	0.7
Sub-total	182,101	100.0	6.3	253,646	100.0	7.8	229,498	100.0	7.3

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Revenue derived from	For the year ended 31 December								
	2019			2020			2021		
	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group	Amount	Percentage of the total revenue of the relevant sub-business sectors	Percentage of the total revenue of the Group
(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	(RMB'000)	(%)	(%)	
IoV and Related Technologies									
Application Solution Business									
Shaanxi Holding Group (Note 2)	2,447	4.1	0.1	488	0.6	0.0	1,757	1.6	0.1
Shaanxi Heavy Duty Automobile	1,357	2.3	0.1	16	0.0	0.0	238	0.2	0.0
Shaanxi Commercial Automobile	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0
<i>Other members of Shaanxi</i>									
<i>Holding Group</i>	1,090	1.8	0.0	472	0.6	0.0	1,519	1.4	0.1
Overlapping IoV Customers (Note 3)	29,862	50.2	1.0	46,539	57.0	1.4	58,383	53.7	1.9
Independent IoV Customers	27,172	45.7	1.0	34,565	42.4	1.1	48,674	44.7	1.5
Sub-total	59,481	100.0	2.1	81,592	100.0	2.5	108,814	100.0	3.5
Total revenue of the sector	241,582	100.0	8.4	335,238	100.0	10.3	338,312	100.0	10.8

Notes:

- (1) The revenue derived from our intelligent IoV products sales business with Shaanxi Holding Group increased by 44.1%, or by RMB76.6 million from RMB173.8 million in 2019 to RMB250.4 million in 2020 primarily due to the increase in sales of intelligent IoV terminal products to Shaanxi Holding Group driven by its increased production of commercial automobiles. During the Track Record Period, under our intelligent IoV products sales business, the revenue derived from Shaanxi Heavy Duty Automobile decreased whereas the revenue derived from Shaanxi Commercial Automobile increased primarily due to the production model of certain commercial automobiles manufactured Shaanxi Heavy Duty Automobile has changed since 2020. Instead of purchasing intelligent IoV products from our Group directly, Shaanxi Heavy Duty Automobile purchases driver’s cab with installed intelligent IoV products from Shaanxi Commercial Automobile.
- (2) The revenue derived from our IoV and related technologies application solution business with Shaanxi Holding Group decreased by 79.2%, or by RMB1.9 million from RMB2.4 million in 2019 to RMB0.5 million in 2020, primarily due to the Shaanxi Holding Group did not engage us to provide such services in 2020. Therefore, the revenue in 2019 and 2021 were higher than that in 2020.
- (3) The revenue derived from our IoV and related technologies application solution business with Shaanxi Holding Group Overlapping Customers increased by 55.5%, or by RMB16.6 million from RMB29.9 million in 2019 to RMB46.5 million in 2020, and further increased by 25.6%, or by RMB11.9 million from RMB46.5 million in 2020 to RMB58.4 million in 2021 primarily due to following reasons: the introduction of our environmental protection supervision IoV service and the expansion of service areas covered by our dump truck supervision IoV service in 2020.

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The following table sets forth a breakdown of the gross profit and profit margin by customers for the years indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Profit margin	Gross profit	Profit margin	Gross profit	Profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Intelligent IoV Products Sales Business						
Shaanxi Holding Group	43,167	24.8	64,443	25.7	53,463	26.4
Overlapping IoV Customers	86	49.9	1,086	56.9	611	29.8
Independent IoV Customers	5,014	61.6	472	35.9	5,326	21.5
Sub-total (Note 1)	48,267	26.5	66,001	26.0	59,400	25.9
IoV and Related Technologies Application Solution Business						
Shaanxi Holding Group	1,607	65.7	360	73.7	1,318	75.0
Overlapping IoV Customers	19,608	65.7	34,303	73.7	43,802	75.0
Independent IoV Customers	17,843	65.7	25,476	73.7	36,503	75.0
Sub-total (Note 2)	39,058	65.7	60,139	73.7	81,623	75.0
Sub-total of the IoV and Data services sector	87,325	36.1	126,140	37.6	141,023	41.7

Notes:

- (1) The profit margins for each group of customers differ mainly due to the volume discount pricing we offer. During the Track Record Period, Shaanxi Holding Group purchased a considerable volume of our products whereas the purchases made by Overlapping IoV Customers and Independent IoV Customers are more occasional. As the purchases made by Independent IoV Customers are occasional, the profit margin of the products purchased by them may affect the gross profit margin of the relevant period substantially. For 2020 and 2021, the products occasionally purchased by Independent IoV Customers are mainly products with a lower profit margin.
- (2) The main cost of the services we provided under our IoV and related technologies application solutions business is network bandwidth, which is shared by all types of customers and therefore the profit margins for each group of customers are the same.

Our IoV and data services cover the commercial automobile industry chain. According to the Frost & Sullivan Report, each of the top five players in China’s commercial automobile market gradually began to establish its own IoV and data service companies, and the commercial automobiles manufacturers tend to choose their connected companies as their primary intelligent IoV products and data service provider, taking into account factors such as the stable business relationship and the knowledge of the types of automobiles manufactured by connected commercial automobile manufacturers. Given our strong research and development and leading technological capability as well as our cooperative business relationship with Shaanxi Holding Group, we have been selected as the sole supplier of intelligent IoV products for Shaanxi Holding Group since 2014. Our intelligent IoV products can be directly installed onto the particular commercial automobiles manufactured by them. As such, our IoV and data services can realise in-depth integration with the manufacturing process of Shaanxi Holding Group, which in return enables us to promptly expand and secure a solid customer base. Shaanxi Holding Group remains compliant with relevant regulations in China,

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including the requirements to install certain intelligent IoV products in some commercial automobiles. For the years ended 31 December 2019, 2020 and 2021, the total number of commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile which were subject to the relevant regulations in China to pre-install IoV products accounted for approximately 81.6%, 86.8%, and 71.4% respectively, of the total number of commercial automobiles sold by them, among which all IoV products were installed by our Group. The percentage of the commercial automobiles sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile that are subject to pre-installed IoV products decreased primarily due to the increase in the sales of special purpose vehicles and off-road vehicles which are not required by the relevant regulations in China to be pre-installed with IoV products sold by Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile in the third quarter of 2021.

Pursuant to the Road Transportation Automobile Dynamic Supervision Management Measures* (《道路運輸車輛動態監督管理辦法》) promulgated in China in January 2014, by no later than July 2014, all newly manufactured heavy-loaded cargo-carriage automobiles and semi-trailer towing automobiles in China are required to pre-install the satellite positioning devices, such as Beidou System supervision terminals or similar equipment, and all the collected data are required by law to be transmitted to the cargo transportation platform of Ministry of Transportation for its records. In addition, pursuant to the Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB 17691-2018) (《重型柴油汽車污染物排放限值及測量方法(中國第六階段)》) (GB 17691-2018) promulgated in June 2018, from July 2021, all newly manufactured, imported, sold and registered commercial automobiles with loading capacity of 3.5 tonnes or above in China are required to pre-install environmental protection supervision terminals or similar equipment and all the collected data are required by law to be transmitted to Ministry of Environment Protection for its records. As only a portion of the commercial automobiles manufactured by Shaanxi Holding Group falls into the above-mentioned category, the above requirements are applicable to certain type of commercial automobiles. Our IoV products pre-installed on the commercial automobiles manufactured by Shaanxi Holding Group will ensure compliance with such regulations.

With the development of our business, we have worked with Shaanxi Holding Group to understand its business needs and design tailor-made solutions. As a result, we have provided more IoV and related technologies application solutions to Shaanxi Holding Group to satisfy its diverse business needs. Given our established sole supplier business relationship with Shaanxi Holding Group, our consistent track record of providing a stable supply of quality products and data services, and the need for compliance with the mandatory industry access requirements, it will be difficult and not commercially beneficial for Shaanxi Holding Group to replace us with another supplier.

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The following table sets forth a breakdown of the number of commercial automobiles manufactured by Shaanxi Holding Group which benefited from our provision of IoV services for the years indicated:

	For the years ended 31 December					
	2019		2020		2021	
	Units	Percentage of the total number of commercial automobiles sold by the respective companies	Units	Percentage of the total number of commercial automobiles sold by the respective companies	Units	Percentage of the total number of commercial automobiles sold by the respective companies
Intelligent IoV products sales business						
Shaanxi Heavy Duty Automobile	150,041	91.1	183,719	92.5	122,684	69.7
Shaanxi Commercial Automobile (Note 1)	1,567	7.4	20,352	55.8	20,392	83.9
IoV and related technologies application solution business						
Shaanxi Heavy Duty Automobile	48,980	29.7	68,195	34.3	56,541	32.1
Shaanxi Commercial Automobile	2,279	10.8	6,642	18.2	6,859	28.3

Note:

- (1) Due to Shaanxi Commercial Automobile’s internal manufacturer lines restructuring and upgrading, several commercial automobile manufacturer lines ceased to operate in 2019.

Overall, given (i) our established and stable business relationship with Shaanxi Holding Group, (ii) our stable track record of supply of quality products and services to Shaanxi Holding Group, and (iii) our customised services provided to Shaanxi Holding Group, the Directors believe that we are an important strategic business partner and a trusted services provider for Shaanxi Holding Group. The long-term business relationship with Shaanxi Holding Group, which we believe is mutually beneficial and complementary for the reasons set out above, is unlikely to materially adversely change or be terminated. As disclosed in the section headed “Connected Transactions — Non-exempt Continuing Connected Transactions — Supply of Product and Services Framework Agreements”, we have entered into the Shaanxi Automobile Holding Supply of Products and Services Framework Agreement and the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement with Shaanxi Automobile Holding and Shaanxi Heavy Duty Automobile, respectively. The Shaanxi Automobile Holding Supply of Products and Services Framework Agreement covers the supply of our products and services to Shaanxi Automobile Holding and/or its associates (excluding Shaanxi Heavy Duty Automobile) whereas the Shaanxi Heavy Duty Automobile Supply of Products and Services Framework Agreement covers the supply of our products and services to Shaanxi Heavy Duty Automobile and/or its subsidiaries. Each of these agreements shall be automatically renewed for a further term of three years from time to time, subject to

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compliance with the [REDACTED] and applicable laws and regulations, unless the Company provides a written notice to terminate the agreement during its term. There is no termination ground under such agreements that allows Shaanxi Automobile Holding or Shaanxi Heavy Duty Automobile to unilaterally terminate the agreement. In addition, Shaanxi Automobile Holding and Shaanxi Heavy Duty Automobile may only engage alternative suppliers after consulting with us and receiving our written consent in the event we are unable to meet the amount of products and/or services required. We believe these provisions serve as safeguards in maintaining the continuous long-term cooperation between Shaanxi Holding Group and us. Furthermore, after completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Shaanxi Automobile will hold approximately [REDACTED]% of our Company and our financial results will be consolidated in the financial results of Shaanxi Automobile. The continuation of the operations and performance of our Group is therefore in line with the interests of Shaanxi Holding Group.

Normal commercial terms and customers’ independent selection

Our Directors have confirmed that all agreements entered into between the Group and Shaanxi Holding Group and set out in the section headed “Connected Transactions” of this document were, or shall be entered into, on arm’s length basis and on fair and reasonable terms. Our Company has also adopted internal control procedures in relation to continuing connected transactions to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better. Please refer to the “Connected Transactions” section in this document for further details.

Our Directors have confirmed that there is no arrangement in place (whether formal or informal) pursuant to which Shaanxi Holding Group refers its customers or its suppliers or other business partners to the Group. Our Director have further confirmed that all of our customers have the right to choose whether to use our services or purchase our products or not, and our Group has the discretion to determine whether to provide services or sell products to such customers. Shaanxi Holding Group will not be involved in, nor have direct or indirect influence, on such decision making.

The Group may enter into cooperation agreements with commercial automobile sales dealers pursuant to which the commercial automobile sales dealers may refer their customers to our Group from time to time for financial leasing services; however Shaanxi Holding Group is not a party to such cooperation agreements and has no direct or indirect influence on the commercial automobile sales dealers or other end customers in relation to their decision to establish a business relation with our Group.

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Continued diversification forms a strong foundation base

During the Track Record Period, our Group has expanded and will continue to expand our services and diversify our customer base in all three main business sectors.

Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
Logistics and supply chain service sector	Supply chain business	Automobile manufacturing supply chain service	<ul style="list-style-type: none"> • Developing cooperation relationship with small to medium commercial automobile manufacturers and actively promoting our automobile manufacturing supply chain service • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Logistics and Supply Chain Service Sector — Automobile Manufacturing Supply Chain Service and Automobile Logistics Service” below.
		Automobile logistics service	<ul style="list-style-type: none"> • Exploring business opportunities with independent third-party customers in the future, including but not limited to, (i) providing automobile logistics services to small to medium commercial automobile manufacturers; and (ii) collaborating with large commercial automobile manufacturers and other automobile logistics service providers for resource-sharing arrangements in relation to the drivers involved in automobile logistics service, for example, upon the driver delivering the commercial automobiles to its destination, such driver can be assigned to new tasks from other automobile logistics service providers and thus bring in new stream of revenue • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Logistics and Supply Chain Service Sector — Automobile Manufacturing Supply Chain Service and Automobile Logistics Service” below.

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Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
		Third party logistics service	<ul style="list-style-type: none"> • Vigorously developing third party logistics service for independent third parties in relation to raw materials (such as coal and ore), commodities and express couriers • Developing return logistics business, for example, our currently transports automobiles from Xi’an to Xinjiang, and on its return trip from Xinjiang to Xi’an, it will explore further business with independent third party customers to transport merchandise on such return trip • Leveraging on the synergy with other business sectors of the Group, improving the logistics information system and optimising transportation routes to enhance the services quality and expand customer base • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Logistics and Supply Chain Service Sector — Third Party Logistics” below.
	Automobile sales business		<ul style="list-style-type: none"> • Entering into cooperation agreements with commercial automobile dealers to sell external branded commercial automobiles • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Logistics and Supply Chain Service Sector — Automobile Sales Business” below
	Automobile aftermarket products business		<ul style="list-style-type: none"> • Entering into cooperation agreements with various participants in the commercial automobile industry to promote Company’s aftermarket products • Promoting Company’s aftermarket products to some of the key logistics customers by leveraging the established sales and logistics network of commercial automobiles • Cooperating with insurance companies to supply aftermarket products to the insurance companies’ designated repair centres • Developing a unified online service platform and launching new projects on such unified platform • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Logistics and Supply Chain Service Sector — Automobile Aftermarket Product Business” below

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Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
Supply chain financial service sector	Financial leasing business		<ul style="list-style-type: none"> • Developed Company’s own sales channel and provided financial leasing services to commercial automobiles, including the mainstream domestic commercial automobile brands in the PRC (other than Shaanxi Holding Group) • Actively exploring financial leasing services to other participants in the commercial automobile industry, such as, special-purpose automobiles, cold chain transportation equipment and second-hand commercial automobiles • Leveraging on the synergy with other business sectors of the Group to expand customer base, such as providing financial leasing services to the Group’s automobile sale business clients with financing needs in external branded automobile sale, and providing financial leasing services to logistics companies • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Supply Chain Financial Service Sector — Financial Leasing Services” below
	Factoring business		<ul style="list-style-type: none"> • Providing factoring services to companies/participants from upstream and downstream of the logistics industry chain, including but not limited to, the suppliers of commercial automobile components companies, suppliers of other brands of commercial automobile manufacturers, and third-party logistics downstream carriers • Engaging agents to source companies from the logistics and supply chain industry chain • Leveraging on the connections of Tonghui and Fargo in the industry, to expand and develop factoring business with Tonghui and Fargo being the core businesses, and develop certain factoring products to support our logistics services • For further details on the Company’s concrete business initiatives, please refer to the section headed “— Supply Chain Financial Service Sector — Factoring Services” below

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Business Sector	Business Line	Business Service	Specific methods to expanded the business and diversify the customer base
<p>IoV and data service sector</p>	<p>Sales of intelligent IoV products business</p>		<ul style="list-style-type: none"> • Developing customer relationships with various small to medium commercial automobile manufacturers (other than Shaanxi Holding Group) and pre-installed the intelligent IoV products on their commercial automobiles • Expanding business and diversifying customer base from various participants in the commercial automobile industry • For further details on the Company’s concrete business initiatives, please refer to the section headed “— IoV and Data Service Sector — Intelligent IoV Product Sales Business” below
	<p>IoV and related technologies application solution business</p>		<ul style="list-style-type: none"> • Actively promoting (i) environmental protection supervision IoV services and (ii) dump truck supervision IoV services to different governmental and industry regulatory bodies as well as companies • Cooperating with financial institutions and actively promoting automobile financial leasing supervision IoV services • Cooperating with supply chain and logistic services provider as well as its downstream carriers and actively promoting transportation fleet management IoV services • Improving R&D capacity and enriching services • For further details on the Company’s concrete business initiatives, please refer to the section headed “— IoV and Data Service Sector — IoV and Related Technologies Application Solution Business” below

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- *Logistics and supply chain service sector*

Automobile Manufacturing Supply Chain Service and Automobile Logistics Service —

- In relation to automobile manufacturer supply chain service, our Company will utilize its strengths and experiences in integrated logistics services and expands its cooperation with small to medium commercial automobile manufacturers. As of the Latest Practicable Date, the Company had discussed cooperation intentions with several of these commercial automobile manufacturers and had signed the letter of intent with one of them. Our Company will also continue to explore the business opportunities with independent third party customers in relation to our automobile logistics service in the future, including but not limited to, by (1) providing automobile logistics service to small to medium commercial automobile manufacturers; and (2) cooperating with large commercial automobile manufacturers and other automobile logistics service providers and sharing the manpower resources (i.e. drivers) involved in automobile logistics service on the return trip to bring new stream of revenue from independent third parties.

Third Party Logistics —

- We have expanded our customer base in relation to independent third party shippers and our provision of third party logistics services. During the Track Record Period, the goods being subject to third party logistics mainly included coal, ore, commodities and commercial automobile components, and the majority of our customers under such business stream are independent from Shaanxi Holding Group. Please refer to the paragraph headed “*Automobile Logistics Service and Third Party Logistics Service*” under the Business section in this document for further details. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from third party logistics services to the shippers who are independent from Shaanxi Holding Group amounted to approximately RMB332.9 million, RMB189.7 million and RMB395.1 million, respectively, accounting for approximately 11.5%, 5.8% and 12.6% of our total revenue and approximately 15.7%, 8.4% and 19.7% of our total revenue from the logistics and supply chain service sector, respectively. The fluctuation of such revenue was mainly due to one of our major customers ceasing their transportation business in 2020 and therefore, our revenue stream from the same ceased. In 2020 and 2021, our third party logistics services completed a total of 54.7 thousand and 267.9 thousand units of waybills, respectively.
- For logistic business related to raw materials and commodities, our Group takes advantages of its subsidiaries in regions rich in raw materials resources (such as Xinjiang and Inner Mongolia), and has large corporate clients in the energy, steel and chemicals industries for actively expanding its third party logistics service. For express courier related logistics business, we focus on densely populated regions (such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta), utilizes the express courier logistics customers accumulated under the automobile sale business and supply chain business of the Group to expand its customer base. In addition, as the Vice President of China Communications and Transportation Association’s Express Transportation Branch* (中國交通運輸協會快運分會) and Logistics Investment and Financing Branch* (中國交通運輸協會物流投融資分會), our Company will leverage its industry influence and networks to

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actively develop its third party logistics. As at the Latest Practicable Date, there were 16 ongoing projects in relation to third party logistics services who are independent from Shaanxi Holding Group including:

	Region	Counterparty	Main services	Services provided by our Group	Contract period
1.	Shanghai	Cable special material company	Plastic materials	Third party logistic	From January 2022 to December 2022
2.	Nanjing	Municipal Engineering company	Muck	Third party logistic	From January 2022 to December 2024
3.	Hebei	Logistics company	Express packages	Third party logistic	From January 2022 to December 2024
4.	Shanghai	Logistics company	Commodities	Third party logistic	From October 2021 to October 2024
5.	Shanghai	Logistics company	Commodities	Third party logistic	From May 2021 to May 2024
6.	Zhengzhou	Logistics company	Commodities beverage and building materials	Third party logistic	From June 2021 to June 2023
7.	Ningxia	Coal Coking company	Coal	Third party logistic	From May 2022 to May 2023
8.	Xinjiang, Yili	Supply Chain Management company	Coal	Third party logistic	From June 2020 to December 2024
9.	Guizhou	Infrastructure Company	Coal	Third party logistic	From March 2021 to pending
10.	Suzhou	Logistics company	Commodities	Third party logistic	From September 2021 to December 2022
11.	Xinjiang	Logistics company	Raw material	Third party logistic	From January 2022 to December 2022
12.	Xinjiang	Energy industrial chain company	Coal	Third party logistic	From February 2022 to December 2022
13.	Shanghai	Freight forwarder company	Postal parcels	Third party logistic	From January 2022 to December 2024
14.	Chongqing	Commerce and trade company	Cement	Third party logistic	From November 2021 to October 2022
15.	Xinjiang	Logistics company	Coal	Third party logistics	From January 2022 to December 2024
16.	Suzhou	Logistics company	Express packages	Third party logistics	From January 2022 to December 2022

In addition, six pipeline projects have been successfully approved and are currently under negotiation, including one coal transportation related project, one commodities related project. This increase in the number of ongoing or potential projects with independent third parties is an indication of our continued diversification and further independence from Shaanxi Holding Group.

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- We are actively exploring a return logistics business to expand our independent third party customer base. Leveraging our extensive logistics network and warehousing facilities, we will continue developing our services to cover a wider range of supply of goods and materials for independent third party customers within the reach of our current logistics network and to fully utilise our warehousing services. For example, we aim to utilise the designated route by which we currently transport automobiles from Xi’an to Xinjiang and on its return trip from Xinjiang to Xi’an, it will explore further business with independent third party customers to transport merchandise on such return trip. As of the Latest Practicable Date, we have won a tender to transport merchandise via the said route — from Xinjiang to Xi’an — to our independent third party customers. Going forward, we plan to actively seek out and engage in such activities to strengthen our return logistics business.
- Our Company will continue to expand our customer base (especially independent third party customers) and diversify the provision of services through setting up a digitalised warehousing and distribution system for commercial automobile components together with a repair and service network, including but not limited to the establishment of an offline accessories centre and return logistics system. We will also improve our logistics information system and optimize the transportation routes to enhance our services quality. For further details, please refer to the section headed “Business — Business Strategies” in this document.
- In addition, our Company will leverage our accumulated experience in the supply chain services industry, our capabilities (such as our ownership of a substantial number of commercial automobiles) as well as our status as a 5A logistical enterprise, to participate more actively in the public tendering process in relation to public procurement projects.

Automobile sales business

- Leveraging our well-established sales networks and in-depth understanding of the markets, we are actively expanding the customer base of our automobile sales service by selling external branded commercial automobiles. In 2021, the Company has entered into three agreements with commercial automobile dealers in relation to sales of external branded automobile and started such sale since the fourth quarter of 2021. As of 31 December 2021, we generated revenue from selling external branded commercial automobiles amounted to approximately RMB7.3 million. Our Company will continue to seek the opportunities to establish business relationship with more external branded commercial automobiles dealers. As of the Latest Practicable Date, the Company has entered into five new agreements in relation to sales of external branded automobiles.

Automobile aftermarket product business —

- Our customers of automobile aftermarket product business are independent third parties (“**Independent Third Party Aftermarket Product Customers**”). We will further expand the automobile aftermarket product business as one of the key areas for potential rapid business growth of the Company in the foreseeable future and only focus on the Independent Third Party Aftermarket Product Customers as part our plan to expand our customer bases. Please refer to the section headed “Business — Logistics and Supply Chain Service Sector — Aftermarket Product Business” of

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this document for further details. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from Independent Third Party Aftermarket Product Customers under our sales of automobile aftermarket product business amounted to approximately RMB31.3 million, RMB85.5 million and RMB82.7 million, respectively, accounting for approximately 1.1%, 2.6% and 2.6% of our total revenue, respectively.

- Since the beginning of 2021, leveraging on our established sales and logistics network of commercial automobiles, we have successfully promoted our aftermarket products to some of our key logistics customers. Our Company plans to take selected provinces as key market, such as Shaanxi and Xingjiang to gradually develop the sales channels of our aftermarket products business. We will also continue to spend more efforts on marketing and promotion. Since 1 January 2021 until the Latest Practicable Date, our sales personnel has visited 173 customers and obtained 349 orders. We also plan to create synergy with other business sectors of the Group to expand the sales channel of our aftermarket products. For example, we will utilize the IoV big data capacity of the Group to analyze regions of high commercial automobile density and regions with high maintenance frequency, and to develop business cooperation with components or maintenance service providers in such areas and precisely allocate our aftermarket products. In addition, we are also seeking the opportunities to cooperate with insurance companies and supply our aftermarket products to a designated repair centre of the insurance company and further expand our sales channel. As of the Latest Practicable Date, our Company has entered into the strategic cooperation agreement with one insurance company. Our diversified products and base of suppliers, along with our business growth and increased revenue generated from our after-market business demonstrates our continued diversification and independence from Shaanxi Holding Group.
- In addition, as disclosed in the sections headed “*Business — Business Strategies*” and “*Future Plans and [REDACTED]*” in the Document, our Company will adopt online measures to improve the commercial automobile aftermarket service offerings. In particular, based on our existing CLGG Online Platform, we will develop a unified online service platform and launch new projects on such unified platform. Such new projects include (i) service platform for aftermarket business, (ii) online digital warehousing system for components centralised warehouses, (iii) online service and franchise management platform, and (iv) intelligent repair and training platform. For further details in relation to the aforementioned new projects, please refer to the section headed “Future Plans and [REDACTED] — Online Business Development” in the Document.
- *Supply chain financial service sector*

Financial Leasing Services —
 - Since 2018, our Company has developed our own sales channel through the service providers and provided financial leasing services to commercial automobiles, including the mainstream domestic commercial automobile brands in the PRC (other than Shaanxi Holding Group) (“**other automobile brands**”). In addition, we also provide such services to trailers and second-hand commercial automobiles. From 2018 to 2021, the number of service providers we engaged increased from 4 to 22. To better develop our sales channel through the service providers, we plan to recruit more business personnel and provide training to develop their knowledge of, among

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others, how to expand to providing services in relation to vehicles from other automobile brands. Please refer to the section headed “Business — Financial Leasing Business — Models and Sales Channels” in this document for further details.

- Based on our in-depth understanding of the commercial automobile industry and through our well-established business connections, our Company is actively exploring financial leasing services to other participants in the commercial automobile industry, such as the end-customers of special-purpose automobiles or cold chain transportation equipments, plant and warehouse. In terms of special-purpose vehicle financial leasing business, our Company has developed business relationship with a number of concrete mixer truck sales companies, truck-mounted crane manufacturers and special-purpose vehicle manufacturers to provide financial leasing services to their end-users. During the Track Record Period, the total amount we invested into the special-purpose vehicle subject to our financial leasing services has accumulated to RMB429.2 million. We will continue to explore the segment of special purpose vehicles and analyze the characteristics of different special purpose vehicles, such as refrigerated trucks, agricultural and livestock transport vehicles, in order to develop integrated policies that will better serve the needs of such customers. In terms of cold chain transportation equipments financial leasing business, our Company has developed business relationship with a number of cold chain logistics companies to provide financial leasing services to their end-users. During the Track Record Period, the total amount we invested into the cold chain transportation equipments that were subject to our financial leasing services has accumulated to approximate RMB98.8 million.
- For the years ended 31 December 2019, 2020 and 2021, the investments in financial leasing services for the above mentioned commercial automobiles of other automobile brands and other participants in the commercial automobile industry were RMB602.0 million, RMB967.3 million and RMB838.9 million, accounting for 13.0%, 11.2% and 12.8%, respectively, of our total investment made into the provision of commercial automobile financial leasing services. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from Independent Financial Leasing Customers was approximately RMB42.5 million, RMB88.6 million and RMB116.4 million, respectively. The year-on-year increase in such revenue shows our continued diversification and further independence from Shaanxi Holding Group. From 1 January 2022 to the Latest Practicable Date, we have entered into 15 cooperation agreements with a number of external branded automobile dealers and we will continue to increase the newly invested funds in independent financial leasing business in term of both amount and percentage of the total investment. Further, we actively expand our customer bases by creating synergy with other business sectors of within our Group. For instance, we plan to (i) utilize the advantage in the automobile sale business of our Group and focus on clients with financing needs in the sale of external branded automobile; and (ii) provide financial leasing services to logistics companies, for example, when downstream carriers purchase new or second hand commercial automobiles.

Factoring Services —

- Under the Logistics Factoring business, we engage in factoring transactions with companies from the logistics industry (including but not limited to logistics platform companies, small and medium logistics enterprises, companies engaged in supply chain projects and/or contract logistics projects), which typically possess accounts

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receivables stemming from contracting carriers or third party platform logistics businesses. The majority of our customers under such business stream are independent from Shaanxi Holding Group. In January 2021, Deewin Factoring has developed an external agent system under the Logistics Factoring business stream which engage agents to source aforementioned companies as our customer from the logistics industry. As of the Latest Practicable Date, we have engaged 27 agents. Please refer to the paragraph headed “Business — Factoring Business Streams — Logistics Factoring” in this document for further details. As at 31 December 2021, we have a total of 176 customers in relation to Logistics Factoring, which are all independent third parties. For the years ended 31 December 2019, 2020 and 2021, the amount invested into the provision of Logistics Factoring Services for such third party customers who are independent from Shaanxi Holding Group were RMB565.6 million, RMB198.7 million and RMB444.5 million, respectively, which accounted for approximately 26.1%, 11.7% and 19.4% of the total annual investments made by Deewin Factoring, respectively. From 1 January 2022 to of the Latest Practicable Date, we have entered into 22 strategic agreements and letters of intent.

- In addition, by leveraging connections of Tonghui and Fargo in the industry, our Group will expand and develop our factoring business with Tonghui and Fargo as the core businesses and develop certain factoring products to support our logistics services. As of the Latest Practicable Date, Deewin Factoring has entered into 11 factoring services transactions with the downstream third party carriers which engaged with Fargo.
- Our Company will continue to consolidate our industry advantages in supply chain financial services to optimise our business structure. We will continue to develop business relationships with large-scale customers and leading companies in the logistics industry and expand the scope of quality customers, to provide our factoring services to a wider range of participants, such as the suppliers of commercial automobile components companies, suppliers of other brands of commercial automobile manufacturers and the other logistics downstream carriers.
- *IoV and data service sector*

Intelligent IoV Product Sales Business —

- In respect of our intelligent IoV products sales business, our Company has successfully developed various small and medium commercial automobile manufacturers (other than Shaanxi Holding Group) as our customers and pre-installed our intelligent IoV products on their commercial automobiles. For the years ended 31 December 2019, 2020 and the 2021, the revenue generated from sales of goods (such as intelligent IoV products) to such independent third party commercial automobile manufacturers were approximately RMB8.1 million, RMB1.3 million and RMB24.8 million, respectively. For instance, one of our major customers, Shandong Automobile Manufacturing Company Limited* (山東汽車製造有限公司) purchased 8,932 units of our intelligent IoV products during the period from January 2021 to December 2021, which represents an increase of 5,067% of sales volume from the same period in 2020.

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With the constant development of Company’s IoV and related technologies application solution business, in particular (i) dump truck supervision IoV services, (ii) big data application IoV services and (iii) environmental protection supervision IoV services, all the commercial automobiles using these services are required to install intelligent IoV product of the Group. Our dump truck supervision IoV services covered 12 areas in China as at 31 December 2021. In addition, as at 31 December 2021, our environmental protection supervision IoV services covered 31 provinces and municipalities in China. Considering that non-Shaanxi Automobile brand commercial automobiles, which do not have the Group’s intelligent IoV products pre-installed, our intelligent IoV product sales business has the potential to grow and tap into such market share.

To better develop our intelligent IoV products sales business and expand our services to other commercial automobile manufacturers as well as other participants of the commercial automobile industry, the Company has set up a special “automobile enterprise business department” responsible for sourcing and providing one-stop customised services to such customers. For example, the Company will take the advantage of its well-established data network to provide a full suite of customised IoV services for companies, such as refitting automakers, to sell our pre-installed intelligent IoV products and our IoV and related technologies application solution services. As of the Latest Practicable Date, we have completed seven projects with seven automobile remodeling companies who are independent third parties in relation to the potential customised IoV services provided.

- In addition, as disclosed in the sections headed “Business — Business Strategies” and “Future Plans and [REDACTED]” in the Document, the Group will dedicate resources to develop diversified data products. In particular, our will continue to develop and upgrade its IoV products and terminal products in order to be adaptive to 5G telecommunication environment, which will become the new standard in the telecommunication industry.
- From 1 January 2022 to the Latest Practicable Date, our Company has entered into 10 agreements in relation to intelligent IoV product sales services with Independent IoV Customers and most of the agreements are long term agreements. (about 2-3 years).

IoV and Related Technologies Application Solution Business —

- In respect of the IoV and related technologies application solution business, we provide such solutions to a wide range of participants of the commercial automobile industry chain (in addition to commercial automobile manufacturers), including commercial automobile finance companies, commercial automobile sales dealers, transportation fleets, supply chain and logistics companies, insurance companies, commercial automobile-related service providers and drivers, as well as governmental or industry regulatory bodies. In particular, we have focused on and will focus on environmental protection supervision IoV services, dump truck supervision IoV services, big data application IoV services and relevant industry regulatory to supervision IoV services. For example, the Company will provide monitoring services in relation to vehicle safety to public security departments or provide monitoring services for coal transportation fleets of the coal industry. Please refer the section headed “Business — IoV and Data Service Sector — Our IoV and Related Technologies Application Solution Business” in this document for further details.

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- As at the Latest Practicable Date, there were various ongoing projects with Independent IoV Customers in relation to environmental protection supervision IoV services, dump truck supervision IoV services, big data application IoV services, automobile Financial Leasing Supervision IoV Services and relevant industry regulatory supervision IoV services, all of which are in effect, including the following:

	Region	Projects*	Services provided by our Group
1.	Shaanxi	Xingping City Law Enforcement Bureau	Dump truck supervision services
2.	Shaanxi	Xi'an Public Security Bureau-Traffic police department	Dump truck supervision services
3.	Shaanxi	Xianyang City Management Supervision and Command Centre	Dump truck supervision services
4.	Shaanxi	Hanzhong City Management Bureau	Dump truck supervision services
5.	Hebei	Handan City Construction Waste Management Office	Dump truck supervision services
6.	Hebei	Longyao County Law Enforcement Bureau	Dump truck supervision services
7.	Anhui	Lai'an County Urban Management Bureau	Dump truck supervision services
8.	Yunnan	IoV technology company	Big Data Application IoV Services
9.	Beijing	Technology company	Big Data Application IoV Services
10.	Chengdu	Technology company	Big Data Application IoV Services
11.	N/A	13 special purpose vehicle companies	Environmental Protection Supervision IoV Services and/or Automobile Financial Leasing IoV Services
12.	Baoding	Petroleum geophysical prospecting machinery manufacturing Company	Environmental Protection Supervision IoV services
13.	Hangzhou	Supply chain Management company	Automobile Financial Leasing IoV Services
14.	Baoding	Automobile sales company	Automobile Financial Leasing IoV Services
15.	Suzhou	Automobile sales company	Automobile Financial Leasing IoV Services
16.	Luanzhou	Automobile sales company	Environmental Protection Supervision IoV services
17.	Wuhai City, Inner Mongolia Autonomous Region	Wuhai City Heavy Duty Diesel Automobile Remote monitoring system	Heavy Duty Diesel Automobile Remote Environmental Protection Monitoring Services
18.	Shandong	Commercial automobile manufacture company	Big Data Application IoV Services
19.	Beijing	Technology company	Big Data Application IoV Services
20.	Xinjiang	Logistics company	Big Data Application IoV Services
21.	Beijing	Financial leasing company	Automobile Financial Leasing IoV Service
22.	Heilongjiang	Financial guarantee company	Automobile Financial Leasing IoV Service
23.	Shaanxi	Law Enforcement Bureau	Environmental Protection Supervision IoV services

* Some projects have already started before 2021

From 1 January 2022 to the Latest Practicable Date, the Company has entered into three letters of intent and five cooperation agreements with eight companies with such needs and are in discussion with other companies to explore business opportunities. In relation to dump truck supervision IoV services, such services was stable during the Track Record Period. From 1 January 2022 to the Latest Practicable Date, there are two dump truck supervision IoV services projects under negotiations.

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- In respect of the IoV and related technologies application solution business, we also explore the opportunity to cooperate with financial institutions and to provide automobile financial leasing supervision IoV service to them, which will improve the risk management and business operation in such transactions. Leveraging on the synergy with the supply chain business sector, our Company also actively explores the needs of the existing customers under third party logistics business. For instance, our Group can arrange downstream carriers to utilize transportation fleet management IoV services to enhance the business operation of logistics and reduce transportation risk.
- During Track Record Period, our Company has entered into a cooperation agreement with one big data service provider to co-develop the commercialized applications of big data and to diversify our services.
- In addition, the Company will continue to expand our external customer base and diversify our provision of services through enhancing the core technology capabilities and data service capabilities of our IoV and data service sector. In particular, upon [REDACTED], we intend to use the [REDACTED] of the [REDACTED] to develop the facility of IoV-based technology and enhance our research and development capabilities such as expansion of our research and development team and upgrading the software and hardware of our research and development system, among others. Please refer to the section headed “Future Plans and [REDACTED]” in this document for further details.

Given (i) the Group’s various businesses with independent third parties are expanding, (ii) the Group’s particular business sectors and synergy between business sectors which brings about unique market competitiveness, and (iii) the cooperation between the Group and commercial automobile manufacturers, we can leverage our current business model to continue building new business relationships with independent third parties, and establish a services model tailored to such customers. We have also laid a foundation for us to reach out to more commercial automobile manufacturers as well as different suppliers and customers in the commercial automobile industry in the future.

Financial Independence

We have established our own finance department with a team of independent financial staff, which is responsible for financial control, accounting, reporting, group credit and internal control functions of our Company independent from our Controlling Shareholders.

We can make financial decisions independently and our Controlling Shareholders do not interfere with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with Controlling Shareholders or other enterprises under its control.

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During the course of our operation, we have been receiving loans and guarantees from Shaanxi Holding Group and the loans from Shaanxi Holding Group will continue to be provided by Shaanxi Holding Group to our Group after [REDACTED] under the Financial Services Framework Agreement. Please refer to the section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions” in this document for further details. Please also refer to the section headed “Financial Information — Indebtedness” in this document for the historical amount of the loans and guarantee from Shaanxi Holding Group. As at 31 December 2021, we had aggregate outstanding loans from Shaanxi Holding Group and certain financial indebtedness guaranteed by Shaanxi Holding Group (including (i) bank borrowings, (ii) other borrowings from other financial institutions, (iii) asset-backed notes/securities, and (iv) notes payable) of approximately RMB854.0 million and RMB729.2 million, respectively, representing approximately 13.9% and 11.9% of our aggregate financial indebtedness credit amount (including (i) bank borrowings, (ii) loans from related parties, (iii) other borrowings from other financial institutions, (iv) asset-backed notes/securities, and (v) notes payable) of approximately RMB6,132.4 million. For the years ended 31 December 2019, 2020 and 2021, the average of annual interest rate for loans from Shaanxi Holding Group was approximately 4.8%, 3.8% and 3.4%, respectively, and the average of annual interest rate for loans from independent third party lenders was approximately 4.9%, 4.5% and 4.7%, respectively. The range of annual interest rate for loans from Shaanxi Holding Group is from 3.1% to 5.1%, which is in line with for loans from independent third party lenders of 2.1% to 6.8%.

Notwithstanding the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates for the following reasons:

- as at the Latest Practicable Date, except for loans with a two to three years’ fixed term amounted to approximately RMB848.5 million (which we will repay when such loans become due), the Group has fully repaid the abovementioned outstanding loans to Shaanxi Holding Group. While we are able to repay all the outstanding loans from Shaanxi Holding Group, the early repayment of the outstanding loans will not be commercially practicable and favourable to our Group as early repayment will result in a penalty payable by us according to the terms of the loan agreements;
- we intend to reduce the amount of loans guaranteed by Shaanxi Holding Group to RMB211.0 million and nil by 31 December 2022 and 31 December 2023, respectively;
- we have sufficient capital to operate our business independently, and we are capable of obtaining enough financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons. In particular, we have obtained the credit facilities commitments of approximately RMB7.5 billion from independent commercial banks without any assistance, guarantee or security of Controlling Shareholders as at the Latest Practicable Date. Such credit facilities commitments from independent commercial banks can be used as working capital and the credit facilities are sufficient to cover our loans from Shaanxi Holding Group as well as the loans guaranteed by Shaanxi Holding Group;
- we have established long-term relationships with relevant independent third party lenders from which we are able to independently obtain financing on comparable terms to fund our business operations;

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- the arrangement of financial services within PRC state-owned enterprises is common and the financial services from Shaanxi Automobile to us are and will continue to be on normal commercial terms or better under the Financial Services Framework Agreement as disclosed under the section headed “Connected Transactions” in this document. We also have discretion in selecting financial services from independent commercial banks as we think fit and appropriate for the benefit of the Group; and
- the interest rates will not be higher than the interest rates for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries as the lending terms applicable to our Group will correspond to those under the financing agreements of Shaanxi Automobile with the lending banks and financial institutions under the “unified borrowing and repayment* (統借統還)” model, which is further explained in the section headed “Connected Transactions — Fully Exempt Continuing Connected Transaction — Provision of Financial Services by Shaanxi Automobile Holding” in this document. Therefore, our business operation and financial performance would not be materially and adversely impacted even if we had to obtain all our financing from independent commercial banks and financial institutions.

On the basis of the abovementioned reasons, our Directors are satisfied that we have sufficient capital for our financial needs and are financially independent of our Controlling Shareholders and their respective associates.

Management Independence

Upon [REDACTED], our Board of Directors will consist of nine Directors, two of whom will continue to hold positions within Shaanxi Automobile Holding and/or its subsidiaries after completion of the [REDACTED]. Most of our Directors and senior management have broad experience in commercial automobile supply chain service industry. Set forth below is a table summarising the identities of the two Directors who will continue to hold positions within Shaanxi Automobile Holding and its subsidiaries after the [REDACTED] and their respective major positions in our Group and Shaanxi Automobile Holding and its subsidiaries:

Name	Major positions in our Group	Major positions within Shaanxi Automobile Holding and its subsidiaries
Mr. Guo Wancai (郭萬才)	• Chairman of our Board and non-executive Director	Chief accountant of Shaanxi Automobile Holding and Shaanxi Automobile
Mr. Wang Jianbin (王建斌)	• Non-executive Director	Deputy general manager of Shaanxi Commercial Automobile Industry Co., Ltd.; general manager of Shaanxi Automobile Commercial; director of Shaanxi Automobile

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For the expertise and experience of the overlapping Directors, please refer to the section headed “Directors, Supervisors and Senior Management” in this document for more details. Save as disclosed above, as of Latest Practicable Date, none of the Directors or Senior management held any positions in Shaanxi Automobile Holding and its subsidiaries (excluding the Group). None of our independent non-executive Directors has any relationship with our Controlling Shareholders other than allowed under Rule 3.13 of the Listing Rules. Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to allow the proper functioning of the Board of Directors.

Upon [REDACTED], save for certain positions held by (i) Mr. Zhang Yu’an (張育安) and (ii) Mr. Wang Jing’an (王敬安) as disclosed in the section headed “Director, Supervisors and Senior Management” in the document, none of our Supervisors will serve as a director, supervisor or senior management of our Controlling Shareholders and their respective associates (other than members of our Group).

We believe that our Directors and senior management will be able to perform their roles in our Company independently and that our Company is capable of managing its business independently of Controlling Shareholders after completion of the [REDACTED] for the following reasons:

- seven out of nine members of the Board of Directors do not hold any director, supervisor or senior management position in Controlling Shareholders and their respective associates (other than members of our Group), and it is the Board of Directors as a whole, and not any individual Director, that makes decisions for our Company pursuant to the Articles of Association;
- the decision-making mechanism of the Board of Directors set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among other things, that in the event of a conflict of interest, such as a consideration of resolutions in relation to connected transactions with Controlling Shareholders, the relevant Director who is connected with Controlling Shareholders shall abstain from voting and will not be counted in the quorum. Furthermore, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;
- the day-to-day operation of our Company is not only managed by our executive Directors, but also by the senior management of our Company and our subsidiaries;
- none of our Directors, Supervisors or members of senior management have any shareholding interests in our Controlling Shareholders;
- each of our Directors is aware of his fiduciary duties as a director, which requires, among other things, that he acts for the benefit and in the best interests of our Company; and
- we have appointed three independent non-executive Directors, comprising one-third of the total number of Board members, to provide a balance in the number of interested and independent Directors with a view to promote the interests of our Company and our Shareholders as a whole.

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CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interest arising from any future potential competing business of our Controlling Shareholders:

- as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of its close associates (other than members of our Group) has a material interest, such Controlling Shareholders shall not exercise its voting rights on the relevant resolutions;
- the Company has established internal control mechanisms to identify connected transactions. For further details, please refer to the section headed “Connected Transactions – Internal Control Procedures in relation to Continuing Connected Transactions”. Upon the [REDACTED], if the Company enters into connected transactions with the Controlling Shareholders or any of its associates (other than members of our Group), the Company will comply with the applicable requirements under the Listing Rules;
- we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;
- in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between the Group on one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of the Company where necessary;
- in December 2020, the Company adopted the “Management System for Conflicts of Interest” policy, which provides for the prevention of conflict of interest by directors, supervisors and senior management of the Company, including defining conflict of interest, setting out specific arrangements for the prevention of conflicts of interest, management of conflicts of interest and sanctions for breach of the conflict of interest policy. Pursuant to the “Management System for Conflict of Interest” policy, among others, the Company will provide regular training to their directors, supervisors and senior management on the prevention of conflicts of

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interest. Furthermore, the directors, supervisors and senior management of the Company are required to sign a declaration in relation to conflicts of interest within one month of their employment or appointment and to sign additional declarations each subsequent year within one month of the anniversary of the employment or appointment. In addition, employees of the Company have the right to report any conflict of interest, and the operations management department of the Company shall promptly investigate the matter and report the findings to both the employee who reported and the Audit Committee, who shall take appropriate actions based on the findings; and

- we have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.