You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements, including the notes thereto, included in the Accountant's Report set out in Appendix I to this document and other financial information appearing elsewhere in this document. The Accountant's Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual future results could differ significantly from those anticipated in these forward-looking statements due to various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a service provider and a key market player in the commercial automobile service industry in China and one of the few value-added service providers in the industry that can provide integrated solutions covering the commercial automobile industry chain, according to the Frost & Sullivan Report. Our business offerings integrate multiple sections of the commercial automobile industry chain and cover the commercial automobile product lifecycle, which comprise (i) logistics and supply chain service sector, offering supply chain business, automobile sales business and aftermarket product business, (ii) supply chain financial service sector, offering financial leasing business, factoring business and insurance brokerage business, and (iii) IoV and data service sector.

We leveraged our quality customer services to promote our business operation during the Track Record Period. In 2019, 2020 and 2021, our revenue was RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively. During the same years, our gross profit was RMB474.3 million, RMB653.4 million and RMB732.4 million, and our profit for the year was RMB241.1 million, RMB318.0 million and RMB368.7 million, respectively.

BASIS OF PRESENTATION

The companies now comprising our Group, engaging in logistics and supply chain services, supply chain financial services and IoV and data services, were under common control of Shaanxi Automobile, our controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control.

Our historical financial information has been prepared by including the historical financial information of the companies engaged in the logistics and supply chain services, supply chain financial services and IoV and data services, under the common control of Shaanxi Automobile immediately before and after the Reorganisation and now comprising our Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of Shaanxi Automobile, whichever is a shorter period. Please refer to Note 1.3 to the Accountant's Report included in Appendix I to this document for further information.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Macroeconomic Conditions, Industry Standards and Regulatory Policies

China's total investment in transportation infrastructure increased by 9.4% from RMB2,846.6 billion in 2016 to RMB3,115.1 billion in 2017. Such investment was maintained at a relatively stable level, amounting to RMB3,245.1 billion in 2019, and RMB3,424.7 billion in 2020 and is expected to reach RMB3,578.2 billion in 2021, according to Frost & Sullivan. Benefiting from the stable macroeconomic and market conditions, our revenue increased from RMB2,892.0 million in 2019 to RMB3,261.7 million in 2020 and slightly decreased to RMB3,126.9 million in 2021, representing a CAGR of 4.0% from 2019 to 2021. According to the Frost & Sullivan Report, it is expected that the Chinese government will maintain its high level investment in transportation infrastructure in the next four years with an annual investment amount of not less than RMB3,400.0 billion, which will lay the foundation for our future expansion of operational scale and growth.

In addition, changes in industry standards, particularly road transportation regulations and emission standards, could materially impact our results of operations. For instance, the implementation of China's Heavy Duty Diesel Automobile Exhaust Emission Limits and Measurement Methods (China Phase Six)* (GB17691-2018) (《重型柴油車污染物排放限值及測量方法) (中國第六階段)》) (GB17691-2018) ("**Phase 6 Automobile Emission Standards**") in Shaanxi Province since 1 July 2019 and its full implementation starting from 1 July 2021 pursuant to the Announcement on Matters concerning the Implementation of China's Phase 6 Automobile Emission Standards for Heavy Diesel Automobiles (《關於實施重型柴油車國六排放標準有關事宜的公告》) published by the Ministry of Ecology and Environment of China (the "**Full Implementation**") led to a significant increase in our sales of automobiles adopting China's Light Duty Automobile Exhaust Emission Limits and Measurement Methods (China Phase Five)* (GB18352.5-2013) (《輕型汽車污染物排放限值及測量方法) (中國第五階段)》) (GB18352.5-2013) ("**Phase 5 Automobile Emission Standards**") in the second half of 2019 due to the relatively higher selling price of automobiles adopting China's Phase 6 Automobile Emission Standards. We expect that the elimination of old automobile models resulted from China's enhancement of national environmental protection policy will bring an increasing demand for more environmentally friendly automobile models. Moreover, GB1589-2016 (Limits of Dimensions, Axle Load and Masses for Motor Vehicles, Trailers and Combination Vehicles) implemented in July 2016 posed strict limits on the height and length of trailers in China and set a new trend for China's automobile transporters to use centre-axle trailer systems, thereby reducing market demand for certain old models of semi-trailer automobiles, but also creating demand for new models of trailers, in particular centre-axle car carriers. The Ministry of Transport published the Automobile Classification of Toll for Highway which took effect since 1 January 2020 (the "**New Toll Classification**"), adopting a new policy to charge toll for highway based on the number of axles of automobiles as opposed to the previous weight-based charge policy. The New Toll Classification is expected to have significant impact on, among others, the logistics industry, which may create market demand for new automobile models for logistics services, such as light commercial automobiles. In particular, the New Toll Classification will result in significant market demand for (i) light commercial automobiles with a total mass of no more than 4.5 tonnes and an automobile length of no more than six metres because they can be benefited from the lowest toll fee level; and (ii) commercial automobile models with fewer axles for the same level of transportation capacity or truckload. Given that (i) the maximum loading capacity of three-axle commercial automobiles is similar to that of two-axle commercial automobiles, which is 18 metric tons, (ii) the average tolls for two-axle and three-axle commercial automobiles will be RMB1.07 per kilometre and RMB1.44 per kilometre, respectively, and (iii) the purchase price of new three-axle commercial automobiles is generally higher than that of two-axle automobiles, it is expected that the demand for two-axle commercial automobiles will increase due to the new Toll Classification. The Company believes that, whilst the commercial automobile users may still prioritise selection criteria such as purchase price, capability and usage of the commercial automobiles when they are purchasing from the Group, it is expected that the New Toll Classification may create additional market demand for models of commercial automobiles the Group sells that will be benefited from the New Toll Classification (such as heavy duty commercial automobiles with two axles) given that such automobile users may pay for a lower toll for highway and thus enjoy a lower operating cost. The Group will assist its customers to understand the potential impact of the New Toll Classification when conducting its commercial automobile sales activities.

It is expected that the Chinese government will promulgate more stringent industry standards, especially those enhancing environmental protection and road safety, on a regular basis. Any future changes in industry standards or regulatory policies may impact our business prospects and results of operations.

In recent years, favourable regulatory policies have also facilitated the growth of our IoV and date service sector. In December 2018, the Ministry of Industry and Information Technology issued "the Industry Development Action Plan for Internet of Vehicle (Intelligent Internet-connected Vehicle)" indicating that a comprehensive IoV application system should be established with an aim to achieve a penetration rate of not less than 30% for IoV users, a loading rate of not less than 30% for new driving assistance system and an installation rate of not less than 60% for IoV information service terminal products on new automobiles. In addition, the "Intelligent Automobile Innovative Development Strategy" issued by the NDRC has indicated the promotion of the coordinated development of IoV and commercialised 5G system. The full commercialisation of 5G technology and improvement of the relevant communication infrastructure also largely promote the increasing application of IoV. Frost & Sullivan expects the application of IoV to become a common practice adopted by mainstream commercial automobile manufacturers in China in the near future. Accordingly, the commercial automobile IoV market penetration rate is estimated to continuously increase from 66.9% in 2021 to 97.5% in 2026, while the size of commercial automobile IoV market was estimated to increase from RMB23.1 billion in 2021 to RMB76.1 billion in 2026. We believe that we will be able to capture such market opportunity and to sustain the growth of our IoV and data service sector.

Development of the China Commercial Automobile Industry

In the recent decade, the China commercial automobile industry has entered into a stable growth stage where the sales of commercial automobiles has been maintained at a relatively high volume with steady growth. In respect of the heavy commercial automobile market, the sales of heavy commercial automobiles was approximately 1,053.7 thousand in 2017 which increased at a CAGR of 7.3% to 1,395.3 thousand in 2021. Frost & Sullivan estimates such sales will remain relatively stable in the future. In respect of the light commercial automobile market, the sales of light commercial automobiles was approximately 2,158.1 thousand in 2017 which increased at a CAGR of 8.4% to 2,978.5 thousand in 2021. Frost & Sullivan estimates such sales to further increase to 3,189.5 thousand in 2026 representing a CAGR of 1.4% during the five-year period.

Leveraging our competitive strengths, our sales of commercial automobiles increased from 2,503 automobiles in 2019 to 2,984 automobiles in 2020. Due to the gradual decline in the market demand for heavy duty commercial automobiles in the 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure, our sales of commercial automobiles decreased from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021, representing a decrease of 35.1%.

In addition, the number of commercial automobiles leased under our financial lease business increased from 19,350 automobiles in 2019 to 28,024 automobiles in 2020. Such number decreased from 28,024 automobiles in 2020 to 20,306 automobiles in 2021, primarily due to a gradual decline in the market demand for heavy duty commercial automobiles in 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure, which resulted in the decrease in the business volume of our financial leasing service for the same year.

The overall growth in the sales volume of the China commercial automobile market has driven the rapid development of the commercial automobile industry chain, including the upstream section of components manufacturing and purchase, the midstream section of commercial automobile manufacturing and sales and the downstream section of end-customer consumption and commercial automobile aftermarket services. For instance, according to Frost & Sullivan, the market size of after-sales repair and maintenance of commercial automobiles increased at a CAGR of 7.7% from approximately RMB299.5 billion in 2017 to approximately RMB403.2 billion in 2021 and is estimated to further increase to approximately RMB599.4 billion in 2026. The market size of commercial automobiles financial services reached approximately RMB73.2 billion in 2021 representing a CAGR of 19.9% from approximately RMB35.4 billion in 2017 and is estimated to steadily increase to approximately RMB92.1 billion in 2026. The market size of commercial automobile IoV services was approximately RMB5.6 billion in 2017 and later increased at a CAGR of 42.5% to approximately RMB23.1 billion in 2021, and is estimated to maintain rapid growth at a CAGR of 26.9% reaching RMB76.1 billion in 2026. To capture the significant growth potential in the sector, we have been strategically developing the upstream, midstream and downstream automobile markets as a full supply chain service provider in the commercial automobile industry. Leveraging our highly integrated and synergetic business model, we will be able to further expand our operational scale and to maintain growth in the coming years. However, our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC. Please refer to the section headed "Risk Factors — Risks Relating to Our Industry — The major focus of our businesses is on the commercial automobile-related industry. Our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC." in this document for further details.

Competition and Pricing

Due to our unique integrated full supply chain service model, we face intense competition from market players in all of our three business sectors, i.e. logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. These competitors range from large state-owned commercial automobile manufacturers and commercial automobile sales dealers to small commercial automobile financing service providers. Competition depends upon a number of factors, including pricing, product quality and performance, energy efficiency and reputation. Being a service provider and a key market player operating with such an integrated full supply chain service model, we have achieved a complete coverage of flow of goods, capital flow and information flow for the commercial automobile industry chain. We successfully leveraged our extensive and direct access to users, one-stop service capability, massive data storage, service offerings and rich industry experience to accumulate significant leading advantages in collaborative customer base expansion, user experience and business innovation, which facilitated our steady growth in recent years and enabled us to stand out from the large number of competitors. Please refer to the section headed "Business — Our Competitive Strengths" in this document for further details.

Along with the future growth of China's commercial automobile market, we expect that competition will become more intensive in the future. Accordingly, we plan to implement a series of future strategies to maintain our growth. For instance, we plan to adopt both offline and online measures to improve the commercial automobile aftermarket service offerings, to focus on improving the core IoV technology and data service capabilities in order to consolidate our industry-leading advantages, to continue to consolidate our industry advantages in supply chain financial services to optimise business structure, and to continuously improve our employees' career prospects and enhance incentive schemes to attract and cultivate industry-leading talents. Please refer to the section headed "Business — Business Strategies" in this document for further details. We believe these strategies will fully leverage the cross-sector synergy of our integrated business model and will enable us to maintain our market position.

Competition is one of the major factors affecting the pricing of our products and services. We generally adopt a cost-plus pricing policy where price is determined based on our cost with mark-up of expected profit margin. The margin is determined with reference to a number of factors, including primarily the type of products and services, the pricing of competing products and services, the affordability and credit of our customers, our market position and the general market conditions. Our competitive advantages over our competitors in terms of capital resources, market forecasting capability, operation synergy and efficiency, market position and reputation, have vested us with strong bargaining power and pricing ability, which in turn led to satisfactory profitability for each of our three business sectors. In 2019, 2020 and 2021, the gross profit margin for our logistics and supply chain service sector was 6.4%, 7.7% and 8.3%, respectively; the gross profit margin for our supply chain financial service sector was 47.9%, 52.6% and 54.2%, respectively; and the gross profit margin for our IoV and data service sector was 36.1%, 37.6% and 41.7%, respectively.

Funding Capabilities and Interest Rate Fluctuation

The operation of our supply chain finance sector is capital intensive. We depend heavily on external financing for a significant portion of our capital needs, including bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-backed notes/securities. As at 31 December 2019, 2020 and 2021, the aggregate balance of our bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-based notes amounted to RMB4,362.3 million, RMB5,985.9 million and RMB5,894.3 million, respectively. Accordingly, interest expense is the most significant component of the supply chain finance sector. In 2019, 2020 and 2021, the blended effective interest rate of our bank borrowings, loans from related parties, other borrowings obtained from other financial institutions and asset-backed notes/securities was 4.9%, 4.0% and 4.6%, respectively. In 2019, 2020 and 2021, our interest expenses incurred by such indebtedness amounted to RMB246.4 million, RMB320.8 million and RMB351.1 million, accounting for 85.2%, 93.0% and 97.8% of our cost of revenue of the supply chain financial service sector in the respective years.

Any interest rate fluctuation in the debt market could have a material impact on our cost structure and in turn our profitability. For example, the implementation of LPR in China in the second half of 2020 has resulted in a decreasing prevailing interest rate in the debt market which is expected to effectively lower our finance cost. Although the interest rate in the debt capital market fluctuated recently, we expect the LPR in China to experience a downward trend in the coming years given the relatively low interest rates prevailing in the international capital markets, which would lower our funding costs and in turn benefit our financial condition. Nonetheless, the fluctuation in interest rates is related to a number of factors, such as global economic environment, monetary policy, foreign exchange controls and credit ratings. Many of these factors may be beyond our control and our results of operations may be adversely impacted if the interest rate of our financings increases and if we are not able to pass the increased financing cost to our customers through pricing strategy. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Changes in the benchmark interest rates set by the PBOC and the interest rates in the market may cause materially adverse effects on our financial leasing business and the factoring business" in this document for further details.

Along with our business expansion, we intend to diversify our sources of funding and to manage our funding costs. We expect that we will have better access to both equity and debt capital markets and therefore enhance our funding capabilities after successful [**REDACTED**]. Our ability to continue to access additional funding may be influenced by factors affecting global credit environment over which we have no control. Any such negative development would impact our sustainability of funding and in turn our results of operations.

Preferential Tax Treatment and Government Subsidy

During the Track Record Period, we benefited from a series of preferential tax treatment, which contributed to our results of operations.

During the Track Record Period, Tianxingjian and Tonghui were both recognised as operators in the incentive industry under the national western development policy, and therefore both enjoyed a preferential EIT rate of 15%. We expect that we will continue to enjoy such preferential tax treatment till 2030 given that the national western development policy will remain effective till then. Tianxingjian also obtained the approval of "High and New Technology Enterprises", and therefore was entitled to a preferential EIT rate of 15% during the Track Record Period. Tianxingjian successfully renewed such "High and New Technology Enterprises" approval recently and will continue to be entitled to the 15% preferential EIT rate from 2021 to 2023. In addition, a VAT ranging from 13% to 17% was charged for our embedded software products, however we enjoyed a refund of VAT for the excess amount paid over an effective VAT rate of 3% during the Track Record Period. A VAT of 6% was charged for the commercial automobile financial leasing service provided by Deewin Financial Leasing, however we enjoyed a refund of VAT for the excess amount paid over an effective VAT rate of 3% during the Track Record Period.

Government subsidies also contributed to our other income during the Track Record Period. According to the Supplemental Memorandum for Deewin Financial Leasing's Relocation to Nanhui New Town entered into between Deewin Financial Leasing and the government of Nanhui New Town, Pudong New District of Shanghai in July 2013, to encourage enterprises to register in Nanhui New Town, in the event that the annual VAT and enterprise income tax paid by Deewin Financial Leasing has reached certain thresholds, it will be entitled to government subsidies amounting to certain percentage of such tax paid since 2014. We received such government subsidies during the Track Record Period. We also received other government subsidies for our Group's general operation and research and development activities. During the Track Record Period, the government subsidies we received amounted to RMB21.3 million, RMB26.2 million and RMB45.0 million in 2019, 2020 and 2021, respectively.

If there is any further change to the preferential tax treatment or the government subsidies that we had been enjoying during the Track Record Period or we are entitled to any additional preferential tax treatment or government subsidies in the future, our income tax expenses and other income may be affected, which would in turn affect our financial condition and profitability.

CRITICAL ACCOUNTING POLICIES, JUDGMENT AND ESTIMATES

The discussion and analysis of our results of operations and financial condition are based on our audited consolidated financial information prepared in accordance with the IFRSs. Our results of operations and financial condition are sensitive to the accounting methods, assumptions and estimates used in the preparation of our consolidated financial information. These estimates, judgments and underlying assumptions are reviewed on an on-going basis based on our historical experience and other factors, including expectations of future events, which we currently believe to be reasonable.

Our significant accounting policies and our critical accounting judgment and key sources of estimation uncertainty are set out in detail in Notes 2 and 4 to the Accountant's Report included in Appendix I to this document, respectively. Actual results may differ from these estimates as facts, circumstances and conditions change, or as a result of different assumptions. We believe the following accounting policies and estimates are critical to an understanding of our financial condition and results of operations, because the application of these policies requires significant management judgment, estimate and assumptions, and the reported amount can be materially different if different judgment was made or different estimates or assumptions were used.

Revenue Recognition

During the Track Record Period, our revenue is primarily derived from logistics and supply chain services, supply chain financial services and IoV and data services, which can be further classified into five categories in terms of principal revenue-generating activities, namely, logistics and warehousing services, sales of goods, interest income from financial leasing business, interest income from factoring business and IoV and data services. Revenue is recognised when or as the control of the goods is transferred or service is rendered to the customer. Management's judgement is required in determining whether control of the goods and services is transferred overtime or at a point in time based on the analysis of the following three criteria: (i) providing all of the benefits received and consumed simultaneously by the customer, (ii) creating and enhancing an asset that the customer controls as our Group performs, and (iii) not creating an asset with an alternative use of our Group and our Group having an enforceable right to request payment for performance completed to date. If any of these three criteria is satisfied, revenue is recognised over time. Otherwise, revenue is recognised at a point in time.

Logistics and warehousing service

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

Sales of goods

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

Interest income from financial leasing business

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

Interest income from factoring business

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

IoV and data service

Our Group provides IoV and data service to customers based on the data of automobile generated from intelligent IoV terminal products pre-installed in automobile. Our Group uses sensing and tracking technology to collect IoV data of automobiles, in particular the data of automobile operation, driving behaviour of drivers, location and other types of tracking information, and provides relevant services to various customers. Our Group recognises commercial automobile operating data service revenue over time when our customers simultaneously receive and consume the benefits as specified in the service contract.

Provision for Credit Losses

We account for our credit risk by appropriately providing expected credit losses on a timely basis. The measurement of the expected credit loss allowance for trade receivables, loan receivables, and other receivables, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). In determining the expected credit loss rates, we mainly consider the internal historical loss rates for each category of financial assets, including trade receivables, other receivables and loan receivables, and adjust such internal historical data for forward looking macroeconomic data, including gross domestic product, industrial add value, aggregate finance, fixed asset investment, consumer price index and producer price index.

A number of significant judgements are also required in applying the accounting requirements for measuring expected credit loss, such as (i) determining criteria for significant increase in credit risk, (ii) choosing appropriate models and assumption for the measurement of expected credit loss, (iii) establishing the number and relative weightings of forward looking scenarios for each type of product and associated expected credit loss, and (iv) establishing groups of similar financial assets for the purpose of measuring expected credit loss. These judgements and assumptions and estimates that are used in the measurement of expected credit loss are discussed in details as follows:

Definition of credit-impaired assets

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

We consider a financial instrument to be credit-impaired when one or more of the following criteria have been met: (i) principal (including advances, applies to below) or interest is more than 90 days past due, (ii) issuer or obligor is in significant financial difficulty, or has already been insolvent, (iii) it is becoming probable that the borrower will enter bankruptcy, (iv) an active market for that financial asset has disappeared because of financial difficulties of issuers, and (v) other objective evidence indicating impairment of the financial asset.

Judgement criteria for significant increase in credit risk

We consider a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met: (i) principal or interest is more than 30 days past due, and (ii) litigation and other significant adverse issues have negative impacts on obligator's repayment ability.

Description of parameters, assumptions and estimation techniques

We recognise a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. Expected credit loss is the result of discounted product of the weighted average of (i) probability of default, which is the probability of occurrence of default event (debts) in a given period of time in the future, (ii) loss given default, which represents the percentage of amount of loss to be occurred in the event of default to the total risk exposure, and is expressed as the loss percentage per unit of exposure which typically varies by nature of counter party, type and seniority of claim and the availability of collaterals or other credit risk mitigation, and (iii) exposure at default, which represents the amounts we expect to be owned at the time of default by the debtor, reflecting the total amount of possible losses to be incurred.

Forward-looking information

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

The impact of these economic indicators on probability of default and loss given default varies from different business types. We consider internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and probability of default and loss given default. Many of these economic factors may be beyond our control and adversely affect the operations of our business. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our financial leasing business and factoring business may be negatively affected if we are unable to effectively manage and reduce the credit and solvency risks associated with our business and operations and to monitor and maintain the quality of our financial leasing and factoring assets adequately" in this document for further details of such impact on our supply chain financial service sector.

Current and deferred income tax

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. In 2019, 2020 and 2021, our total revenue was RMB2,892.0 million, RMB3,261.7 million and RMB3,126.9 million, respectively, which was all generated in the PRC.

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

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Logistics and supply chain service sector	**2,125,248**	**73.5**	**2,252,652**	**69.0**	**2,004,585**	**64.1**
– Sales of goods	722,770	25.0	756,423	23.2	526,154	16.8
– Logistics and warehousing service	1,387,710	48.0	1,477,549	45.3	1,459,858	46.7
– Others*Note (1)*	14,768	0.5	18,680	0.5	18,573	0.6
Supply chain financial service sector	**525,201**	**18.1**	**673,783**	**20.7**	**783,953**	**25.1**
– Interest income from financial leasing business	454,164	15.7	634,585	19.5	747,793	23.9
– Interest income from factoring services	59,110	2.0	38,589	1.2	35,221	1.2
– Others*Note (2) & Note (3)*	11,927	0.4	609	0.0	939	0.0
IoV and data service sector	**241,582**	**8.4**	**335,238**	**10.3**	**338,312**	**10.8**
– Sales of goods	182,101	6.3	253,646	7.8	229,498	7.3
– IoV and data service	59,481	2.1	81,592	2.5	108,814	3.5
Revenue	**2,892,031**	**100.0**	**3,261,673**	**100.0**	**3,126,850**	**100.0**

Notes:

(1) Other revenue from logistics and supply chain service sector was mainly (i) financial leasing assistance service for customers of automobile sales business, and (ii) provisional automobile plate service, which contributed 8.0%, 9.4% and 7.8% of the gross profit from logistics and supply chain service sector during the Track Record Period.

(2) Including the revenue generated from (i) the provision of satellite positioning device and the related installation service to commercial automobiles other than brands from Shaanxi Holding Group in order to facilitate provision of our financial leasing service, and (ii) our insurance brokerage business.

(3) The revenue generated from our insurance brokerage business (which is part of our supply chain financial service sector offering classified in "Others" category above) is not consolidated since 1 July 2019 as a result of transfer of 25% equity interests of Meixin by the Company to a third party, after which the percentage of equity interests in Meixin held by the Company decreased from 55% to 30%. For further details, please refer to the section headed "Appendix I — Accountant's Report — II Notes to the Financial Information — 6. Other Gains/(Losses)-Net" in this document. The revenue generated from our insurance brokerage business amounted to RMB10,109.3 thousand for the six months ended 30 June 2019.

During the Track Record Period, revenue from logistics and supply chain service sector accounted for a majority of our total revenue. Such revenue primarily derived from (i) sales of commercial automobiles and components, including tyres, lubricants and other automobile-related products, (ii) our logistics and warehousing services, and (iii) other services, such as leased automobile management services. Please refer to the section headed "Business — Logistics and Supply Chain Service Sector" in this document for further details.

Supply chain financial service sector was our second largest source of revenue during the Track Record Period. It represented our revenue generated from (i) interest income from financial leasing business operated under a sales and leaseback model, (ii) interest income from factoring service, and (iii) other financial service, such as insurance brokerage business and provision of satellite positioning device and the related installation service under our financial leasing service. Please refer to the section headed "Business — Supply Chain Financial Service Sector" in this document for further details.

IoV and data service sector also contributed a stable percentage of our revenue during the Track Record Period. Our revenue of IoV and data services was generated from (i) sales of intelligent IoV products, and (ii) provision of IoV solutions and data services. Please refer to the section headed "Business — IoV and Data Service Sector" in this document for further details.

Cost of Revenue

Our cost of revenue primarily consisted of (i) for our logistics and supply chain service sector, procurement costs of commercial automobiles, services fees paid to third party transportation fleet involved in our logistics services, depreciation and maintenance of our own transportation fleet involved in our logistics services, (ii) for our supply chain financial service sector, interest expenses of our external financing and marketing expenses, and (iii) for our IoV and data service sector, procurement costs of hardware and data usage.

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

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Logistics and supply chain service sector	**1,989,908**	**68.8**	**2,080,018**	**63.8**	**1,838,344**	**58.8**
– Sales of goods	696,022	24.1	733,657	22.5	509,064	16.3
– Logistics and warehousing service	1,289,969	44.6	1,343,977	41.2	1,323,728	42.3
– Others	3,917	0.1	2,384	0.1	5,552	0.2
Supply chain financial service sector	**273,556**	**9.5**	**319,142**	**9.8**	**358,808**	**11.5**
– Interest income from financial leasing business	234,133	8.1	298,219	9.1	343,093	11.0
– Interest income from factoring service	34,213	1.2	20,408	0.7	14,976	0.5
– Others	5,210	0.2	515	0.0	739	0.0
IoV and data service sector	**154,257**	**5.3**	**209,098**	**6.4**	**197,289**	**6.3**
– Sales of goods	133,834	4.6	187,645	5.7	170,098	5.4
– IoV and data service	20,423	0.7	21,453	0.7	27,191	0.9
Cost of revenue	**2,417,721**	**83.6**	**2,608,258**	**80.0**	**2,394,441**	**76.6**

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

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Transportation expenses	1,094,239	37.8	1,059,450	32.5	1,077,715	34.5
Purchase cost of commercial automobiles	609,277	21.1	649,310	19.9	423,283	13.5
Raw material consumed	216,440	7.5	287,113	8.8	264,955	8.5
Funding cost	246,367	8.5	320,764	9.8	351,072	11.2
Employee benefit expenses	140,344	4.9	151,675	4.7	127,301	4.1
Outsourced labour costs	14,726	0.5	50,863	1.6	52,039	1.7
Lease expenses	26,672	0.9	21,699	0.7	15,323	0.5
Network traffic costs	14,609	0.5	18,741	0.6	23,104	0.7
Amortisation of right-of-use asset	8,674	0.3	13,164	0.4	23,904	0.8
Depreciation of properties, plant and equipment	9,133	0.3	8,524	0.3	9,456	0.3
Others	37,241	1.3	26,956	0.8	26,289	0.8
Cost of revenue	**2,417,721**	**83.6**	**2,608,258**	**80.0**	**2,394,441**	**76.6**

Gross Profit

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

	Year ended 31 December					
	2019		2020		2021	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	(in thousands of RMB for gross profit and % for gross profit margin)					
Logistics and supply chain service sector	**135,340**	**6.4**	**172,634**	**7.7**	**166,241**	**8.3**
– Sales of goods	26,748	3.7	22,766	3.0	17,090	3.2
– Logistics and warehousing service	97,741	7.0	133,572	9.0	136,130	9.3
– Others	10,851	73.5	16,296	87.2	13,021	70.1
Supply chain finance sector	**251,645**	**47.9**	**354,641**	**52.6**	**425,145**	**54.2**
– Interest income from financial leasing business	220,031	48.4	336,366	53.0	404,700	54.1
– Interest income from factoring services	24,897	42.1	18,181	47.1	20,245	57.5
– Others	6,717	56.3	94	15.4	200	21.3
IoV and data service sector	**87,325**	**36.1**	**126,140**	**37.6**	**141,023**	**41.7**
– Sales of goods	48,267	26.5	66,001	26.0	59,400	25.9
– IoV and data service	39,058	65.7	60,139	73.7	81,623	75.0
Total	**474,310**	**16.4**	**653,415**	**20.0**	**732,409**	**23.4**

Although our logistics and supply chain service sector generated a majority of our total revenue, the gross profit of this sector was only the second largest among all of our three business sectors, accounting for 28.5%, 26.4% and 22.7% of our total gross profit in 2019, 2020 and 2021, respectively, primarily as a result of its lowest gross profit margin among all of our three business sectors.

With the highest gross profit margin among all of our three business sectors, our supply chain financial service sector contributed a majority of our gross profit during the Track Record Period, accounting for 53.1%, 54.3% and 58.0% of our total gross profit in 2019, 2020 and 2021, respectively.

Our IoV and data service sector achieved relatively high gross profit margin during the Track Record Period. As a result, this sector contributed 18.4%, 19.3% and 19.3% of our total gross profit in 2019, 2020 and 2021, respectively, though its revenue accounted for only 8.4%, 10.3% and 10.8%, respectively, of our total revenue during the same years.

Selling Expenses

Our selling expenses primarily consisted of (i) employee benefits expenses incurred for our sales and marketing staff, including, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) travelling and accommodation costs incurred by business trips of our sales and marketing staff, (iii) business entertainment expenses incurred for our sales and marketing activities, (iv) advertisement expenses, (v) aftersales maintenance expenses for intelligent IoV products, and (vi) others, including primarily transportation allowance, office rent and overheads of our sales and marketing staff and conference expenses.

The following table sets forth a breakdown of the components of our selling expenses in absolute amounts and as percentages to our total selling expenses for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	34,066	74.7	35,203	73.2	27,290	71.4
Travelling costs	4,429	9.7	4,867	10.1	5,616	14.7
Business entertainment expenses	1,248	2.7	1,207	2.5	1,241	3.2
Advertising expenses	1,126	2.5	633	1.3	1,530	4.0
Aftersales maintenance expenses	56	0.1	8	0.0	61	0.2
Others	4,675	10.3	6,217	12.9	2,494	6.5
Selling expenses	**45,600**	**100.0**	**48,135**	**100.0**	**38,232**	**100.0**

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefits expenses incurred for our management and administrative staff, including wages, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) depreciation of property, plant and equipment used for administrative and general use, (iii) amortisation of intangible assets for administrative and general use, (iv) office rent for management and administrative staff, (v) business entertainment expenses incurred by our management and administrative staff, (vi) conference expenses, (vii) consulting fees paid to external advisors in connection with our conversion from a limited liability company to a joint stock company and for other general consulting projects, and (viii) others, including primarily travelling and accommodation costs incurred by business trips and overheads of our management and administrative staff and advertising expenses for general purposes.

The following table sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages to our total administrative expenses for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	65,386	55.7	74,101	57.2	74,434	58.3
Depreciation of property, plant and equipment	2,615	2.2	2,473	1.9	2,769	2.2
Amortisation of intangible assets	2,607	2.2	2,433	1.9	2,397	1.9
Office rental	8,269	7.0	8,592	6.6	7,553	5.9
Business entertainment expenses	3,819	3.2	2,212	1.7	3,175	2.5
Conference expenses	2,230	1.9	3,207	2.5	514	0.4
Consulting fees	2,678	2.3	4,335	3.4	4,777	3.7
Others	29,982	25.5	32,021	24.8	32,125	25.1
Administrative expenses	**117,586**	**100.0**	**129,374**	**100.0**	**127,744**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consisted of (i) employee benefits expenses incurred for our research and development staff, including wages, salaries, bonuses, social insurance costs, housing provident funds and other employee benefits, (ii) technical service fees incurred for our outsourced research and development activities and testing fees, (iii) depreciation of property, plant and equipment used for research and development activities, (iv) office rent for our research and development team and activities, and (v) others, including primarily amortisation of intangible assets used for research and development activities.

The following table sets forth a breakdown of the components of our research and development expenses in absolute amounts and as percentages to our total research and development expenses for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Employee benefits expenses	14,287	70.7	17,917	69.3	17,138	56.1
Technical service fees	925	4.6	1,062	4.1	1,841	6.0
Depreciation of property, plant and equipment	3,328	16.5	3,712	14.4	2,451	8.0
Office rental	1,378	6.8	2,250	8.7	5,331	17.5
Others	281	1.4	900	3.5	3,772	12.4
Research and development expenses	**20,199**	**100.0**	**25,841**	**100.0**	**30,533**	**100.0**

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets amounted to RMB24.6 million, RMB101.9 million and RMB146.2 million, respectively, in 2019, 2020 and 2021. Our net impairment losses represented the provision for impairment of certain financial assets and the provision for expected credit losses of our financial assets during the Track Record Period. Our Group calculates the expected credit loss based on the default risk exposure and the expected credit loss rate, which is in turn determined based on the default probability and the default loss rate. In determining the expected credit loss rate, our Group mainly considers internal historical credit losses and other relevant data, and adjusts such data for current conditions and forward looking data. In considering the forward looking data, our Group considers macroeconomic factors including gross domestic product, factory price index of industrial products, industrial add value, completed fixed asset investment and existing reserve scale of social financing. Please refer to the paragraph headed "— Liquidity and Capital Resources — Loan Receivables" in this section for more information.

Other Income

Our other income amounted to RMB21.3 million, RMB26.2 million and RMB45.0 million, respectively, in 2019, 2020 and 2021, which primarily represented subsidies from the PRC government authorities in relation to our Group's general operation and research and development activities recognised in the relevant years. Please refer to the paragraph headed "— Significant Factors Affecting Our Results of Operations — Preferential Tax Treatment and Government Subsidy" in this section for further details.

Other Gains/(Losses), Net

Our net other gains/(losses) consisted of (i) gains on disposal of 25% equity interest of Meixin in June 2019, after which Meixin ceased to be our subsidiary, (ii) gains or losses on disposal of property, plant and equipment, and (iii) others, including primarily our non-operating income or expenses, such as default interest income and liquidated damages.

The following table sets forth a breakdown of the components of net other gains/(losses) in absolute amounts and as percentages to our total net other gains for the years indicated:

	Year ended 31 December					
	2019		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Gains on disposal of a subsidiary	2,647	163.7	–	–	–	–
Gains/(losses) on disposal of property, plant and equipment	(236)	(14.6)	423	64.2	36	(4.3)
Others	(794)	(49.1)	236	35.8	(865)	104.3
Other gains/(losses), net	**1,617**	**100.0**	**659**	**100.0**	**(829)**	**100.0**

Finance Income, Net

We recorded net finance income of RMB14.8 million, RMB19.5 million and RMB5.5 million, respectively, in 2019, 2020 and 2021, which represented the combined effect of our finance income and finance costs for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in thousands of RMB, except for percentages)					
Finance income	22,795	153.9	22,799	116.7	12,293	222.3
Finance costs	(7,983)	(53.9)	(3,266)	(16.7)	(6,764)	(122.3)
Finance income, net	**14,812**	**100.0**	**19,533**	**100.0**	**5,529**	**100.0**

Our financial income primarily derived from the interest income of our bank deposits. Our financial costs primarily represented the interest expenses incurred for our borrowings to fund our operations other than the supply chain financial service sector and the interest expenses resulted from the unwinding of lease liabilities.

TAXATION

Pursuant to the Enterprise Income Tax Law of the PRC, a uniform 25% EIT rate is generally applied to domestic enterprises, except where a special preferential rate applies. During the Track Record Period, some of our subsidiaries, including Tianxingjian and Tonghui, enjoyed various preferential tax treatment and thus adopted preferential EIT rates. Please refer to the paragraph headed "— Significant Factors Affecting Our Results of Operations — Preferential Tax Treatment and Government Subsidy" in this section for further details on our preferential tax treatment.

In 2019, 2020 and 2021, our income tax expense was RMB66.7 million, RMB81.8 million and RMB75.9 million, respectively. Our effective tax rate was 21.7%, 20.5% and 17.1%, respectively, in 2019, 2020 and 2021. Our effective tax rate was lower than the uniform 25% EIT rate because of the entitlement to preferential tax rate by Tianxingjian and Tonghui during the Track Record Period. Our effective tax rate demonstrated a decreasing trend during Track Record Period primarily because (i) the profit generated by Tianxingjian and Tonghui which enjoyed preferential tax treatment accounted for an increasing percentage of our total profit before income tax during this period; and (ii) the recognition of deferred tax assets related to deductible tax losses of prior years for the year ended 31 December 2021.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2021 Compared to Year Ended 31 December 2020

Revenue

Our total revenue decreased by 4.1% or RMB134.8 million from RMB3,261.7 million for the year ended 31 December 2020 to RMB3,126.9 million for the the year ended 31 December 2021 primarily as a result of the overall decline in the commercial automobile industry.

Revenue generated from our logistics and supply chain service sector decreased by 11.0% or RMB248.1 million from RMB2,252.7 million for the year ended 31 December 2020 to RMB2,004.6 million for the year ended 31 December 2021 primarily due to (i) the decrease in revenue generated from sales of goods of our logistics and supply chain service sector by 30.4% or RMB230.2 million from RMB756.4 million for the year ended 31 December 2020 to RMB526.2 million for the year ended 31 December 2021, and (ii) the decrease in revenue generated from logistics and warehousing service by 1.2% or RMB17.6 million from RMB1,477.5 million for the year ended 31 December 2020 to RMB1,459.9 million for the year ended 31 December 2021. Such decrease in revenue generated from sales of goods of our logistics and supply chain service sector was primarily due to the decrease in sales of commercial automobiles from 2,984 automobiles for the year ended 31 December 2020 to 1,938 automobiles for the year ended 31 December 2021 primarily because of the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021 after experiencing high growth in the prior year and the first half of 2021 as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure. Such decrease in revenue generated from logistics and warehousing service was primarily due to the reduction in our logistics services provided to certain commercial automobile manufacturers as a result of the decrease in production and sales of heavy duty commercial automobiles in the second half of 2021.

Revenue generated from our supply chain financial service sector increased by 16.4% or RMB110.2 million from RMB673.8 million for the year ended 31 December 2020 to RMB784.0 million for the year ended 31 December 2021 primarily due to the increase in our interest income from financial leasing business by 17.8% or RMB113.2 million from RMB634.6 million for the year ended 31 December 2020 to RMB747.8 million for the year ended 31 December 2021. This was primarily the result of the significant increase in end-users' demand for commercial automobile financing services along with the increase in sales of commercial automobiles in 2020, and as revenue from our supply chain financial service sector is recognised in stages, such growth in the number of leased commercial automobiles in 2020 led to increase in revenue in our supply chain financial service sector in 2021.

Revenue generated from our IoV and data service sector increased by 0.9% or RMB3.1 million from RMB335.2 million for the year ended 31 December 2020 to RMB338.3 million for the year ended December 2021 primarily due to the increase in revenue generated from our IoV and data services by 33.3% or RMB27.2 million from RMB81.6 million for the year ended 31 December 2020 to RMB108.8 million for the year ended 31 December 2021 as a result of the increase in revenue generated from our environmental protection supervision IoV service and dump truck supervision IoV service in 2021, partially offset by the decrease in revenue generated from sales of goods of our IoV and data service sector by 9.5% or RMB24.1 million from RMB253.6 million for the year ended 31 December 2020 to RMB229.5 million for the year ended 31 December 2021 primarily due to the decrease in production and sales of heavy duty commercial automobiles in the second half of 2021 for reasons specified herein under "– Year to Year Comparison of Results of Operations – Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 – Revenue" in this section that resulted in the corresponding demand for goods from our IoV and data service sector.

Cost of Revenue

Our cost of revenue decreased by 8.2% or RMB213.9 million from RMB2,608.3 million for the year ended 31 December 2020 to RMB2,394.4 million for the year ended 31 December 2021 as a result of (i) the decrease in cost of our logistics and supply chain service sector by 11.6% or RMB241.7 million from RMB2,080.0 million for the year ended 31 December 2020 to RMB1,838.3 million for the year ended 31 December 2021, (ii) the increase in cost of our supply chain financial service sector by 12.4% or RMB39.7 million from RMB319.1 million for the year ended 31 December 2020 to RMB358.8 million for the year ended 31 December 2021, and (iii) the decrease in cost of our IoV and data service sector by 5.6% or RMB11.8 million from RMB209.1 million for the year ended 31 December 2020 to RMB197.3 million for the year ended 31 December 2021.

The 11.6% decrease in cost of our logistics and supply chain service sector generally corresponded to the 11.0% decrease in revenue generated from this sector for the year ended 31 December 2021.

The 12.4% increase in cost of our supply chain financial service sector generally corresponded to the 16.4% increase in revenue generated from this sector for the year ended 31 December 2021. Such increase in cost of our supply chain financial service sector was primarily due to adjustment of our funding structure where we increased the proportion of other borrowings obtained from other financial institutions in 2021.

There was a 5.6% decrease in cost of our IoV and data service sector, despite the 0.9% increase in revenue generated from such sector for the year ended 31 December 2021, primarily because the increase in revenue generated from our IoV and data services did not lead to a corresponding increase in its associated cost of revenue, whilst there was a decrease in both revenue generated from, and cost of revenue associated with our sales of goods of our IoV and data service sector in similar magnitude.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 12.1% or RMB79.0 million from RMB653.4 million for the year ended 31 December 2020 to RMB732.4 million for the year ended 31 December 2021.

Our gross profit margin increased from 20.0% for the year ended 31 December 2020 to 23.4% for the year ended 31 December 2021 which was primarily attributable to the increase in business volume of, and hence the revenue contribution from our supply chain financial service sector and IoV and data service sector, both of which had a relatively high gross profit margin than that of our other businesses during the same year. Our repayment of the outstanding loans from related parties did not have any material impact over our cost of revenue, gross profit and gross profit margin for the year ended 31 December 2021. Please refer to the paragraphs headed "— Indebtedness — Loan from Related Parties" in this section for further details.

Selling Expenses

Our selling expenses decreased by 20.6% or RMB9.9 million from RMB48.1 million for the year ended 31 December 2020 to RMB38.2 million for the year ended 31 December 2021 primarily due to reduction in wages of our sales and marketing employees in 2021.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB127.7 million for the year ended 31 December 2021 compared to RMB129.4 million for the year ended 31 December 2020.

Research and Development Expenses

Our research and development expenses increased by 18.2% or RMB4.7 million from RMB25.8 million for the year ended 31 December 2020 to RMB30.5 million for the year ended 31 December 2021 primarily due to (i) the continuous increase in our research and development investment in IoV and data services, including the expansion of our research and development team and the procurement of research and development software and equipment, and (ii) cessation of social insurance deduction benefits with respect to our research and development employees due to the COVID-19 as a result of the termination of relevant government subsidy scheme in 2021.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 43.5% or RMB44.3 million from RMB101.9 million for the year ended 31 December 2020 to RMB146.2 million for the year ended 31 December 2021 primarily because we encountered more default from our customers in 2021 due to the overall deteriorated financial and credit status of our customers as impacted by the decline in the overall freight rate in the logistics industry and the upsurge in the price of diesel fuel that led to rising automobile operating costs incurred by, and reduced profitability of some of our customers in 2021. As such, the expected credit loss of such credit-impaired loan receivables from these customers at a higher rate was measured. We continuously monitor and analyse the business operations of our customers and will promptly react to any unfavourable impact brought by the deterioration of our customers.

Other Income

Our other income increased by 71.8% or RMB18.8 million from RMB26.2 million for the year ended 31 December 2020 to RMB45.0 million for the year ended 31 December 2021 primarily due to (i) the increase in governmental subsidies for refund of tax to our financial leasing business by the local government as the tax refund rate increased from 70% to 80%; (ii) the increase in governmental subsidiaries and value-added tax refund received by Tianxingjian; and (iii) the receipt of governmental subsidy by Fargo.

Other Gain/Losses, Net

We incurred net other losses of RMB0.8 million for the year ended 31 December 2021 while we recorded net other gains of RMB0.7 million for the year ended 31 December 2020.

Finance Income, Net

Our net finance income decreased by 71.8% or RMB14.0 million from RMB19.5 million for the year ended 31 December 2020 to RMB5.5 million for the year ended 31 December 2021 primarily due to the combined effects of (i) the decrease in our finance income by 46.1% or RMB10.5 million from RMB22.8 million for the year ended 31 December 2020 to RMB12.3 million for the year ended 31 December 2021, and (ii) the increase in finance costs by 106.1% or RMB3.5 million from RMB3.3 million for the year ended 31 December 2020 to RMB6.8 million for the year ended 31 December 2021. This was primarily due to (i) reduction in finance income resulting from the release of deposits for the notes payable; and (ii) the improved efficiency in use of funds and, as a result, decrease in idle cash which generates interests.

Profit before Income Tax

Our profit before income tax increased by 11.2% or RMB44.8 million from RMB399.8 million for the year ended 31 December 2020 to RMB444.6 million for the year ended 31 December 2021. This was primarily as a result of the increase in our gross profit for the year ended 31 December 2021 as discussed in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Gross Profit and Gross Profit Margin".

Income Tax Expense

Our income tax expense decreased by 7.2% or RMB5.9 million from RMB81.8 million for the year ended 31 December 2020 to RMB75.9 million for the year ended 31 December 2021. This was primarily because we had a lower effective tax rate of 17.1% for the year ended 31 December 2021 as compared to 20.5% for the year ended 31 December 2020 mainly attributable to the recognition of deferred tax assets related to deductible tax losses of prior years for the year ended 31 December 2021.

Profit for the Period

As a result of the above, our profit for the year ended 31 December 2021 increased by 15.9% or RMB50.7 million from RMB318.0 million for the year ended 31 December 2020 to RMB368.7 million for the year ended 31 December 2021.

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

Our total revenue increased by 12.8% or RMB369.6 million from RMB2,892.0 million for the year ended 31 December 2019 to RMB3,261.7 million for the year ended 31 December 2020 primarily as a result of the increased production of commercial automobiles in 2020.

Revenue generated from our logistics and supply chain service sector increased by 6.0% or RMB127.5 million from RMB2,125.2 million in 2019 to RMB2,252.7 million in 2020 primarily due to (i) the increase in revenue generated from sales of goods of our logistics and supply chain service sector by 4.6% or RMB33.6 million from RMB722.8 million in 2019 to RMB756.4 million in 2020, (ii) the increase in revenue generated from logistics and warehousing service by 6.5% or RMB89.8 million from RMB1,387.7 million in 2019 to RMB1,477.5 million in 2020, and (iii) the increase in other revenue of our logistics and supply chain service sector by 26.4% or RMB3.9 million from RMB14.8 million in 2019 to RMB18.7 million in 2020. Such increase in revenue generated from sales of goods of our logistics and supply chain service sector was primarily due to the increase in sales of commercial automobiles from 2,503 automobiles in 2019 to 2,984 automobiles in 2020. Such increase in revenue generated from logistics and warehousing service was primarily due to the growth of our logistics services provided to certain commercial automobile manufacturers in the amount of RMB146.7 million driven by their increased production of commercial automobiles in 2020. Such increase in other revenue of our logistics and supply chain service sector was primarily due to the revenue generated from our newly developed leased automobiles management service of RMB16.6 million in 2020.

Revenue generated from our supply chain financial service sector increased by 28.3% or RMB148.6 million from RMB525.2 million in 2019 to RMB673.8 million in 2020 as a result of the combined effect of (i) the increase in our interest income from financial leasing business by 39.7% or RMB180.4 million from RMB454.2 million in 2019 to RMB634.6 million in 2020 due to the increase in our leased automobiles from 19,350 automobiles in 2019 to 28,024 automobiles in 2020 driven by the continuous expansion of our operational scale of financial leasing business in 2020, and (ii) the decrease in our interest income from factoring service by 34.7% or RMB20.5 million from RMB59.1 million in 2019 to RMB38.6 million in 2020 since we allocated a larger portion of our capital resources for the supply chain financial service sector to support the rapid expansion of our financial leasing business while we controlled the capital investment in our factoring service to maintain a reasonable level of leverage.

Revenue generated from our IoV and data service sector increased by 38.7% or RMB93.6 million from RMB241.6 million in 2019 to RMB335.2 million in 2020 primarily due to (i) the increase in revenue generated from sales of goods of our IoV and data service sector by 39.3% or RMB71.5 million from RMB182.1 million in 2019 to RMB253.6 million in 2020 contributed by the increase in sales of intelligent IoV terminal products to certain commercial automobile manufacturers driven by their increased production of commercial automobiles in 2020, and (ii) the increase in revenue generated from our IoV and data services by 37.1% or RMB22.1 million from RMB59.5 million in 2019 to RMB81.6 million in 2020 primarily due to the introduction of our environmental protection supervision IoV service and the expansion of service areas covered by our dump truck supervision IoV service in 2020, which also corresponded to the increase in sales of intelligent IoV terminal products.

Cost of Revenue

Our cost of revenue increased by 7.9% or RMB190.6 million from RMB2,417.7 million in 2019 to RMB2,608.3 million in 2020 as a result of (i) the increase in cost of our logistics and supply chain service sector by 4.5% or RMB90.1 million from RMB1,989.9 million in 2019 to RMB2,080.0 million in 2020, (ii) the increase in cost of our supply chain financial service sector by 16.6% or RMB45.5 million from RMB273.6 million in 2019 to RMB319.1 million in 2020, and (iii) the increase in cost of our IoV and data service sector by 35.5% or RMB54.8 million from RMB154.3 million in 2019 to RMB209.1 million in 2020.

The 4.5% increase in cost of our logistics and supply chain service sector was lower than the 6.0% increase in revenue generated from this sector primarily because the cost of our logistics and warehousing service increased by only 4.2% in 2020 while the revenue generated from such service increased by 6.5% in 2020. This was primarily the result of our optimisation of allocation of logistics business between our self-operated transportation fleet and third party transportation fleet where we outsourced more logistics business to third party transportation fleet with lower service charges to manage our cost and improve profitability.

The 16.6% increase in cost of our supply chain financial service sector was lower than the 28.3% increase in revenue generated from this sector primarily due to our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while we reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates.

The 35.5% increase in cost of our IoV and data service sector was lower than the 38.7% increase in revenue generated from this sector primarily because our revenue of IoV and data service increased by 37.1% or RMB22.1 million from RMB59.5 million in 2019 to RMB81.6 million in 2020 while the cost of such service remained stable at RMB20.4 million in 2019 and RMB21.5 million in 2020. This was primarily because such increase in revenue was derived from the increase in usage of our data services as a result of the accumulation of our IoV data which generally would not incur additional cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 37.8% or RMB179.1 million from RMB474.3 million in 2019 to RMB653.4 million in 2020.

Our gross profit margin increased from 16.4% in 2019 to 20.0% in 2020 primarily due to (i) the overall increase in the gross profit margin of our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector, and (ii) the percentage of revenue contributed by our supply chain financial service sector and IoV and data service sector which had higher gross profit margin increased in 2020 while the percentage of revenue contributed by our logistics and supply chain service sector which had lower gross profit margin decreased in 2020. Such increase in the gross profit margin of each sector was primarily because the increase in revenue of each sector outpaced the increase in cost of such sector as explained in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Cost of Revenue" in this section.

Selling Expenses

Our selling expenses increased by 5.5% or RMB2.5 million from RMB45.6 million in 2019 to RMB48.1 million in 2020 primarily due to the increase in employee benefit expenses by 3.2% or RMB1.1 million from RMB34.1 million in 2019 to RMB35.2 million in 2020 as a result of the increase in the number of sales and marketing employees to support the overall expansion of our operational scale of all of our three business sectors in 2020.

Administrative Expenses

Our administrative expenses increased by 10.0% or RMB11.8 million from RMB117.6 million in 2019 to RMB129.4 million in 2020 primarily due to (i) the increase in employee benefit expenses by 13.3% or RMB8.7 million from RMB65.4 million in 2019 to RMB74.1 million in 2020 as a result of the increase in the number of management and administrative employees to support the overall expansion of our operational scale of all of our three business sectors in 2020, and (ii) the increase in consulting fees by 59.3% or RMB1.6 million from RMB2.7 million in 2019 to RMB4.3 million in 2020 primarily due to our conversion from a limited liability company to a joint stock company which took place in December 2020.

Research and Development Expenses

Our research and development expenses increased by 27.7% or RMB5.6 million from RMB20.2 million in 2019 to RMB25.8 million in 2020 primarily due to the increase in our research and development investment in IoV and data services, including the expansion of our research and development team and the procurement of research and development software and equipment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 314.2% or RMB77.3 million from RMB24.6 million in 2019 to RMB101.9 million in 2020 primarily due to the increase in the provision for certain loan receivables from certain lessees of our leased automobiles under our financial leasing business and certain loan receivables from certain logistics companies under our factoring services in the aggregate amount of RMB76.8 million since our management determined that the possibility for us to collect such loan receivables was remote due to the deterioration of the financial and credit condition of the relevant debtors.

Other Income

Our other income increased by 23.0% or RMB4.9 million from RMB21.3 million in 2019 to RMB26.2 million in 2020 primarily due to (i) the increase in governmental subsidies for refund of tax to Deewin Financial Leasing by the local government along with the increase in its revenue and tax payment in 2020, and (ii) the governmental subsidies to Tianxingjian for its development of commercial automobiles public service platform.

Other Gains, Net

Our net other gains decreased by 56.3% or RMB0.9 million from RMB1.6 million in 2019 to RMB0.7 million in 2020 primarily because we recorded a gain of RMB2.6 million from the disposal of 25% equity interest of Meixin in June 2019.

Finance Income, Net

Our net finance income increased by 31.8% or RMB4.7 million from RMB14.8 million in 2019 to RMB19.5 million in 2020 primarily due to the decrease in finance costs by 58.8% or RMB4.7 million from RMB8.0 million in 2019 to RMB3.3 million in 2020 primarily as a result of the decrease in interest expenses due to the repayment of bank borrowings of RMB181.4 million in 2020.

Profit before Income Tax

Our profit before income tax increased by 29.8% or RMB91.9 million from RMB307.9 million in 2019 to RMB399.8 million in 2020 primarily as a result of the increase in our total revenue in 2020 as discussed in the paragraph headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Cost of Revenue" in this section.

Income Tax Expense

Our income tax expense increased by 22.6% or RMB15.1 million from RMB66.7 million in 2019 to RMB81.8 million in 2020, which was lower than the increase by 29.8% of our profit before income tax in 2020. This was primarily because we had a lower effective tax rate of 20.5% in 2020 as compared to 21.7% in 2019, as explained under the paragraph headed "— Taxation" in this section.

Profit for the Year

As a result of the above, our profit for the year increased by 31.9% or RMB76.9 million from RMB241.1 million in 2019 to RMB318.0 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
		(in thousands of RMB)		*(unaudited)*
Current assets				
Inventories	89,773	81,596	183,468	160,983
Trade receivables	476,527	494,156	467,505	539,109
Prepayments	38,190	49,363	86,924	97,952
Other receivables	62,704	66,495	165,493	276,990
Financial assets at fair value through other comprehensive income	274,328	520,314	367,020	533,213
Loan receivables	4,356,247	6,045,995	6,080,627	5,421,968
Restricted cash at banks	536,312	467,452	84,816	90,803
Cash and cash equivalents	730,143	196,915	213,339	978,698
	6,564,224	**7,922,286**	**7,649,192**	**8,099,716**
Current liabilities				
Trade and other payables	3,291,473	5,533,884	1,403,839	1,267,173
Lease liabilities	17,257	10,288	24,730	18,033
Bond payables	85,332	248,459	836,072	975,213
Contract liabilities	62,898	99,797	128,267	93,954
Current income tax liability	36,703	29,788	46,894	10,161
Borrowings	2,956,344	1,613,816	3,705,410	3,663,371
	6,450,007	**7,536,032**	**6,145,212**	**6,027,905**
Net current assets	**114,217**	**386,254**	**1,503,980**	**2,071,811**

We recorded net current assets of RMB114.2 million, RMB386.3 million, RMB1,504.0 million, and RMB2,071.8 million respectively, as at 31 December 2019, 2020 and 2021 and 30 April 2022.

Our net current assets increased by RMB567.8 million or 37.8% from RMB1,504.0 million as at 31 December 2021 to RMB2,071.8 million as at 30 April 2022. This was primarily the combined effect of (i) the increase by RMB166.2 million or 45.3% in our financial assets at fair value through other comprehensive income primarily due to the increase in our notes receivable from third parties attributable to the acceptance bills received from the provision of the third party logistics service; (ii) the decrease by RMB658.7 million or 10.8% in our loan receivables primarily due to decrease in receivables from financial leasing business as a result of the decline in our invested fund into our financial leasing business; (iii) the increase by RMB765.4 million or 358.8% in our cash and cash equivalents primarily due to our issuance of one batch of asset-backed securities in March 2022 in the principal amount of RMB500.0 million; (iv) the decrease by RMB136.7 million or 9.7% in our trade and other payables primarily due to the reduced deposits incurred in our financial leasing services and our subsequent settlement of payments collected on behalf of other parties; and (v) the increase by RMB139.1 million or 16.6% in our bond payables primarily due to the successive maturity of our several issued asset-backed securities and our issuance of one batch of asset-backed securities in March 2022 in the principal amount of RMB500.0 million.

Our net current assets increased by RMB1,117.7 million or 289.3% from RMB386.3 million as at 31 December 2020 to RMB1,504.0 million as at 31 December 2021. This was primarily the combined effect of (i) the decrease by RMB4,130.0 million or 74.6% in our trade and other payables primarily due to the repayment of loans from related parties, (ii) the increase by RMB587.6 million or 236.5% in our bond payables primarily due to our issuance of two batches of asset-backed securities in June 2021 and September 2021 in the principal amount of RMB800.0 million and RMB900.0 million, respectively, (iii) the increase by RMB2,091.6 million or 129.6% in our borrowings in order to repay our loans from related parties, (iv) the decrease by RMB382.6 million or 81.9% in our restricted cash at banks primarily due to release of deposits upon repayment of notes payable that were due in 2021, (v) the decrease by RMB153.3 million or 29.5% in our financial assets at fair value through other comprehensive income primarily due to the repayment of notes receivables from counterparties and the reduction in our transaction volume with related parties since the beginning of 2021, (vi) the increase by RMB99.0 million or 148.9% in our other receivables primary due to increase in both our lease deposits and advances, and (vii) the increase by RMB101.9 million or 124.8% in our inventories primary because we purchased significantly more commercial automobiles adopting China's Phase 5 Automobile Emission Standards ("**Phase 5 Commercial Automobiles**") from the manufacturers to increase our inventories of Phase 5 Commercial Automobiles in 2021. Please refer to the paragraphs headed "– Inventories" in this section for the detailed reasons of our increased inventories of Phase 5 Commercial Automobiles in 2021.

Our net current assets increased by RMB272.1 million or 238.3% from RMB114.2 million as at 31 December 2019 to RMB386.3 million as at 31 December 2020. This was primarily the combined effect of (i) the increase by RMB246.0 million or 89.7% in our financial assets at fair value through other comprehensive income primarily due to the continuous expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector in 2020, (ii) the increase by RMB1,689.8 million or 38.8% in our loan receivables primarily due to the increase in receivables from financial leasing business as a result of the expansion of operational scale of our financial leasing business in 2020, (iii) the decrease by RMB533.2 million or 73.0% in our cash and cash equivalent primarily due to the enhancement of our funds management in order to enhance utilisation of our available cash and cash equivalent, (iv) the increase by RMB2,242.4 million or 68.1% in our trade and other payables primarily due to the increase in other payables as a result of our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020, (v) the increase by RMB163.2 million or 191.3% in our bond payables primarily due to our issuance of phase I asset-backed notes in November 2020 in the principal amount of RMB500.1 million, and (vi) the decrease by RMB1,342.5 million or 45.4% in our borrowings primarily due to our adjustment of funding structure in 2020 where we secured more loans with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020.

Other Receivables

Other receivables included primarily (i) deposits paid to financial institutions in order to secure financing from other financial institutions (in this situation, we borrowed from the relevant financial institutions and such financial institutions would typically require deposits in certain amount, which would be recorded as other receivables by us. Such other financial institutions primarily include various financial leasing companies engaging in the investment and transfer of financial leasing assets which are licenced and regulated by the CBIRC and have strong connections with various commercial banks in China. For further details, please refer to the section headed "Business – Supply Chain Financial Service Sector – Financial Leasing Business – Our Lenders and Funding Capabilities – Other Borrowings from Other Financial Institutions" in this document), (ii) advances to suppliers, and (iii) deposits for lease of buildings. The following table sets forth a breakdown of our other receivables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Non-current:			
Lease deposits	37,470	18,518	112,760[(1)]
Non-Current subtotal	**37,470**	**18,518**	**112,760**
Current:			
Receivables from related party	7,823	13,932	13,547
Advances	8,410	10,574	104,471[(2)]
Lease deposits	39,507	35,309	36,601
Other deposits	4,157	4,315	13,460
Interest receivable	2,022	1,476	205
Others	6,878	6,448	7,929
Current subtotal	**68,797**	**72,054**	**176,213**
Total	**106,267**	**90,572**	**288,973**

Notes:

(1) Our non-current lease deposits increased significantly from approximately RMB18.5 million as at 31 December 2020 to approximately RMB112.8 million as at 31 December 2021 primarily due to the increase in our borrowings from other financial institutions in order to repay our loans from related parties, which led to the increase in deposits paid to such other financial institutions.

(2) Our advances were mainly advances for coal purchase price on behalf of customers which increased significantly from approximately RMB10.6 million as at 31 December 2020 to approximately RMB104.5 million as at 31 December 2021 primarily because (i) we paid for cargos and coals in advance on behalf of our customers pursuant to the Advance Arrangement as a result of the rapid development of our third party logistic services through the engagement of new customers that we actively and independently approached during the year of 2021; and (ii) to a lesser extent, the coal price experienced rapid increase in 2021. For details of the Advance Arrangement, please refer to the section headed "Business – Logistics and Supply Chain Service Sector – Supply Chain Business – Automobile Logistics Service and Third Party Logistics Service – Key Terms of Relevant Agreements under Third Party Logistics Service" in this document. Given we do not have control of the coals before the transportation to our customers (i.e. we do not take the inventory risk and have no pricing discretion in the sale of coals), our performance obligation under the Advance Arrangement is limited to arranging for the coals to be transported to our customers rather than directly providing the coals ourselves. As such, we do not recognise revenue of selling coals to our customers, while our advances for coal purchase price on behalf of customers are recorded as advances in other receivables rather than trade receivables based on the applicable accounting standards.

Our other receivables increased by 219.0% or RMB198.4 million from RMB90.6 million as at 31 December 2020 to RMB289.0 million as at 31 December 2021 primarily due to the increase in lease deposit by 177.7% or RMB95.6 million from RMB53.8 million as at 31 December 2020 to RMB149.4 million as at 31 December 2021 as result of (i) the increase in our borrowings from other financial institutions in order to repay our loans from related parties, which led to the increase in deposits paid to such other financial institutions; and (ii) our Group's engagement in third party logistics services in Xinjiang in 2021, under which our Group was required to pay for the cargos in advance on behalf of customers.

Our other receivables decreased by 14.8% or RMB15.7 million from RMB106.3 million as at 31 December 2019 to RMB90.6 million as at 31 December 2020 primarily due to the decrease in lease deposits by 30.1 % or RMB23.2 million from RMB77.0 million as at 31 December 2019 to RMB53.8 million as at 31 December 2020 as a result of the release of deposits that we have paid to the other financial institutions since we adjusted our funding structure to secure more loans with lower interest rates while reduced the amount of other borrowings obtained from other financial institutions with higher interest rates.

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income represented notes receivables and trade receivables primarily from customers of our logistics and supply chain service sector and IoV and data service sector. The following table sets forth a breakdown of our financial assets at fair value through other comprehensive income as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Notes receivable – related parties	231,733	217,776	129,291
Notes receivable – third parties	42,595	302,538	207,887
Trade receivable – related parties	–	–	29,842[(1)]
Total	274,328	520,314	367,020

Note:

(1) Trade receivables that were recognised as our financial assets at fair value through other comprehensive income as at 31 December 2021 arose from the standardised and transferrable electronic payment undertaking namely Kaxin* (卡信) ("**Kaxin**"). Shaanxi Heavy Duty Automobile allocates the maximum amount of facility under Kaxin that can be deployed by its suppliers according to their business scale and operating conditions, who may in turn use such facility under Kaxin as commitment to pay for products and services procured from their upstream suppliers. These upstream suppliers who have obtained Kaxin can choose to, either partially or in full: (i) hold Kaxin to maturity; (ii) apply for re-financing of Kaxin through banks, factoring companies and other financial institutions; and/or (iii) transfer Kaxin to other companies as a payment commitment. During the Track Record Period, we may choose to hold Kaxin that we processed to maturity or transfer to our suppliers for payment, and due to such dual purposes we recognised such trade receivables as financial assets at fair value through other comprehensive income.

Our financial assets at fair value through other comprehensive income increased from RMB274.3 million as at 31 December 2019 by RMB246.0 million or 89.7% to RMB520.3 million as at 31 December 2020. Such increase was primarily due to the continuous expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector during the same year. However, our financial assets at fair value through other comprehensive income decreased by RMB153.3 million or 29.5% to RMB367.0 million as at 31 December 2021 primarily as a result of the repayment of notes receivable from counterparties and the reduction in our transaction volume with related parties.

The fair value of financial assets at fair value through other comprehensive income including notes receivable was determined using discounted cash flows, where the fair value decreases with the increase of the discounted rate. The Company has established and implemented rules and procedures to ensure the reasonableness of the valuation of fair value through other comprehensive income categorised within level 3 of fair value. For further details, please refer to "Appendix I Accountant's Report – II Notes to the Financial Information – 3 Financial Risk Management – 3.3 Fair Value Estimation" to this document. Such rules and procedures include without limitation: (i) the finance department of the Group will timely review the discounted rate used and mathematical accuracy of fair value calculation, and (ii) depending on the size of the investment, the investment will be approved by the responsible officers. For the level 3 investments, the responsible officers review the fair value measurement of the financial investments taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable IFRS. Having performed the above procedures, the Company considers that the carrying amount of the level 3 investments including notes receivable was reasonable and approximate to the fair values due to the short maturities of the investments.

In addition, the Reporting Accountant has performed audit procedures in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountant's Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's Historical Financial Information for the Track Record Period as a whole. The Reporting Accountant's opinion on the Historical Financial Information is set out in Appendix I "Accountant's Report" to this document.

With respect to the Group's financial assets measured within level 3 fair value measurement, the Sole Sponsor has undertaken relevant due diligence, including (i) discussing with the senior management and executive Directors of the Company who the Sole Sponsor believes are experienced and knowledgeable about such financial assets and the valuation thereof, as well as the holdings of such financial assets in the industry the Group operates in, regarding the valuation analysis performed by the Company, (ii) reviewing the documents and information provided by the Group relating to such financial assets, (iii) discussing with the Reporting Accountant to understand the audit procedure undertaken by the Reporting Accountant relating to such financial assets for the purpose of expressing an opinion on the Group's Historical Financial Information of the Group as a whole (iv) reviewing the relevant notes in the Accountant's Report, and (v) discussing with the Internal Control Consultant to ensure the relevant internal rules and procedures regarding the valuation of financial assets had been established and worked effectively. After due consideration of the work done by the Directors and senior management of the Company and the unqualified opinion on the Historical Financial Information, as a whole, of the Group issued by the Reporting Accountant included in Appendix I to this document and their respective views, as well as the results of the due diligence undertaken set out above, the Sole Sponsor is not aware of any reason to question the valuation analysis performed by the Company.

Loan Receivables

Loan receivables included primarily receivables from our financial leasing business and factoring service. The following table sets forth a breakdown of our loan receivables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Loan receivables			
– Financial leasing business	6,224,090	9,044,808	7,901,021
– Factoring service[(1)]	542,532	472,308	715,763
	6,766,622	9,517,116	8,616,784
Less: Provision for impairment			
– Financial leasing business	(123,155)	(190,989)	(312,636)
– Factoring service[(1)]	(70,194)	(96,814)	(119,333)
	(193,349)	(287,803)	(431,969)
Loan receivables – net	**6,573,273**	**9,229,313**	**8,184,815**
Less: non-current portion			
– Financial leasing business	(2,217,026)	(3,183,318)	(2,104,188)
Current portion	**4,356,247**	**6,045,995**	**6,080,627**

Note:

(1) Based on the expected loss rate model, the expected loss rate for Stage 1 and Stage 2 in terms of the loan receivables of factoring service remained stable and the provision of impairment shall change in proportion to the changes to the sum of loan receivables. We made provision for impairment for Stage 3 in terms of the loan receivables of factoring service in 2019 as a result of the default by certain customers of our factoring service due to their substandard business management. Based on the evaluation of the relevant collaterals provided by such customers, the default period and the repayment capability of such customers, we made part bad debt accrual in 2019. In 2020, we conducted further evaluation based on the repayment status and made bad debt accrual for the residual.

In addition, we undertook analysis of aforementioned impairment and adopted various measures to enhance our risk management, including, among others, (i) strict control over the net financing amount for each single factoring service transaction, (ii) heightened risk diversification by providing factoring service to large-scale enterprises with higher risk resistance capacity and medium to small-size enterprises with higher capability to repurchase the amounts receivables under the relevant factoring transaction, (iii) improving the professionalism of our staff through continuous trainings and strictly enforcing our established rules in relation to customer due diligence, credit assessment, transaction management and risk monitoring and enforcement, in particular our handling of overdue payment. For further details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Risk Management for Financial Leasing and Factoring Business — Credit Risk Management — Factoring Business" in this document.

Our loan receivables increased from RMB6,573.3 million as at 31 December 2019 by 40.4% or RMB2,656.0 million to RMB9,229.3 million as at 31 December 2020 primarily due to the increase in receivables from financial leasing business as a result of the continuous expansion of operational scale of our financial leasing business during the same year. Our loan receivables decreased from RMB9,229.3 million as at 31 December 2020 by 11.3% or RMB1,044.5 million to RMB8,184.8 million as at 31 December 2021 primarily due to the decrease in receivables from financial leasing business as a result of the gradual decline in the market demand for heavy duty commercial automobiles in the second half of 2021, leading to the reduced number of units of newly leased automobile in 2021 compared with that in 2020.

The following table sets forth the movement on the provision for impairment of loan receivables during the Track Record Period:

	Year ended 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Beginning of the year	169,638	193,349	287,803
Provision for impairment	23,711	94,454	144,166
Written-off for impairment	–	–	–
End of the year	193,349	287,803	431,969

For the year ended 31 December 2019, we recognised provision for impairment of loan receivables in an amount of RMB23.7 million primarily as a result of the provision of expected credit losses for our loan receivables. For the year ended 31 December 2020, we recognised provision for impairment of loan receivables in an amount of RMB94.5 million primarily as a result of (i) the provision for impairment of certain loans receivables from certain lessees of our leased automobiles under our financial leasing business and certain loan receivables from certain logistics companies under our factoring services in the aggregate amount of RMB76.8 million since our management determined that the possibility for us to collect such loan receivables was remote due to the deterioration of the financial and credit condition of the relevant debtors, and (ii) the provision of expected credit losses for our loan receivables in the amount of RMB17.7 million. For the year ended 31 December 2021, we recognised provision for impairment of loan receivables in an amount of RMB144.2 million primarily as a result of the provision of expected credit losses for our loan receivables due to the overall deteriorated financial and credit status of our customers as impacted by the decline in the overall freight rate in the logistics industry and the upsurge in the price of diesel fuel that led to rising automobile operating costs incurred by, and reduced profitability of some of our customers who defaulted in 2021.

In 2019, 2020 and 2021, our expected credit loss rate for loan receivables was 2.86%, 3.02% and 5.01%, respectively. It increased from 2.86% in 2019 to 3.02% in 2020 and further to 5.01% as at 31 December 2021 primarily because we had a larger portion of loan receivables which were credit-impaired due to the deterioration of the financial and credit condition of certain lessees of our leased automobiles under our financial leasing services and certain loan receivables from certain logistics companies under our factoring services in 2020 and 2021 and the expected credit loss of such credit-impaired loan receivables at a higher rate were measured. Please refer to the paragraph headed "— Critical Accounting Policies, Judgement and Estimates — Provision for Credit Losses" in this section for further details on the calculation of expected credit loss.

Our Directors are of the view that no further impairment provision is required to be made for loan receivables and the balance of our loan receivables as at 31 December 2021 remains recoverable. Our Directors have made certain assessment and judgment in determining the impairment provision, including without limitation, (i) determining the criteria for significant increase in credit risk, (ii) choosing appropriate models and assumption for the measurement of expected credit loss, (iii) establishing the number and relative weightings of forward-looking scenarios for each type of product and associated expected credit loss, and (iv) establishing groups of similar financial assets for the purpose of measuring expected credit loss. The Sole Sponsor concurs the views of our Directors after due and careful enquiry.

We have developed an industry-leading risk management system, with risk control measures tailored for and integrated with every stage of the operations of our supply chain finance sector with a focus on managing risks through comprehensive due diligence, multi-level approval and on-going monitoring processes. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to changes in market conditions and regulatory environment. Please refer to the section headed "Business – Risk Management for Financial Leasing and Factoring Business" in this document for more information.

Inventories

Our inventories consisted of (i) commercial automobiles, (ii) intelligent IoV terminal products, and (iii) components, including tyres and lubricant. The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Cost:			
Commercial automobiles	79,537	77,380	180,953
Intelligent IoV terminal products	9,246	3,364	4,755
Components	1,068	852	1,572
	89,851	81,596	187,280
Provision for impairment loss:			
Commercial automobiles	(78)	–	(3,812)
Inventories, net	**89,773**	**81,596**	**183,468**

Our inventories decreased by 9.1% or RMB8.2 million from RMB89.8 million as at 31 December 2019 to RMB81.6 million as at 31 December 2020 primarily as a result of (i) the decrease in inventories of commercial automobiles by 2.6% or RMB2.1 million from RMB79.5 million as at 31 December 2019 to RMB77.4 million as at 31 December 2020 since we had more automobiles with lower price on stock at the year end of 2020 though the number of vehicles on stock remained stable, and (ii) the decrease in inventories of intelligent IoV terminal products by 63.0% or RMB5.8 million from RMB9.2 million as at 31 December 2019 to RMB3.4 million as at 31 December 2020 due to the increased consumption of inventories at the year end of 2020.

Our inventories increased by 124.9% or RMB101.9 million from RMB81.6 million as at 31 December 2020 to RMB183.5 million as at 31 December 2021 primarily as a result of (i) the increase in inventories of commercial automobiles by 133.9% or RMB103.6 million from RMB77.4 million as at 31 December 2020 to RMB181.0 million as at 31 December 2021, and (ii) the increase in inventories of intelligent IoV terminal products by 41.2% or RMB1.4 million from RMB3.4 million as at 31 December 2020 to RMB4.8 million as at 31 December 2021. In particular, we significantly increased our inventories of Phase 5 Commercial Automobiles for 2021 for the following reasons: (i) on 1 July 2021, China's Phase 6 Automobile Emission Standards were fully implemented pursuant to the Full Implementation, and any unregistered commercial automobiles not adopting China's Phase 6 Automobile Emission Standards are not allowed to obtain licenses plates after 1 July 2021; (ii) Phase 5 Commercial Automobiles are grandfathered in under the new polices, meaning that we can sell to customers, and customers are able to purchase from us and fully operate Phase 5 Commercial Automobiles if we purchased such automobiles from the commercial automobile manufacturers, registered such automobiles under our name and obtained licenses plates for such automobiles before 1 July 2021; and (iii) we believe that Phase 5 Commercial Automobiles have considerably high commercial value because, while they can carry similar weight as commercial automobiles adopting China's Phase 6 Automobile Emission Standards ("**Phase 6 Commercial Automobiles**") do, they are generally cheaper than Phase 6 Commercial Automobiles and generally incur lower operating costs for their owners and operators, and it is more convenient to refuel and service Phase 5 Commercial Automobiles as more petrol stations and service centres that are equipped to refuel and service Phase 5 Commercial Automobiles are currently in operations in the PRC. Based on the above reasons, we believe that there will be steady demand for Phase 5 Automobile Automobiles in the mid-term. This (i) drove us to significantly increase our inventories of Phase 5 Commercial Automobiles in 2021 in response to the policy change to meet the mid-term market demand for the same, and (ii) we also increased inventories of intelligent IoV products which will be pre-installed on these Phase 5 Commercial Automobiles when our inventories of the same are utilised.

As at the Latest Practicable Date, RMB46.3 million or 25.2% of our inventories as at 31 December 2021 had been subsequently utilised. We believe that it was primarily attributable to (i) according to the Frost & Sullivan Report, the gradual decline in the market demand for heavy duty commercial automobiles in the 2021 after experiencing high growth in the prior year as a result of the phase out of China's Phase 3 Automobile Emission Standards, the phased implementation of China's Phase 6 Automobile Emission Standards and the construction of new infrastructure in 2020; (ii) the upsurge in the prices of diesel fuel from RMB5,559.0 per tonne as at 31 December 2020 to RMB7,535.0 per tonne as at 31 December 2021 according to the Frost & Sullivan Report, representing an increase in 35.5%, which led to rising automobile operating costs incurred by our customers in 2021 and temporarily dampened the demand for commercial automobiles since 31 December 2021; and (iii) reduced sales volume of commercial automobiles in our inventories due to seasonality arising from the 2022 Chinese Spring Festival and the recent impact of COVID-19 outbreaks in Shanxi and Henan provinces as well as the Yangtze River Delta of the PRC in the first quarter of 2022. In particular, our subsequent utilisation of inventories as at 31 December 2021 had been adversely affected by (i) the COVID-19 outbreaks and consequent administrative measures in the first four months of 2022, particularly during the period from March 2022 to April 2022: (a) because of the temporary closure of local offices of several automobile administration departments in Suzhou of Jiangsu Province since March 2022, our commercial automobiles sales dealers were unable to carry out their sales and registration of our commercial automobiles as usual; (b) due to the restrictive measures of Taiyuan and Datong of Shanxi Province in March 2022 to April 2022, it has become difficult for our business staff to visit or to sign agreements or letters of intent with prospective customers, which to a certain extent adversely affected the sales of our inventories of commercial automobiles; and (c) picking up of commercial automobiles by some of our customers in Henan province in March 2022 was hindered by travel restrictions policies, which further affected the sales of our commercial automobiles; and (ii) the phased implementation of China's Phase 6 Automobile Emission Standards. According to the Frost & Sullivan Report, the whole commercial automobile industry was adversely affected by the aforementioned relevant factors. As such, we had only realised a sale of 247 commercial automobiles in the first quarter of 2022, which was lower than our sales target of 420 commercial automobiles for the same period as well as our realised sales of 398 commercial automobiles for the first quarter of 2021.

However, we believe that such lowered market demand for commercial automobiles was primarily driven by macro-economic conditions and relevant PRC policies, and is expected to recover over time. We formulated an annual sales plan for our inventories in 2022 based on the market conditions and the respective sales regions in the PRC to actively utilise such inventories subsequently. We have also adopted the following measures to alleviate the adverse impact of the COVID-19 on our inventory utilisation: (i) to the extent permitted under local travel and social policies, conduct visits to, and maintain proactive communications with our customers and dealers to facilitate sales orders and delivery; (ii) keep abreast of market conditions and dynamics and adjust sales strategies and promotion plans in a timely manner based on regional market conditions to promote further utilisation of inventories of our commercial automobiles; (iii) encourage application of online platforms including CLGG platform and our WeChat official account as well as offline marketing channels for our product promotion activities to expand sales coverage; and (iv) promote collaboration with customers under our other supply chain businesses and maintain cross-channel sales activities to facilitate sales of our inventories. Because of the intrinsic commercial value of Phase 5 Commercial Automobiles and the adoption of above measures, we believe that we are able to sell a substantial part of inventories of Phase 5 Commercial Automobiles by the end of 2022 and the remaining part can be sold by the first quarter of 2023. Based on the above, our Directors believe that there is no significant recoverability issue for our inventories.

The following tables set forth an aging analysis of our inventories by nature as at the dates indicated, based on the date of warehouse entry and before provision for impairments:

Categories	**Balances as at 31 December 2019**	**Within one year**	**Over one year and within two years**	**Over two years and within three years**	**Over three years**
		(in thousands of RMB)			
Commercial automobiles	79,537	58,975	17,983	2,579	–
Intelligent IoV terminal products	9,246	9,246	–	–	–
Components	1,068	1,068	–	–	–
Total	89,851	69,289	17,983	2,579	–

Categories	Balances as at 31 December 2020	Within one year	Over one year and within two years	Over two years and within three years	Over three years
	(in thousands of RMB)				
Commercial automobiles	77,380	67,337	318	9,613	112
Intelligent IoV terminal products	3,364	3,364	–	–	–
Components	852	852	–	–	–
Total	81,596	71,553	318	9,613	112

Categories	Balances as at 31 December 2021	Within one year	Over one year and within two years	Over two years and within three years	Over three years
	(in thousands of RMB)				
Commercial automobiles	180,953	175,369	5,060	77	447
Intelligent IoV terminal products	4,755	4,755	–	–	–
Components	1,572	1,572	–	–	–
Total	**187,280**	**181,696**	**5,060**	**77**	**447**

As at 31 December 2021, our inventories over one year included 19 commercial automobiles with amount of RMB5,584 thousand. We compared the sales price of these inventories after deducting the expected costs, sales expenses and relevant taxes with the costs of these inventories as at 31 December 2021, and regarded that impairment provision was needed.

In addition, we had adopted active measures to utilise our inventories of commercial automobiles subsequently. As at the Latest Practicable Date, (a) we had realised sales of our inventories in relation to 175 commercial automobiles in the amount of RMB36,630.6 thousand and (b) in relation to the remaining commercial automobiles, we are actively seeking the potential customers and expect that a substantial part of the remaining commercial automobiles will be sold by the end of 2022. As such, we expect that all the inventories as at 31 December 2021 will be utilised by the first quarter of 2023.

The following table sets forth the average turnover days of our inventories of the logistics and supply chain service sector and IoV and data service sector for the years indicated:

	Year ended 31 December		
	2019	2020	2021
Average turnover days of inventories of the logistics and supply chain service sector[1]	36.3	37.8	44.6
Average turnover days of inventories of the IoV and data service sector[2]	18.0	16.2	17.7

Notes:

(1) Average turnover days of inventories of the logistics and supply chain service sector equal to the average of the opening and closing inventory balances of the logistics and supply chain service sector of the indicated year divided by the cost of revenue of the logistics and supply chain service sector for such year and multiplied by number of days contained in that year.

(2) Average turnover days of inventories of the IoV and data service sector equal to the average of the opening and closing inventory balances of the IoV and data service sector of the indicated year divided by the cost of revenue of the IoV and data service sector for such year and multiplied by number of days contained in that year.

Our average turnover days of inventories of the logistics and supply chain service sector remained stable in 2019 and 2020 at 36.3 days and 37.8 days, respectively. It further increased to 44.6 days in 2021 primarily due to a higher level of inventories of commercial automobiles because we purchased significantly more Phase 5 Commercial Automobiles in 2021 as disclosed above.

Our average turnover days of inventories of the IoV and data service sector remained stable at 18.0 days, 16.2 days and 17.7 days in 2019, 2020 and 2021, respectively.

Trade Receivables

Our trade receivables were amounts due from our customers for goods sold or services provided in our logistics and supply chain services and IoV and data services. The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Trade receivables – related parties	213,942	270,539	149,573
Trade receivables – third parties	275,986	244,661	334,607
	489,928	515,200	484,180
Less: allowance for impairment	(13,401)	(21,044)	(16,675)
Trade receivables, net	**476,527**	**494,156**	**467,505**

Our trade receivables increased from RMB489.9 million as at 31 December 2019 by 5.2% or RMB25.3 million to RMB515.2 million as at 31 December 2020 primarily as a result of the continuous expansion of operational scale of our logistics and supply chain sector and IoV and data service sector during the same year, and decreased by 6.0% or RMB31.0 million to RMB484.2 million as at 31 December 2021 primarily as a result of the decrease in our trade receivables from related parties attributable to (i) the decrease in sales of goods in our IoV and data service sector to related parties in the fourth quarter of 2021, and (ii) the improved collection of receivables from related parties under our logistics and supply chain sector.

In addition, as at the Latest Practicable Date, RMB356.7 million or 73.7% of our trade receivables as at 31 December 2021 had been subsequently settled, under which RMB114.4 million or 76.5% of our trade receivables from related parties as at 31 December 2021 had been subsequently settled, and RMB242.3 million or 72.4% of our trade receivables from third parties as at the same date had been subsequently settled. The outstanding trade receivables as at the Latest Practicable Date fell within the credit period granted to the respective related parties and third parties.

We do not anticipate to have any material recoverability issue with regard to the balances of trade receivables primarily because (i) we have established a sound and effective risk control system and closely monitor our trade receivables, implement collection measures for each business segment, and timely enhance collection to minimize the credit risk; furthermore, we have designated our finance team to be responsible for determination of credit limits and credit approvals. We conduct regular reviews of aging analysis and evaluate each trade receivable by taking into account its historical loss rates; in addition we will proactively communicate with our customers for their balances of trade receivables in the second quarter of 2022 to enhance our collection; (ii) our trade receivables from related parties were related to Shaanxi Automobile and its associates, all of which are established and reputable state-owned enterprises and had no history of credit default and were assessed by our management to be financially trustworthy; and (iii) we have made appropriate provisions for impairment of trade receivables.

The following table sets forth an aging analysis of our trade receivables as at the dates indicated, based on the invoice dates and before provision for impairments:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Trade receivables – related parties			
– Within one year	213,942	269,344	149,573
– One year to two years	–	1,195	–
– Two years to three years	–	–	–
– Over three years	–	–	–
Trade receivables – third parties			
– Within one year	243,806	231,024	325,619
– One year to two years	3,345	4,008	1,510
– Two years to three years	3,838	1,380	1,375
– Over three years	24,997	8,249	6,103
	489,928	**515,200**	**484,180**

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

	Year ended 31 December		
	2019	2020	2021
Average turnover days of trade receivables – related parties[(1)]	98.6	101.3	109.8
Average turnover days of trade receivables – third parties[(2)]	53.3	55.6	66.5

Note:

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

(2) Average turnover days of trade receivables – third parties equal to the average of the opening and closing trade receivables – third parties divided by revenue generated from third parties (other than revenue generated from our supply chain financial service sector) for the same year and multiplied by the number of days contained in that year.

Our average turnover days of trade receivables from both related parties and third parties remained stable for the years ended 31 December 2019 and 2020. Our average turnover days of trade receivables from related parties and those from third parties increased to 109.8 days and 66.5 days, respectively, for the year ended 31 December 2021 primarily due to the longer time required for recovering payments from both related parties and third parties in the upstream for 2021. Despite this, the outstanding trade receivables as at 31 December 2021 fell within the credit period granted to the respective related parties and third parties. The credit period granted to our customers varies for different types of services. Generally, the credit period granted to customers of our logistics and warehousing service is longer than that granted to customers of our sale of goods business. The average turnover days of trade receivables from third parties are shorter than those from related parties primarily because these third parties are mainly customers of our sale of goods business while the related parties are mainly customers of our logistics and warehousing service.

Trade and Other Payables

Our trade and other payables included primarily (i) notes payable to the commercial automobile sales dealers of our leased automobiles, (ii) trade payables for the procurement of commercial automobiles and intelligent IoV terminal products and third party logistics service provider, and (iii) other payables to related parties for loans extended to us and to commercial automobile manufacturers, as well as the deposit paid to us under our financial leasing business.

The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Notes payable	1,362,175	1,352,574	238,103
Trade payables	703,944	714,625	405,786
Other payables			
– Loans from related parties	1,130,000	3,925,000(1)	854,000(2)
– Advances from related parties and interest payable to related party	1,678	3,991	2,355
– Deposits collected from lessee of commercial automobiles	510,617	802,579(3)	792,962
– Other deposits	11,759	13,513	21,846
– Down payment collected from lessee on behalf of dealers of commercial automobiles	79,467	18,926(4)	493(4)
– Others	27,017	13,847	53,730(5)
	1,760,538	4,777,856	1,725,386
Dividends payable	–	–	–
Staff salaries and welfare payable	67,911	73,675	47,768
Termination benefits payable	6,710	6,172	3,634
Interest payable	426	1,261	2,284
Accrued taxes other than income tax	18,697	12,818	7,068
Trade and other payables	**3,920,401**	**6,938,981**	**2,430,029**
Less: non – current portion			
Less: Other payables-deposits collected from lessee of commercial automobiles	(335,077)	(548,052)	(381,893)
Less: Termination benefits payable	(3,851)	(3,045)	(1,297)
Less: Other payables – loan from related parties	(290,000)	(854,000)	(643,000)
Total non-current portion	**(628,928)**	**(1,405,097)**	**(1,026,190)**
Current portion	**3,291,473**	**5,533,884**	**1,403,839**

Notes:

(1) Our loans from related parties increased significantly from approximately RMB1,130.0 million as at 31 December 2019 to approximately RMB3,925.0 million as at 31 December 2020 primarily as result of our adjustment of funding structure in 2020 where we secured more loans from related parties with lower interest rates to support the expansion of operational scale of our financial leasing business in 2020.

(2) Our loans from related parties decreased significantly from approximately RMB3,925.0 million as at 31 December 2020 to approximately RMB854.0 million as at 31 December 2021 primarily as result of our scheduled repayment of loans from related parties during 2021 to reduce reliance on related parties.

(3) Our deposits collected from lessee of commercial automobiles increased significantly from approximately RMB510.6 million as at 31 December 2019 to approximately RMB802.6 million as at 31 December 2020 primarily as result of expansion of operational scale of our financial leasing business in 2020.

(4) Our down payment collected from lessee on behalf of dealers of commercial automobiles decreased from approximately RMB79.5 million as at 31 December 2019 to approximately RMB18.9 million as at 31 December 2020 and then further decreased to approximately RMB0.5 million as at 31 December 2021 primarily as result of the decreasing financial leasing business volume conducted through the Alternative Payment Arrangement, which had been eventually terminated by the end of 2021.

(5) Our other payables under "others" category generally include other payables that are relatively small in size and are thus not separately itemised, including fees payable to downstream suppliers under our third party logistics service. It increased from approximately RMB13.8 million as at 31 December 2020 to approximately RMB53.7 million as at 31 December 2021 primarily as result of the fees payable to downstream raw materials suppliers and/or logistics service providers incurred through the increasing business volume of our third party logistics service.

Our trade and other payables increased by 77.0% or RMB3,018.6 million from RMB3,920.4 million as at 31 December 2019 to RMB6,939.0 million as at 31 December 2020 primarily due to the increase in other payables by 171.4% or RMB3,017.4 million from RMB1,760.5 million as at 31 December 2019 to RMB4,777.9 million as at 31 December 2020 due to (i) our adjustment of funding structure in 2020 where we secured more loans from related parties with lower interest rates while reduced the amount of bank borrowings and other borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020, and (ii) the general increase of the security deposit paid to us as a result of the continuing expansion of our financial leasing business, where the amounted of new financial leases exceeded the amount of existing financial leases. We generally required security deposit ranging from 0.0% to 30.0% in 2020. For further details, please refer to the section headed "Business — Supply Chain Financial Service Sector — Financial Leasing Business — Pricing Policy" in this document.

Our trade and other payables decreased by 65.0% or RMB4,509.0 million from RMB6,939.0 million as at 31 December 2020 to RMB2,430.0 million as at 31 December 2021 primarily due to the (i) the decrease in notes payables by 82.4% or RMB1,114.5 million from RMB1,352.6 million as at 31 December 2020 to RMB238.1 million as at 31 December 2021 primarily as a result of our repayment of existing notes payable when they became due during 2021 without incurring substantial new notes payable for the same year, (ii) the decrease in trade payables by 43.2% or RMB308.8 million from RMB714.6 million as at 31 December 2020 to RMB405.8 million as at 31 December 2021 primarily as a result of our repayment of trade payables when they became due during 2021 and the reduced business volume in our logistics and supply chain service sector and sales of goods under our IoV and data service sector, and (iii) the decrease in other payables by 63.9% or RMB3,052.5 million from RMB4,777.9 million as at 31 December 2020 to RMB1,725.4 million as at 31 December 2021 primarily as result of our scheduled repayment of loans from related parties during 2021.

For further information on changes of our trade and other payables during the Track Record Period, please refer to note 36 to "Appendix I — Accountant's Report" to this document.

In addition, as at the Latest Practicable Date, RMB1,292.3 million or 53.6% of our trade and other payables as at 31 December 2021 had been subsequently settled.

Based on transaction date as at 31 December 2019, 2020 and 2021, substantially all of our trade payables (including amounts due to related parties of trading in nature) aged within one year.

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

	Year ended 31 December		
	2019	**2020**	**2021**
Average turnover days of trade payables(1)	99.0	99.3	85.4

Note:

(1) Average turnover days of trade payables equal to the average of the opening and closing trade payables divided by cost of revenue for the same year and multiplied by the number of days contained in that year.

Our average turnover days of trade payables remained stable in 2019 and 2020 at 99.0 days and 99.3 days, respectively, and shortened to 85.4 days in 2021 primarily due to a decrease in our trade and other payables attributable to our scheduled repayment of loans from related parties during 2021.

Cash Flow Analysis

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

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

	Year ended 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Operating profit before changes in working capital	**342,335**	**513,001**	**628,422**
Changes in working capital:			
– Restricted cash at banks	(168,805)	53,021	382,636
– Financial assets at fair value through other comprehensive income	(100,828)	(255,040)	153,294
– Trade receivables	(105,850)	(25,271)	29,821
– Loan receivables	(1,517,547)	(2,750,494)	900,332
– Other receivables	(9,388)	15,695	(198,401)
– Prepayments	(10,095)	(8,667)	(21,420)
– Inventories	(27,959)	8,178	(105,684)
– Trade and other payables	1,055,561	3,017,413	(4,509,187)
– Contract liabilities	(16,855)	43,965	15,003
– Borrowings	647,124	(1,227,659)	2,350,545
– Provisions for maintenance cost	–	–	(843)
Changes in working capital	**(254,642)**	**(1,128,859)**	**(1,003,904)**
Cash flow from operating activities			
Cash generated from/(used in) operations	87,693	(615,858)	(375,482)
Interests received	22,795	22,799	12,293
Income tax paid	(88,255)	(112,811)	(107,565)
Net cash generated from/(used in) operating activities	**22,233**	**(705,870)**	**(470,754)**
Net cash generated from/(used in) investing activities	**430**	**(14,500)**	**(19,347)**
Net cash (used in)/generated from financing activities	**75,545**	**187,142**	**506,525**

Net Cash Used in/Generated from Operating Activities

Our primary source of cash generated from operating activities consists of revenue from our logistics and supply chain service sector, supply chain financial service sector and IoV and data service sector. Our cash used in operating activities are mainly used to fund the purchase of commercial automobiles, financing costs and marketing, research and development activities. Our net cash generated from operating activities primarily reflected the combined effect of (i) operating profit before changes in working capital adjusted for non-operating items such as finance costs, and non-cash items such as provision, depreciation and amortisation, (ii) the effect of movements in working capital, including changes in restricted cash at banks, financial assets at fair value through other comprehensive income, trade receivables, loan receivables, other receivables, prepayments, inventories, trade and other payables, contract liabilities and borrowings, (iii) interests received, and (iv) income tax paid.

For the year ended 31 December 2021, net cash used in operating activities was RMB470.8 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB628.4 million, (ii) decrease in trade and other payables of RMB4,509.2 million primarily as a result of our scheduled repayment of loans from related parties in 2021, (iii) increase in borrowings of RMB2,350.5 million to fund our repayment of loans from related parties in 2021, and (iv) decrease in loan receivables of RMB900.3 million primarily as a result of the decline in invested fund in our financial leasing business. For our logistics and supply chain service sector, and IoV and data service sector, we recorded cash inflow from operating activities for the three years ended 31 December 2021 for such business segments. For our supply chain financial service sector, we recorded net operating cash outflow for the years ended 31 December 2020 and 2021 primarily due to the following reasons: (i) we have continuous cash outflow mainly attributable to the funding for development of new businesses under our financial leasing services. The corresponding recoups from such investments typically have a term of at least two years, whereas our borrowings from banks typically have a maturity period of one year to two years. As such, when our financial leasing and factoring businesses maintain a relatively rapid growth, there is generally a limited period of mismatch between our cash inflow and outlay on the operational level for such business segment which results in short-term negative operating cash flows. For details, please refer to the section headed "Risk Factors – The financial leasing arrangements that we make may potentially have a mismatch in their duration and terms with their underlying funding sources, which may lead to liquidity issues" in this document. According to the Frost & Sullivan Report, it is the industry norm for financial leasing and factoring businesses in China to record net operating cash outflows; and (ii) our repayment of loans from related parties in 2021 under our supply chain financial service sector also led to the net operating cash outflow position during the same year. To supplement the funding of our supply chain financial service sector, we launched several tranches of asset-backed notes/securities during the Track Record Period and net cash inflow of our bond payables was recorded in the financing activities, which further led to our operating cash outflow during such period.

We expect that our net operating cash outflow position will turn into inflow in 2022 primarily because: (i) our funding for development of our supply chain financial service sector will become stable in 2022 and the corresponding investment sum and recoup amount will tend to balance; (ii) unlike in 2021, we currently have no plan to repay the loans from related parties in an accelerated manner under our supply chain financial service sector in 2022; such outstanding loans shall be repaid stably according to the payment schedule stipulated in the relevant agreements until they all mature by September 2023, and thus we will incur less operating cash outflow; and (iii) we will increase our use of borrowing from banks and other financial institutions to fund our supply chain financial service sector, which will be recorded as operating cash inflow under the same sector.

We will also adopt the following measures to maintain net operating cash inflow for our supply chain financial service sector in the future: (i) reasonably control the scale of investment in our supply chain financial service sector, and closely monitor our cash inflow and outflow under the same sector (ii) continue to innovate the financing model under our supply chain financial service sector, including enhanced collaboration with banks to introduce direct financing to our customers; and (iii) diversify and expand our funding channels, such as the use of loans and credit lines provided by banks and other financial institutions that will be recorded as operating cash inflow, to facilitate the building up of our financing and credit platforms and to eliminate the mismatch in their duration and the terms of our financial leasing business.

For the year ended 31 December 2020, net cash used in operating activities was RMB705.9 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB513.0 million, (ii) decrease in financial assets at fair value through other comprehensive income of RMB255.0 million primarily as a result of the repayment of notes payable due in 2020, (iii) increase in loan receivables of RMB2,750.5 million primarily as a result of the expansion of operational scale of our supply chain financial service sector in 2020, (iv) increase in trade and other payables of RMB3,017.4 million as a result of the increase in loan from related parties to fund the expansion of operational scale of our supply chain financial service sector in 2020 and the corresponding increase in the deposits paid under our financial leasing business, (v) increase in contract liabilities of RMB44.0 million primarily as a result of the increase in advance payment of our IoV and data service sector, (vi) decrease in borrowings of RMB1,227.7 million primarily as a result of our adjustment of funding structure in 2020 where we obtained more loan from related parties while reduced the amount of our bank borrowings, and (vii) income tax paid in the amount of RMB112.8 million. Our incurrence of net operating cash outflow in 2020 was primarily due to the nature and model of our financial leasing business where we make a lumpsum payment of net financing amount corresponding to purchase price to the commercial automobile sales dealers upon purchase of the leased commercial automobiles by, and transfer of the same to, the lessor while collecting instalment repayments from the lessees over a period of time. Moreover, we obtained significant capital resources from related parties and the issuance of asset-backed notes in 2020 (as reflected in our positive cash flow generated from financing activities) and accordingly expanded the operational scale of our financial leasing business, as a result of which more expenditures of our financial leasing business were recorded under our operating cash flow. In order to effectively manage such mismatch of cash inflow and outflow and to improve our operating cash flow position going forward, we plan to (i) optimise the expansion plan and investment budget of our financial leasing business to adapt to our funding capabilities, (ii) adjust the term of our financing arrangement to avoid significant mismatch between the lease term of our financial leasing business, and (iii) further develop our logistics and supply chain business and IoV and data service business to increase our cash inflow.

For the year ended 31 December 2019, net cash generated from operating activities was RMB22.2 million, which primarily reflected the combined effects of (i) operating profit before changes in working capital of RMB342.3 million, (ii) increase in restricted cash at banks of RMB168.8 million primarily as a result of the increase in deposits and cash collateral for our external funding in 2019, (iii) decrease in financial assets at fair value through other comprehensive income of RMB100.8 million as a result of the repayment of notes payable due in 2019, (iv) increase in trade receivables of RMB105.9 million primarily as a result of the expansion of operational scale of our logistics and supply chain service sector and IoV and data service sector in 2019, (v) increase in loan receivables of RMB1,517.5 million primarily as a result of the expansion of operational scale of our supply chain financial service sector in 2019, (vi) increase in trade and other payables of RMB1,055.6 million as a result of the increase in loans from related parties to fund the expansion of operational scale of our financial leasing and factoring business in 2019 and the corresponding increase in the deposits received for our financial leasing business, and (vii) increase in borrowings of RMB647.1 million to fund the expansion of operational scale of our supply chain financial service sector in 2019.

Net Cash Generated from/Used in Investing Activities

Our cash generated from investing activities primarily reflected the proceeds received from disposal of equity interest, property, plant and equipment and wealth management products. Our cash used in investing activities primarily reflected the payments for wealth management products and property, plant and equipment and intangible assets.

For the year ended 31 December 2021, our net cash used in investing activities was RMB19.3 million, which primarily reflected the combined effects of (i) proceeds from disposal of property, plant and equipment of RMB0.4 million, (ii) dividends received from Meixin of RMB5.2 million; and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB24.9 million relating to office equipment, automobile for logistics service and research and development equipment.

For the year ended 31 December 2020, our net cash used in investing activities was RMB14.5 million, which primarily reflected the combined effects of (i) proceeds from disposal of property, plant and equipment of RMB2.1 million, (ii) dividends received from Meixin of RMB3.4 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB20.0 million relating to office equipment, automobiles for logistic services and research and development equipment.

For the year ended 31 December 2019, our net cash generated from investing activities was RMB0.4 million, which primarily reflected the combined effects of (i) proceeds from disposal of 25% equity interest of Meixin of RMB4.7 million in June 2019, (ii) proceeds from disposal of property, plant and equipment of RMB2.1 million, (iii) proceeds from disposal of wealth management products of RMB12.5 million, and (iv) payments for purchase of property, plant and equipment and intangible assets of RMB18.8 million relating to office equipment, automobiles for logistic services and research and development equipment.

Net Cash Generated from/Used in Financing Activities

Our cash generated from financing activities primarily represented the proceeds we received from bank borrowings, bond issuance and other returned deposits. Our cash used in financing activities primarily represented the repayment of borrowings and bond, dividend payment to our Company's shareholders and non-controlling interests of our subsidiaries, repayment of lease liabilities and payment for other deposits.

For the year ended 31 December 2021, net cash generated from financing activities was RMB506.5 million, which primarily reflected the combined effects of (i) proceeds from bond issuance of RMB1,495.2 million, (ii) repayments of bond payables of RMB878.3 million, (iii) proceeds from borrowings of RMB242.0 million, (iv) repayments of borrowings of RMB230.0 million, (v) dividends paid to the Company's equity holders of RMB66.2 million, (vi) payments for [**REDACTED**] of RMB[**REDACTED**] million, and (vii) payments for leases liabilities – principal of RMB31.8 million.

For the year ended 31 December 2020, net cash generated from financing activities was RMB187.1 million, which primarily reflected the combined effects of (i) capital contributions of RMB530.0 million made by Shaanxi Automobile and Shaanxi Commercial Automobile in September 2020, (ii) proceeds from bond issuance of RMB417.0 million, (iii) repayment of borrowings of RMB181.4 million, (iv) dividends paid to Shaanxi Automobile by our Company and Tonghui in the amount of RMB300.0 million and RMB19.8 million, respectively, in September 2020, (v) dividends paid to non-controlling shareholders of Tonghui and Fargo in the aggregate amount of RMB16.6 million in September 2020, (vi) repayment of bond payables of RMB180.8 million, (vii) payment for the principal and interest of leases liabilities of RMB19.7 million, and (viii) payment for acquisition of 56% of the equity interest of Tonghui in the amount of RMB55.8 million in September 2020.

For the year ended 31 December 2019, net cash generated from financing activities was RMB75.6 million, which primarily reflected the combined effects of (i) proceeds from borrowings of RMB181.4 million, (ii) proceeds from bond issuance of RMB249.0 million, (iii) repayment of borrowings of RMB100.0 million, (iv) dividends paid to Shaanxi Automobile by our Company in the amount of RMB50.6 million in August 2019 and dividends paid to Shaanxi Automobile by Tonghui in the amount of RMB6.8 million in July 2019, (v) dividends paid to the non-controlling shareholders of Tonghui of RMB5.6 million in July 2019, (vi) repayment of bond payables of RMB197.1 million, and (vii) payments for the principal and interest of leases liabilities of RMB14.5 million.

Working Capital

Taking into account the financial resources available to our Group, including cash flow from our operating activities, bank borrowings, loan from related parties, asset-backed notes/securities, other borrowings obtained from other financial institutions and the estimated [**REDACTED**] of the [**REDACTED**], our Directors are of the view that our Group has sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document. The Sole Sponsor concurs the views of our Directors after due and careful enquiry.

INDEBTEDNESS

Borrowings, Asset-Backed Notes/Securities and Notes Payable

The following table sets forth a breakdown of our borrowings, asset-backed notes/securities and notes payable as at the dates indicated:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
		(in thousands of RMB)		*(unaudited)*
Bank borrowings	2,018,621	987,905	1,602,000	1,745,456
Loan from related parties	1,130,000	3,925,000	854,000	854,000
Asset-backed notes/securities	85,332	323,003	939,857	1,045,856
Other borrowings obtained from other financial institutions	1,128,321	749,979	2,498,429[(1)]	2,104,847
Notes payable	1,362,175	1,352,574	238,103	221,227
Total	**5,724,449**	**7,338,461**	**6,132,389**	**5,971,386**

Note:

(1) The other borrowings obtained from other financial institutions increased significantly from approximately RMB750.0 million as at 31 December 2020 to approximately RMB2,498.4 million as at 31 December 2021 primarily because we incurred more borrowings from other financial institutions to repay our loans from related parties.

Bank Borrowings

Our bank borrowings decreased by 51.1% or RMB1,030.7 million from RMB2,018.6 million as at 31 December 2019 to RMB987.9 million as at 31 December 2020 since we had adjusted our funding structure since 2020 to secure more loans from related parties at lower interest rates while reduced the amount of our bank borrowings with higher interest rates to support the expansion of operational scale of our financial leasing business. It further increased by RMB614.1 million or 62.2% from RMB987.9 million as at 31 December 2020 to RMB1,602.0 million as at 31 December 2021, and further increased by RMB143.5 million or 9.0% to RMB1,745.5 million as at 30 April 2022 primarily because we further adjusted our funding structure to secure more borrowings from banks and other financial institutions to repay our loans from related parties and to fund the expansion of our operational scale.

Loan from Related Parties

Our loan from related parties increased by 247.3% or RMB2,795.0 million from RMB1,130.0 million as at 31 December 2019 to RMB3,925.0 million as at 31 December 2020 since we had adjusted our funding structure since 2020 to secure more loan from related parties at lower interest rates while reduced the amount of our bank borrowings with higher interest rates to support the expansion of operational scale of our financial leasing business. It decreased by RMB3,071.0 million or 78.2% from RMB3,925.0 million as at 31 December 2020 to RMB854.0 million as at 31 December 2021 as a result of our repayment of such loan in order to optimise our financing structure. Our loan from related parties remained at RMB854.0 million as at 30 April 2022. In particular, we increased loans from related parties significantly in the second half of 2020 with a relatively lower interest rate and then commenced our repayment of loans from related parties since late March 2021. As such the amount of our loans from related parties had been substantially reduced as of 31 December 2021. If we substitute such loans from related parties with third-party financing, including bank borrowings, asset-backed notes/securities and other borrowings obtained from other financial institutions, we estimated our interest expenses for the year ended 31 December 2021 would increase by RMB14.5 million. Such estimation was calculated by applying an interest rate of 4.75% (which was calculated based on the weighted average effective interest rates of our bank borrowings, asset-backed notes/securities and other borrowings obtained from other financial institutions as at 31 December 2021) to all of our loans from related parties incurred or existing during the year ended 31 December 2021. Based on the aforementioned analysis, it is regarded that the loans from related parties would have only slight impact on our financing costs, interest payment and profitability and such impact was controllable. We will continue improving our capabilities of obtaining financing and expanding our financing channels in order to meet our increasing financial needs.

Asset-Backed Notes/Securities

With an aim to establish our independent presence in the domestic capital markets, to diversify our funding sources and to enhance the efficiency and flexibility of our funding arrangement, we launched several tranches of asset-backed notes/securities during the Track Record Period and up to the Latest Practicable Date. In September 2019, November 2020, June 2021, September 2021 and March 2022, we (through our Subsidiary, Deewin Financial Leasing) issued four tranches of asset-backed securities and one tranche of asset-backed notes with an aggregate principal amount of RMB323.0 million, RMB500.1 million, RMB800.0 million, RMB900.0 million and RMB500.0 million, respectively, with maturity dates on 25 January 2021, 28 May 2023, 30 November 2022, 28 April 2023 and 28 February 2023, respectively. In addition, the Group might issue additional asset-backed securities, depending on the operating results of the Group.

The key arrangement of these asset-backed notes/securities include the following:

Term:	Typically one to three years
Effective interest rate:	Ranging from 3.5% to 5.9%
Underlying assets:	Rental payments, associated guarantee right and all the underlying rights of the original beneficiary (other than ownership) in the relevant financial leasing agreements
Credit ratings:	AA to AAA

Our asset-backed notes/securities increased by 278.7% or RMB237.7 million from RMB85.3 million as at 31 December 2019 to RMB323.0 million as at 31 December 2020 since we issued phase I of our asset-backed notes in the amount of RMB500.0 million in November 2020. Such increase in the principal amount of the asset-backed notes was partially offset by the periodical repayment of principal amount and interest when they fall due under the terms of the asset-backed notes/securities. Our asset-backed notes/securities increased to RMB939.9 million as at 31 December 2021 since we issued additional asset-backed notes in the amount of RMB800.0 million and RMB900.0 million in June 2021 and September 2021, respectively. Our asset-backed notes/securities increased to RMB1,045.9 million as at 30 April 2022 since we issued additional asset-backed notes in the amount of RMB500.0 million in March 2022.

Other Borrowings

Our other borrowings obtained from other financial institutions decreased by 33.5% or RMB378.3 million from RMB1,128.3 million as at 31 December 2019 to RMB750.0 million as at 31 December 2020 since we obtained more loans with lower interest rates and therefore controlled the amount of other borrowings obtained from other financial institutions with higher interest rates since 2020. It however increased by RMB1,748.4 million or 233.1% from RMB750.0 million as at 31 December 2020 to RMB2,498.4 million as at 31 December 2021 primarily because we incurred more borrowings from other financial institutions to repay our loans from related parties. Our other borrowings obtained from other financial institutions remained relatively stable at RMB2,104.8 million as at 30 April 2022. Please refer to the section headed "Business — Financial Leasing Business — Our Lenders and Funding Capabilities — Other Borrowings from Other Financial Institutions" for further details of the identities and background of such financial institutions to which our Group has transferred the loan receivables for financing during the Track Record Period.

Notes Payable

Our notes payable remained stable from RMB1,362.2 million as at 31 December 2019 to RMB1,352.6 million as at 31 December 2020 but decreased to RMB238.1 million as at 31 December 2021 due to our repayment of notes payable when due during 2021, the decline in invested fund in our financial leasing business and the shorter payment cycle of Shaanxi Heavy Duty Automobile. Our notes payable remained relatively stable at RMB221.2 million as at 30 April 2022.

During the Track Record Period, certain of our bank borrowings, other borrowings obtained from other financial institutions and notes payable were guaranteed by Shaanxi Holding Group. As at 31 December 2019, 2020 and 2021, the aggregate amount of such indebtedness guaranteed by Shaanxi Holding Group amounted to RMB3,498.5 million, RMB2,535.5 million and RMB729.2 million, respectively, accounting for 61.1%, 34.6% and 11.9% of our total financial indebtedness (including bank borrowings, loans from related parties, asset-backed notes/securities, other borrowings obtained from other financial institutions and notes payable) as at the relevant dates. As at 30 April 2022, RMB2,405.2 million or 94.9% of our indebtedness guaranteed by Shaanxi Holding Group as at 31 December 2020 was released, and the balance of our indebtedness guaranteed by Shaanxi Holding Group amounted to RMB130.3 million, accounting for 2.2% of our total financial indebtedness as at such date.

The maturity of our bank borrowings, loan from related parties, asset-backed notes, other borrowings obtained from other financial institutions and notes payable is as follows:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Within 1 year	5,243,851	6,285,849	4,952,558
1 to 2 years	480,598	1,052,612	1,179,831
	5,724,449	**7,338,461**	**6,132,389**

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

	As at 31 December		
	2019	**2020**	**2021**
Bank borrowings	4.72%	4.44%	4.43%
Loan from related parties	4.78%[(1)]	3.78%[(2)]	3.40%[(2)]
Asset-backed notes/securities	4.90%	4.35%	4.15%
Other borrowings obtained from other financial institutions	5.30%	4.62%	5.18%

Notes:

(1) The loan from related parties was provided under the "unified borrowing and paying" model where the interest rate of our loan from related parties was the same as that of the loan the related parties obtained from the external financing parties. For details, please refer to the section headed "Connected Transactions – Fully Exempt Continuing Connected Transactions – Provision of Financial Services by Shaanxi Automobile Holding" in this document.

(2) The weighted average effective interest rates for loan from related parties were 3.78% and 3.40% as at 31 December 2020 and 31 December 2021, respectively, which were lower than those for bank borrowings for the corresponding years, due to the fact that we obtained funds at lower interest rate from Shaanxi Automobile Holding which obtained borrowings from bank at the same interest rates during the COVID-19 outbreak period.

We are subject to a number of customary covenants under the agreements of our bank borrowings, loan from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions, the major terms of which are set forth below:

For Bank Borrowings

The borrower shall (i) use the facilities towards specific purposes as provided in the facility agreement and not to change the use of facilities; (ii) provide its financial and operating information and other related materials periodically or upon request of the lenders; (iii) cooperate and assist with any inspection conducted by the lenders; (iv) repay any principal, interest and any other amounts under the facilities in accordance with the terms of the facility agreements; (v) promptly notify and obtain written consent of the lenders (as applicable) for any external investment, incurrence of indebtedness, disposition of assets, restructuring, equity transfer, merger and acquisition, enter into joint operation, reduction of capital, winding-up, resolution, liquidation or other similar events that would result in material adverse effect on the borrower or our Group; (vi) promptly notify the lenders for changes in basic corporate information and management; (vii) generally compliance with applicable laws and regulations and social risk management policies; and (viii) not take any action that would cause any damages to the lenders.

Based on the review of the relevant bank borrowing agreements, our PRC Legal Adviser is of the view that where our Group was required to notify the relevant lenders in writing and/or obtain their written consents, including without limitation to incurrence of material indebtedness and major external investment, disposition of material assets, restructuring, equity transfer, merger and acquisition, entering into joint operation, reduction of capital, winding-up resolution, liquidation or other similar events which would result in material adverse effect on the borrower or our Group, our Group had properly and timely notified the relevant lenders in writing and/or obtained their written consents.

For Loan from Related Parties

The loan agreements between us and our related party lenders adopted a relatively simplified form, where the covenants include (i) the borrower shall repay any principal and interest of the facilities in accordance with the terms of the loan agreements; (ii) the borrower shall promptly notify the lenders if there is any material change to the operations of the borrower that would impact the interest of the lenders, and the borrower may need to prepay the loans prior to maturity or provide supplemental guarantee to the satisfaction of the lenders; and (iii) the borrower shall not transfer or assign its indebtedness and obligations under the loan agreements.

For Asset-Backed Notes/Securities

The covenants are mainly provided under the trust agreement entered into in connection with the asset-backed notes/securities. Under the trust agreement, we as the grantor, shall, among other things, (i) manage, operate and dispose the trusted assets in accordance with the terms of the trust agreement, (ii) redeem any ineligible assets in accordance with the terms of the trust agreement, (iii) upon the occurrence of certain events as provided in the trust agreement, notify the relevant lessees and guarantors the establishment of trust over the relevant financial leasing assets, transfer the ownership of such financial leasing assets to the trustee, and take any other actions as requested by the trustee to protect the trust interest, (iv) upon establishment of the trust, pass any funds received from the lessees in connection with the trusted assets and include such funds as the trusted assets, (v) not sell, pledge, charge, transfer any trusted assets to any other person, not take any actions that would negatively impact the trustee's ownership over the trusted assets, not create any encumbrance over the trusted assets and not give up its ownership over the trusted assets, (vi) unless as authorised by the trustee, not exercise any lessor's rights under the financial leasing agreements or guarantee agreements, or amend any terms of these agreements, or waive any obligations or liabilities of the lessees, in each case that would cause material adverse effect on the recoverability of the trusted assets, (vii) duly perform any of its obligations under the financial leasing agreements and not terminate such agreements and withdraw the leased assets unless upon breach of contract by the lessees, and (viii) use the proceeds of the asset-backed notes/securities towards specific purposes as provided in the transaction documents.

For Other Borrowings Obtained from Other Financial Institutions

We as the sublessee, shall, among other things, (i) provide financial reports upon request of the sublessor, (ii) obtain the written consent of the sublessor for any reorganisation, merger and acquisition, establishment of subsidiary, transfer of assets or reduction of capital that would adversely impact the sublessor's interest, (iii) obtain the written consent of the sublessor for any sale, grant, lease, lend, transfer, charge or pledge all or substantially all of the sublessee's assets, and (iv) notify the sublessor and provide supplemental guarantee to the satisfaction of the sublessor upon occurrence of certain events that would result in material adverse effect on the operation or condition of the sublessee.

As at the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain other bank facilities or to issue other debt securities to obtain financing during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of trade and other payables and bank borrowings or other loan facilities that were due.

As at 30 April 2022, the latest date for determining our indebtedness for the purposes of this document, we had committed and unrestricted bank borrowings of RMB2,533.9 million, of which RMB630.0 million remained unutilised. The purpose of these bank borrowings commitment or credit is to fund our general operations and business activities. Moreover, as at 30 April 2022, we obtained approvals from certain financial institutions providing financing services in the PRC for an aggregate revolving credit amount of RMB3,700.0 million to fund our financial leasing business, RMB2,499.9 million of which remained unutilised as at such date. Subject to market conditions, we also plan to issue asset-backed notes/securities in the amount of RMB5,400.0 million in 2022 to fund the expansion of our supply chain finance section.

Lease Liabilities

Our lease liabilities represent the lease of office buildings and facilities for our logistics and warehousing services. Our lease liabilities amounted to RMB27.0 million, RMB22.5 million and RMB48.1 million and RMB52.4 million, respectively, as at 31 December 2019, 2020 and 2021 and 30 April 2022. The lease term of our lease of buildings and facilities ranges from one year to five years.

The following tables set forth a breakdown of our lease liabilities by payment due date as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Minimum lease payments due			
– Within one year	18,168	11,344	26,729
– Between one and two years	6,069	6,630	14,776
– Between two and five years	6,272	7,742	13,941
	30,509	25,716	55,446
Less: future finance charges	(3,518)	(3,256)	(7,307)
	26,991	**22,460**	**48,139**

Contingent Liabilities and Guarantees

As at 30 April 2022, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

As at 30 April 2022, save as disclosed above, our Group did not have any other outstanding borrowings, mortgage, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, financial leasing commitments, hire purchase commitment.

Save as disclosed above, our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2022 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We entered into transactions with certain related parties from time to time. During the Track Record Period, we had the following significant transactions with related parties:

Sales of goods

For the years ended 31 December 2019, 2020 and 2021, the revenue recorded for sales of goods to related parties amounted to RMB213.8 million, RMB256.3 million and RMB204.9 million, respectively. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Supply of Products and Services Framework Agreement" in this document.

Provision of services

For the years ended 31 December 2019, 2020 and 2021, the revenue recorded for providing services to related parties approximately amounted to RMB474.3 million, RMB617.0 million and RMB483.6 million, respectively. We mainly provided (i) logistics and warehousing services, (ii) factoring services and (iii) IoV and data services during the Track Record Period. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Supply of Products and Services Framework Agreement" in this document.

Purchase of goods and services

For the years ended 31 December 2019, 2020 and 2021, the purchase of goods and services from related parties approximately amounted to RMB590.0 million, RMB593.4 million and RMB479.2 million, respectively. For further details of the background of the reasons for such transactions, please refer to the section headed "Connected-Transactions – Non-exempt Continuing Connected Transactions – Products Purchasing Framework Agreement" in this document.

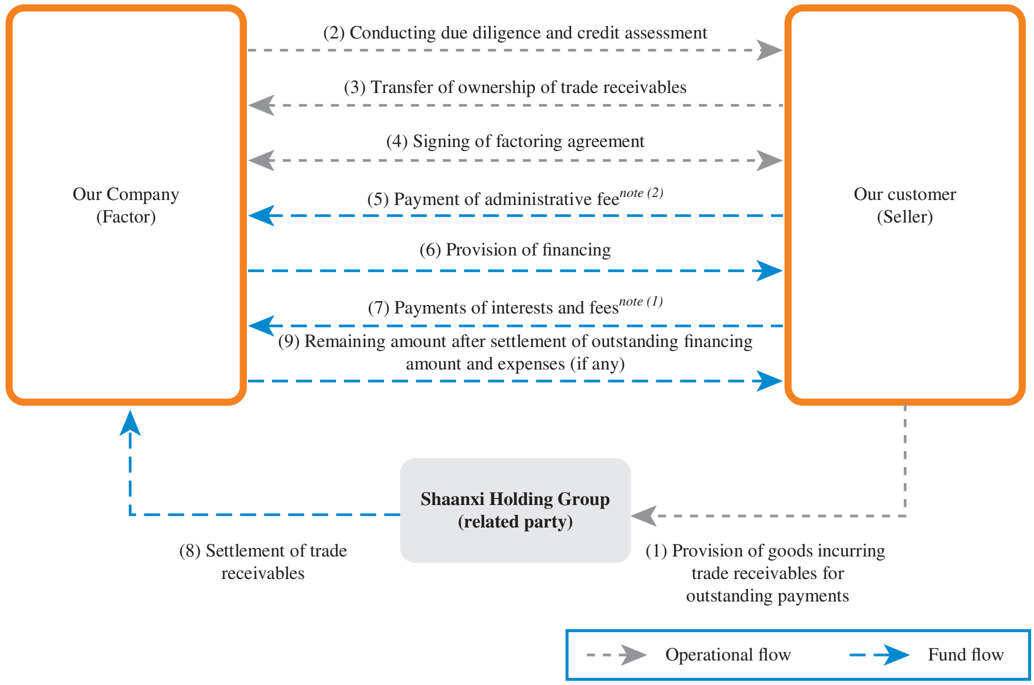
Loans advanced from related parties and Repayment of loans to related parties

For the years ended 31 December 2019, 2020 and 2021, the loans advanced from related parties approximately amounted to RMB1,255.0 million, RMB3,955.0 million and RMB1,365.0 million, respectively. During the same period, the repayment of loans to related parties approximately amounted to RMB804.0 million, RMB1,160.0 million and RMB4,436.0 million, respectively.

Factoring receivables repaid by related parties on behalf of third parties

For the years ended 31 December 2019, 2020 and 2021, the factoring receivables repaid by related parties on behalf of third parties amounted to approximately RMB779.3 million, RMB952.9 million and RMB255.8 million, respectively.

The following diagram illustrates standard operational workflow in respect of the factoring receivables repaid by related parties on behalf of third parties:



Notes:

(1) Please refer to the section headed "Business — Factoring Business — Pricing Policy" in this document for further details our pricing policy of factoring business.

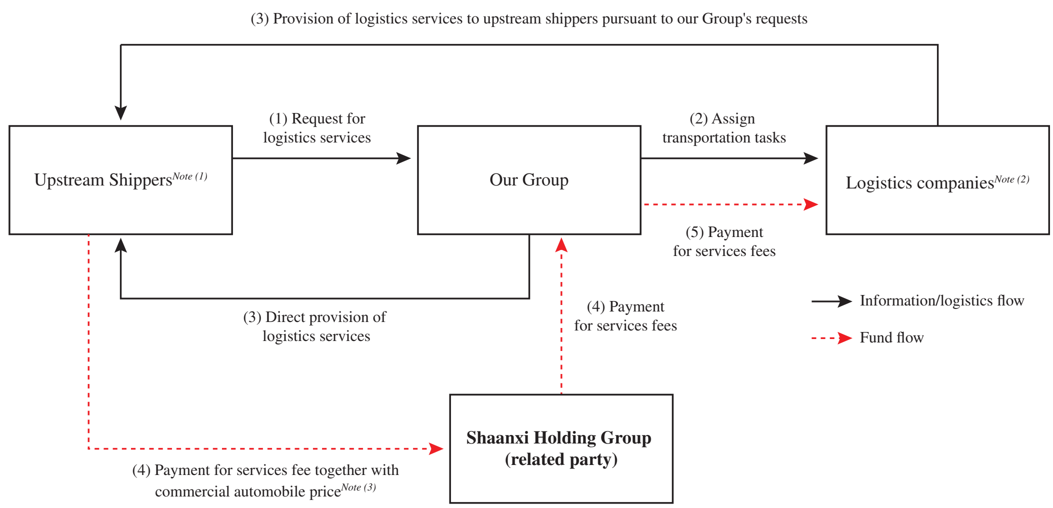
(2) Customers will pay an administrative fee to us upon entering into factoring agreements.

Payment of transportation fee collected by related party on behalf of the Group

For the years ended 31 December 2019, 2020 and 2021, the payment of transportation fee collected by related parties on behalf of the Group amounted to approximately RMB410.8 million, RMB451.7 million and RMB445.0 million, respectively.

According to the Frost & Sullivan Report, it is an industry norm that the commercial automobile manufacturers collect payment for transportation fee on behalf of their related automobile logistics service providers together with payment for the commercial automobile price from the commercial automobile purchaser. Under the typical terms of the automobile logistics services, the commercial automobile sales dealers who purchase the commercial automobiles from Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile would first pay Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile for the commercial automobile sales price together with the transportation fee, and entrust Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile to pay the transportation fee to us. Shaanxi Heavy Duty Automobiles and Shaanxi Commercial Automobile will then pay us the transportation fee based on the logistics services we provided on a monthly basis. Under such payment arrangement, the related parties involved are Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile and the ultimate customers are the commercial automobile sales dealers. Such payment arrangement will provide convenience to the commercial automobile sales dealers and reduce our risks of default on the payment of our transportation fees.

Such payment arrangement has no impact on the operational and fund flow of our automobile logistics services except that the purchasers of the commercial automobile would first pay Shaanxi Holding Group for the commercial automobile sales price together with the transportation service fee and entrust Shaanxi Holding Group to pay the transportation services fee to us for the services provided by us. The following diagram illustrates standard operational workflow to provide our automobile logistics services when the payment of transportation fee collected by the related party on behalf of our Group:



Notes:

(1) Please refer to the section headed "Business — Customers of Our Automobile Logistics Service and Third Party Logistics Service" in this document for further details. Customers of our automobile logistics service are primarily national and regional commercial automobile sales dealers throughout China that have cooperative relationship with Shaanxi Heavy Duty Automobile and Shaanxi Commercial Automobile.

(2) We will take charge of the scheduling, planning and arrangement of transportation capacity of the carrier pursuant to the logistics transportation needs of the upstream shippers. We will engage downstream logistics companies to complete the transportation tasks. We arrange the performance of logistics service for the upstream shippers and bear the risks involved in transportation. We manage such risks through contractual arrangement with downstream logistics companies. Downstream logistics companies will be accountable to us for the specific performance of logistics service.

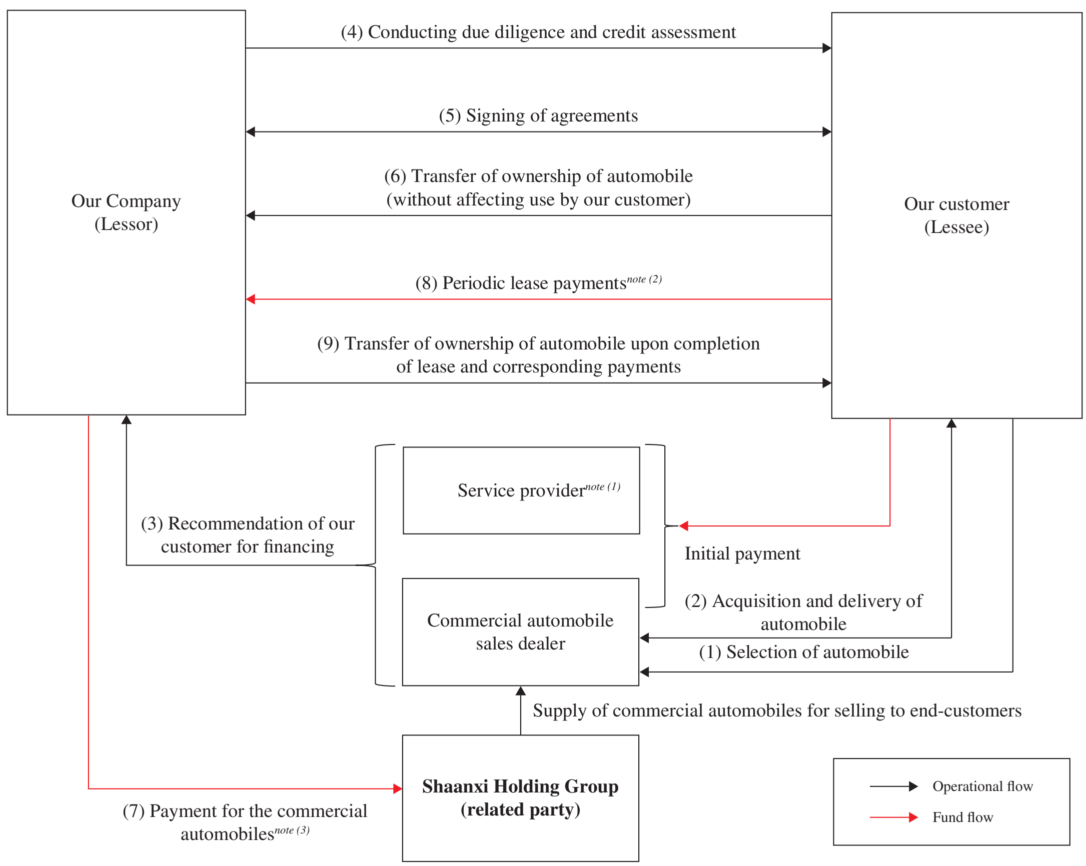
(3) In respect of the automobile logistics service provided to commercial automobile sales dealers, the purchasers of the commercial automobiles would first pay Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) for the commercial automobile sales price together with the transportation service fee, and entrust Shaanxi Heavy Duty Automobile/Shaanxi Commercial Automobile (as the case may be) to pay the transportation service fee to us (or our subsidiary) for the automobile logistics service provided by us.

Commercial automobiles purchase price paid to related party on behalf of automobiles dealers

For the years ended 31 December 2019, 2020 and 2021, the commercial automobiles purchase price paid to related parties on behalf of automobiles dealers approximately amounted to RMB2,359.5 million, RMB2,688.2 million and RMB945.5 million, respectively.

During the Track Record Period, Deewin Financial Leasing, certain commercial automobile sales dealers and commercial automobile manufacturers, such as Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile entered into certain alternative payment arrangements that mainly allows Deewin Financial Leasing to pay Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile on behalf of the commercial automobile sales dealers for the commercial automobiles they have purchased in relation to the transactions that Deewin Financial Leasing provides financial leasing services. Such commercial automobile sales dealers are independent third parties of the Group that have a stable business relationship with Deewin Financial Leasing. A number of such dealers are customers of the Group under our logistics and supply chain service sector. In connection with the alternative payment arrangement, Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile will grant a revolving credit line with certain period to Deewin Financial Leasing for the payment on the purchase price of commercial automobiles purchased by commercial automobile sales dealers. The amount of the payment made by Deewin Financial Leasing on behalf of the commercial automobile sales dealers will be mainly offset within the amount of the purchase price that is payable by Deewin Financial Leasing to the commercial automobiles sales dealers on behalf of the end-users of commercial automobile in relation to the financial leasing services ("**Alternative Payment Arrangement**"). No fees or interests are payable or chargeable by our Group to Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile, nor fees or interests are payable or chargeable by the commercial automobile sales dealers to our Group in relation to the Alternative Payment Arrangement. The Alternative Payment Arrangement is mainly to provide flexibility on the payment schedule to the commercial automobile sales dealers who have stable business relationship with Deewin Financial Leasing and good sales record. It also made the whole sales of commercial automobile transaction more efficient and convenient due to the flexible payment schedule. During the Track Record Period there were 64, 71 and 37 commercial automobile sales dealers involved in the Alternative Payment Arrangement. According to the Frost & Sullivan Report, such payment arrangement is in line with industry norm.

The Alternative Payment Arrangement has no impact on the operational and fund flow of our sale and leaseback arrangement except that our Company would pay the purchase price to the commercial automobile manufacturers directly instead of paying the net financing amount to commercial automobile dealer or the service providers. The following diagram illustrates the typical sale and leaseback arrangement among our Company, our customer, the commercial automobile sales dealers and our related party under Alternative Payment Arrangement:



Notes:

(1) Service providers generally sell various brands of commercial automobiles, trailers and second hand commercial automobiles, and do not focus on selling one specific brand of automobiles. They also leverage on such sales activities to provide financing solutions (including financial leasing services) supporting the sales process.

(2) Periodic lease payments include principal and interest payments from our customers. Please refer to the paragraphs headed "— Financial Leasing Business — Pricing Policy" for further details on our pricing policy of financial leasing business.

(3) Under the Alternative Payment Arrangement, Shaanxi Heavy Duty Automobile or Shaanxi Commercial Automobile will grant a revolving credit line with certain period to Deewin Financial Leasing for the payment on the purchase price of commercial automobiles purchased by commercial automobile sales dealers.

The Alternative Payment Arrangement was essentially a settlement arrangement under which we pay the purchase price on behalf of the automobile sales dealers, who would then settle the bills with us upon a stipulated credit period, or offset the leasing amount payable by us to such dealers in other arrangements. This arrangement effectively helped provide liquidity to the automobile sales dealers. However, due to the increasing competitions in the PRC financial leasing market in recent years, the cycle for the release of financing payment to the automobile sales dealers by the financial leasing service providers in the market (including our Group) has been shortened, which has alleviated the sales dealers' liquidity pressure and they thus become more able to pay directly to the commercial automobile manufacturers upon receipt of such financing payment from the financial leasing service providers. As a result, the Alternative Payment Arrangement had become less attractive to the automobile sales dealers, and we terminated the Alternative Payment Arrangement at the end of 2021. There were no commercial automobile sales dealers involved in such arrangement as at 31 December 2021. Please refer to the section headed "Business — Supply Chain and Financial Service Sector — Financial Leasing Business — Sale and Leaseback Model" in this document for the standard work flow that we have adopted upon cessation of the Alternative Payment Arrangement. As we do not charge any service fee from such arrangement and only use as a method to facilitate and attract sales dealers, our Directors confirmed that the cessation of the Alternative Payment Arrangement did not have any material operational or financial impact on our Group.

Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business and on an arm's length basis and with normal commercial terms between the relevant parties.

Balances with Related Party

The following table sets forth a breakdown of our balances with related parties as at the dates indicated:

Trade balances with related parties

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
FVOCI – Notes receivables	231,733	217,776	129,291
FVOCI – Trade receivables	–	–	29,842
Trade receivables	213,942	270,539	149,573
Loan receivables	50,144	49,696	72,196
Prepayments	10,094	13,594	24,546
Notes payable	1,358,937	1,346,440	50,357
Trade payables	133,783	68,979	74,175
Contract liabilities	–	138	1,090

Non-trade balances with related parties

	As at 31 December		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Other receivables	7,823	13,932	13,547
Other payables	1,131,678	3,928,991	856,355

Our FVOCI – notes receivables from related parties slightly decreased by RMB13.9 million or 6.0% to RMB217.8 million as at 31 December 2020 primarily because a smaller portion of our receivables from customers were settled by notes in 2020. As such, our FVOCI – notes receivables further decreased to RMB129.3 million as at 31 December 2021.

Our trade receivables from related parties increased by RMB56.6 million or 26.5% to RMB270.5 million as at 31 December 2020 primarily as a result of the continuous expansion of operational scale of our logistics and supply chain sector and IoV and data service sector during the same year. Our trade receivables from related parties decreased by RMB120.9 million or 44.7% to RMB149.6 million as at 31 December 2021 primarily as a result of (i) the decrease in sales of goods in our IoV and data service sector to related parties in the fourth quarter of 2021, and (ii) the improved collection of receivables from related parties under our logistics and supply chain sector.

Our notes payable to related parties remained stable from RMB1,358.9 million as at 31 December 2019 to RMB1,346.4 million as at 31 December 2020. In addition, our notes payable to related parties decreased to RMB50.4 million as at 31 December 2021 primarily because of our repayment of notes payable to related parties that became due in 2021.

Our other payables to related parties increased from RMB1,131.7 million as at 31 December 2019 by RMB2,797.3 million or 247.2% to RMB3,929.0 million as at 31 December 2020 primarily as a result of (i) the continuous expansion of operational scale of our financial leasing business during the same year, and (ii) our adjustment of funding structure in 2020, during which we secured more loans with lower interest rates while reduced the amount of bank borrowings and borrowings obtained from other financial institutions with higher interest rates to support the expansion of operational scale of our financial leasing business in 2020. Our other payables to related parties decreased to RMB856.4 million as at 31 December 2021 primarily because of our repayment of loan from related parties as scheduled.

Other than the trade balances with related parties as disclosed above, we also have non-trade balances with related parties. As at 31 December 2019, 2020 and 2021, the carrying amount of other receivables under our non-trade balance with related parties was approximately RMB7.8 million, RMB13.9 million and RMB13.5 million, with allowance provision of RMB4,000, RMB7,000 and RMB16,000, respectively. All of these other receivables were deposits paid to related parties for the logistics and warehousing service which will not be settled before the [**REDACTED**]. The Group expects that the other payables under our non-trade balance with related parties of approximately RMB856.4 million will not be settled before the [**REDACTED**], which include the other payables to the parent company of RMB854.9 million which is a loan to be repaid after the [**REDACTED**] in accordance with the agreement. Please refer to Note 41(c)(ii) to the Appendix I to this document for further details.

There was no pledge/guarantee provided to the related parties, and the pledge/guarantee provided by the related parties will be partially released upon the [**REDACTED**]. The pledge/guarantee provided by the related parties existing after the [**REDACTED**] is expected to amount to approximately RMB0.8 million due in 2022, RMB9.6 million due in 2023 and nil due in 2024. Such pledge/guarantee provided by the related parties cannot be released upon the [**REDACTED**] because (i) pursuant to the terms of agreements we entered into with the relevant financial institutions, we will need to pay certain amount of compensation to them upon the release of the aforementioned pledge/guarantee, which will also impact our long-term stable relationship with these financial institutions, and (ii) our asset-backed notes/securities guaranteed by the related parties shall be issued pursuant to our approved plan and cannot be released in advance. As at the date of this document, we maintain sound cash flow, obtain sufficient undrawn lines of credit from various financial institutions and have adequate outstanding balance of the asset-backed notes/ securities for issuance.

Please refer to Note 41 to the Accountant's Report in Appendix I to this document and the section headed "Connected Transactions" in this document for further details.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure comprised primarily expenditures for property, plant and equipment, intangible assets and right-of-use assets. The following table sets forth our capital expenditures for the years indicated:

	Year ended 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Property, plant and equipment	21,088	23,631	13,146
Intangible assets	4,696	6,312	11,720
Right-of-use assets	11,749	14,044	57,527
Total capital expenditure	**37,533**	**43,987**	**82,393**

In 2022 and 2023, we expect to incur capital expenditure in an amount of RMB228.9 million and RMB246.2 million, respectively. We plan to fund our expected capital expenditure by using our cash flow generated from operations, bank borrowings, asset-backed notes/securities, other borrowings from other financial institutions and the [**REDACTED**] received from the [**REDACTED**].

KEY FINANCIAL RATIOS

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

	Year ended/as at 31 December		
	2019	2020	2021
Return on average assets(1)	3.0%	3.1%	3.4%
Return on average net assets(2)	13.3%	14.5%	15.8%
Gross profit margin(3)	16.4%	20.0%	23.4%
Net profit margin(4)	8.3%	9.8%	11.8%
Current ratio(5)	1.0	1.1	1.2
Quick ratio(6)	1.0	1.0	1.2
Gearing ratio(7)	64.9%	71.3%	69.7%

Notes:

(1) For each of the three years ended 31 December 2021, return on average assets is calculated by dividing profit for the year by the average balance of total assets as at the beginning and as at the end of the year and multiplying 100%.

(2) For each of the three years ended 31 December 2021, return on average net assets is calculated by dividing profit for the year attributable to the equity holders of the Company by the average balance of total equity attributable to the equity holders of the Company as at the beginning and as at the end of the year and multiplying 100%.

(3) Gross profit for the year divided by revenue for the year and multiplied by 100%.

(4) Profit for the year divided by revenue for the year and multiplied by 100%.

(5) Total current assets divided by total current liabilities as at the end of the year.

(6) Total current assets excluding inventories divided by total current liabilities.

(7) Net debts (including borrowings, lease liabilities, bond payable and loan payable but excluding restricted bank deposits and cash and cash equivalent) divided by the total equity as at the end of the year end. Please refer to the paragraph headed "— Qualitative and Quantitative Disclosure about Financial Risks — Capital Risk" in this section for further details on the calculation of our gearing ratio.

Return on Average Assets

Our return on average assets increased from 3.0% in 2019 to 3.1% in 2020 since the increase in our net profit for each year outpaced the increase in the average balance of our total assets for the same year. Our return on average assets increased to 3.4% in 2021 primarily due to the increase in our net profit for the period that outpaced the increase in the average balance of our total assets for the same year.

Return on Average Net Assets

Our return on average net assets increased from 13.3% in 2019 to 14.5% in 2020 since the increase in our profit for the year attributable to the equity holders of our Company for each year outpaced the increase in the average balance of total equity attributable to the equity holders of our Company for the same year. Our return on average net assets increased to 15.8% in 2021 primarily due to the increase in our profit for the period attributable to the equity holders of our Company for the period that outpaced the increase in the average balance of our total assets for the same year.

Gross Profit Margin

Please refer to the paragraphs headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Gross Profit and Gross Profit Margin" and "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Gross Profit and Gross Profit Margin" in this section for further details.

Net Profit Margin

Our net profit margin increased from 8.3% in 2019, to 9.8% in 2020 and further to 11.8% in 2021 primarily due to (i) the continuous increase in our profit before income tax annually as explained in the paragraphs headed "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2021 Compared to Year Ended 31 December 2020 — Profit before Income Tax" and "— Year to Year Comparison of Results of Operations — Year Ended 31 December 2020 Compared to Year Ended 31 December 2019 — Profit before Income Tax" in this section, and (ii) the continuous decrease in our effective tax rate annually as explained in the paragraph headed "— Taxation" in this section.

Current Ratio

Our current ratio remained stable at 1.0, 1.1 and 1.2 as at 31 December 2019, 2020 and 2021, respectively.

Quick Ratio

Our quick ratio remained stable at 1.0, 1.0 and 1.2 as at 31 December 2019, 2020 and 2021, respectively.

Gearing Ratio

Our gearing ratio increased from 64.9% in 2019 to 71.3% in 2020 primarily due to the continuous expansion of the operational scale of our financial leasing business and factoring services during the same year and remained stable at 69.7% in 2021.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Our Group's activities and operations are exposed to a variety of market risk, credit risk, liquidity risk and capital risk. Our overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. We currently do not use any derivative financial instruments to hedge certain risk exposures. Please refer to Note 3 to the Accountant's Report included in Appendix I to this document for further details.

Market Risk

Our market risk is primarily cash flow and fair value interest rate risk, which is mainly attributable to our cash and cash equivalents, restricted cash at banks, loans receivables, borrowings, bond payables, trade and other payables and lease liabilities. Specifically, we are exposed to cash flow rate risk with our financial assets and liabilities at variable interest rates and are exposed to fair value interest rate risk with our financial assets and liabilities at fixed interest rates.

As at 31 December 2019, 2020 and 2021, if interest rates on our cash and cash equivalents and bank borrowings had been 10% higher/lower with all other variables held constant, our profit after income tax for the year would have been RMB1.9 million lower/higher, RMB1.4 million lower/higher and RMB0.4 million lower/higher respectively, mainly as a result of higher/lower net interest income/expense being recognised/incurred.

Credit Risk

We are exposed to credit risk primarily in relation to our cash and cash equivalents, restricted cash at banks, loan receivables and trade and other receivables.

We do not expect any significant credit risk associated with cash at bank and restricted cash at bank since they are deposited at state-owned banks and other medium or large size listed banks.

Our management has credit policy in place and the exposures to those credit risk are monitored on an ongoing basis. We have policies to monitor the credit exposure, trade receivables, loan receivables and other receivables. We assess the credit quality of and set credit limits on our customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. We regularly monitor the credit history of our customers. In respect of customers with a poor credit history, we will use written payment reminders, or shorten or cancel credit periods, to ensure that our overall credit risk is limited to a controllable extent.

Our loan receivables are mainly receivables generated from our financial leasing business. For such receivables, we perform standard credit management procedures, which include primarily project due diligence and proposal submission, credit underwriting review and approval, disbursement, post-lending monitoring and management of non-performing financial lease receivables. We enhance our credit risk management by strictly complying with our credit management procedures, strengthening customer investigation, lending approval and post-lending monitoring measures, enhancing risk mitigation effect of loan receivables through obtaining collateral, security deposits and corporate or individual credit guarantee.

We write off financial assets when there is no reasonable expectation of recovery with the indicators of bankruptcy, cancellation, revocation or closure of the debtor, and the debtor has no enforceable property.

We made provision for financial instruments measured at amortised cost, financial lease receivables, loan commitments and financial guarantee contracts using the "expected credit loss model" by dividing the financial instruments and loan receivables into 3 stages: (i) stage 1 is "the credit risk has not increased significantly since its initial recognition", at which we only need to measure the expected credit loss in the next 12 months; (ii) stage 2 is "the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired", at which we need to measure lifetime expected credit loss with no credit impaired; and (iii) stage 3 is "financial instrument is credit-impaired", at which we need to measure lifetime expected credit loss with credit impaired. Please refer to the paragraph headed "— Critical Accounting Policies, Judgement and Estimates — Provision for Credit Losses" in this section for further details on the management judgement and estimate involved in calculation of expected credit loss. Please refer to Note 3.1(b) to the Accountant's Report included in Appendix I to this document for further qualitative and quantitative analysis of the expected credit loss model applicable to our trade receivables, financial assets at fair value through profit or loss, other receivables and loan receivables.

Liquidity Risk

We aim to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, we monitor rolling forecasts of our Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flows. All the borrowings are in compliance with the relevant covenants. We expect to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

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

	Less than one year	Between one year and two years	Between two years and five years	Over five years	Total
	(in thousands of RMB)				
As at 31 December 2019					
Trade and other payables	3,347,464	682,097	–	–	4,029,561
Lease liabilities	18,168	6,069	6,272	–	30,509
Borrowings	3,050,581	197,084	–	–	3,247,665
Bond payables	88,604	–	–	–	88,604
	6,504,817	885,250	6,272	–	7,396,339
As at 31 December 2020					
Trade and other payables	5,551,268	582,513	882,331	–	7,016,112
Lease liabilities	11,344	6,630	7,742	–	25,716
Borrowings	1,656,590	126,225	–	–	1,782,815
Bond payables	259,212	75,443	–	–	334,655
	7,478,414	790,811	890,073	–	9,159,298
As at 31 December 2021					
Trade and other payables	1,363,036	1,041,984	–	–	2,405,020
Lease liabilities	26,729	14,776	13,941	–	55,446
Borrowings	3,815,043	460,421	–	–	4,275,464
Bond payables	856,959	104,572	–	–	961,531
	6,061,767	1,621,753	13,941	–	7,697,461

Capital Risk

Our primary objective for capital management is to safeguard our ability to continue as a going concern in order to provide returns for equity holders. We manage our capital structure and make adjustments to it, in light of changes in economic conditions. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

We monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "borrowings", "lease liabilities" and "bond payable" as shown in our consolidated statement of financial position) less cash and cash equivalents and restricted cash at banks. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

	As at 31 December		
	2019	2020	2021
	(in thousands of RMB)		
Total borrowings	3,146,942	1,737,884	4,100,429
Add: Trade and other payables – loan from related parties	1,130,000	3,925,000	854,000
Add: Lease liabilities	26,991	22,460	48,139
Add: Bond payables	85,332	323,003	939,857
Less: Restricted cash at banks	(536,312)	(467,452)	(84,816)
Less: Cash and cash equivalents	(730,143)	(196,915)	(213,339)
Net debt	3,122,810	5,343,980	5,644,270
Total capital	4,815,109	7,492,981	8,094,017
Gearing ratio	**64.9%**	**71.3%**	**69.7%**

Please refer to the paragraph headed "— Key Financial Ratios" in this section for further details on the analysis of fluctuation of our gearing ratio.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for operating lease commitments, as at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND POLICY

Our Group declared dividends in an aggregate amount of RMB63.0 million, RMB336.4 million and RMB68.0 million, respectively, for the years ended 31 December 2019, 2020 and 2021 to our then shareholders. As advised by our PRC Legal Advisers, the dividends declared and paid by our Group during the Track Record Period were in compliance with the relevant PRC laws and regulations. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars.

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

DISTRIBUTABLE RESERVES

The Group had retained earnings of (i) RMB572.8 million as at 31 December 2019, (ii) RMB30.7 million as at 31 December 2020, and (iii) RMB299.7 million as at 31 December 2021, representing the distributable reserves available for distribution to our shareholders.

[**REDACTED**]

Our [**REDACTED**] primarily consist of [**REDACTED**], professional fees paid to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The total estimated [**REDACTED**] (based on the midpoint of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, including [**REDACTED**] payable by us) in relation to the [**REDACTED**] are approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), accounting for [**REDACTED**] of our estimated gross [**REDACTED**] of HK[**REDACTED**] million from the [**REDACTED**] assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the stated range of the [**REDACTED**] between HK$[**REDACTED**] and HK$[**REDACTED**] per H Share). The aforementioned total estimated [**REDACTED**] (based on the midpoint of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) in relation to the [**REDACTED**] includes (i) [**REDACTED**]-related expenses (including not but limited to [**REDACTED**] and fees) in the amount of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), and (ii) non-[**REDACTED**]-related expenses in the amount of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountant in the amount of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), and (b) other fees and expenses in the amount of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million).

During the Track Record Period, we incurred actual [**REDACTED**] of RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) of which was charged to our consolidated statement of profit and loss and RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) of which is expected to be charged against equity upon successful [**REDACTED**] under the relevant accounting guidelines.

We expect to incur further [**REDACTED**] of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million), of which RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) will be charged to our consolidated statement of profit or loss for the year ending 31 December 2022 and RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) is expected to be charged against equity upon successful [**REDACTED**] under the relevant accounting guidelines.

[**REDACTED**] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and [**REDACTED**] statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the [**REDACTED**] as if it had taken place on 31 December 2021.

This [**REDACTED**] of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [**REDACTED**] been completed as at 31 December 2021 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2021(1)	Estimated [REDACTED] from the [REDACTED]	[REDACTED] adjusted net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2021	[REDACTED] adjusted net tangible assets per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	2,421,519	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	2,421,519	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited consolidated net tangible assets information of our Group attributable to equity holders of our Company as at 31 December 2021 are extracted from the Accountant's Report as set out in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to equity holders of our Company as at 31 December 2021 of approximately RMB2,444,375,000 with an adjustment for the intangible assets of our Group as at 31 December 2021 of approximately RMB22,856,000.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] H Shares and the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per H Share, being the lower end and higher end of the stated [**REDACTED**] respectively, after deduction of the estimated [**REDACTED**] and other related expenses payable by us, but excluding [**REDACTED**] of approximately RMB2,089,000 which has been accounted for in the consolidated statements of comprehensive income up to 31 December 2021 and takes no account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

(3) The [**REDACTED**] adjusted net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2021 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] has been completed on 31 December 2021 but takes no account of any shares which may be issued upon the exercise of the [**REDACTED**].

(4) The [**REDACTED**] adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.85162 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to 31 December 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, other than disclosed in the section headed "Summary – COVID-19 Outbreak" in this document, up to the date of this document, there has been no material adverse change in our financial, operational or trading position of our Group since 31 December 2021, being the date on which our latest audited consolidated financial statements were prepared.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.