
SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

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

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

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

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

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

- **Supply chain financial service sector**, including financial leasing business, and factoring business. Our financial leasing business provides quality commercial automobile purchase financing solutions to a wide range of downstream commercial automobile end-users. Our factoring business also serves both the upstream components suppliers and mid-downstream logistics companies by providing trade receivable financing to meet their capital needs.
- **IoV and data service sector**, including sales of IoV-related products and provision of IoV solutions, which involve pre-installation of IoV devices on commercial automobiles and provision of IoV data analytic services and solutions to industry players.

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

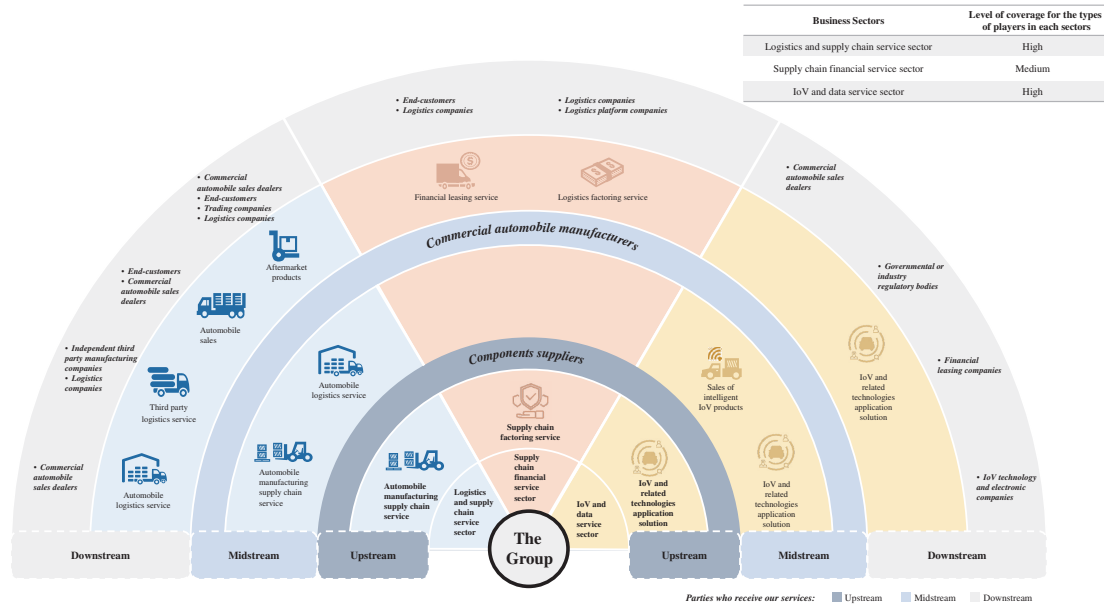
Business Sector	Business Line	Business Service	Services and products	Typical Customers
Logistics and supply chain service sector ¹	Supply chain business	Automobile manufacturing supply chain service	Components collection, transportation, warehousing, sorting, packaging and distribution.	<ul style="list-style-type: none"> • Components suppliers • Commercial automobile manufacturers
		Automobile logistics service	Transportation of new commercial automobiles from manufacturers to pick-up points designated by our customers.	<ul style="list-style-type: none"> • Commercial automobile manufacturers • Commercial automobile sales dealers
		Third party logistics service	Arranging third party logistics services to transport iron ore, steel and coal consigned to the designated places by the shippers.	<ul style="list-style-type: none"> • Independent third party manufacturing companies • Logistics companies
	Automobile sales business	–	Sales of commercial automobiles manufactured by Shaanxi Holding Group.	<ul style="list-style-type: none"> • End-customers • Commercial automobile sales dealers
	Aftermarket products business	–	Sales of (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products.	<ul style="list-style-type: none"> • Commercial automobile sales dealers • End-customers • Trading companies • Logistics companies
Supply chain financial service sector ²	Financial leasing business	–	Provision of financing leasing solutions to purchasers of commercial automobiles	<ul style="list-style-type: none"> • End-customers • Logistics companies
	Factoring business	Supply chain factoring service Logistics factoring service	Factoring trade receivables of participants of the commercial automobile industry.	<ul style="list-style-type: none"> • Components suppliers • Logistics companies • Logistics platform companies
IoV and data service sector ³	Sales of intelligent IoV products business	–	Sales of (i) intelligent IoV terminal products, (ii) intelligent display screens, and (iii) intelligent IoV accessories.	<ul style="list-style-type: none"> • Commercial automobile manufacturers
	IoV and related technologies application solution business	–	Data processing and analysis solutions.	<ul style="list-style-type: none"> • Commercial automobile manufacturer and components suppliers • Commercial automobile sales dealers • Governmental or industry regulatory bodies • Financial leasing companies • IoV technology and electronic companies • End-customers

Notes:

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

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



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

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

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

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

Notes:

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

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- (2) The revenue, gross profit and gross profit margin of the Supply Chain Financial Service Sector and IoV and Data Service Sector maintained steady growth, which was in line with our stable expansion of business operations during the Track Record Period.
- (3) Shaanxi Holding Group and Associated Customers includes Shaanxi Holding Group, Overlapping Logistics Customers, Overlapping Factoring Customers, Overlapping Financial Leasing Customers and Overlapping IoV Customers.
- (4) Independent Customers include Independent Logistics Supply Chain Customers, Independent Factoring Customers, Independent Financial Leasing Customers and Independent IoV Customers.
- (5) The year-on-year increase in the gross profit margin of automobile manufacturing supply chain services is mainly due to our cost reductions, increased efficiency, and increased business volume. In particular, since 2019, the Company continued to reduce its staff numbers and increase efficiency to maintain a steady growth in gross profit margin.
- (6) In 2020, the overall gross profit margin of automobile logistics service was low primarily due to our long-haul transportation business which was hampered by the COVID-19 pandemic in 2020 as strict controls and measures were imposed by governments regarding transportation between provinces, and labour costs increased, which lowered the overall gross profit margin. In 2021, the overall gross profit margin recovered to a similar level found in 2019 mainly because our business gradually recovered to the previous level.
- (7) The profit margin of our third party logistics services in 2020 was lower than those in 2019 and 2021 mainly due to the majority of projects with certain customers completed in 2020 having a lower gross profit margin as the Company considered this customer’s potential and prospects for future collaboration and business.
- (8) The profit margins for each group of customers differ mainly due to our sale of commercial automobiles to Independent Customers being newly developed in 2021, where the gross profit margin fluctuates significantly depending on the actual commercial automobile model sold.
- (9) The profit margin of our financial leasing services was lower in 2019 than in other years mainly due to the enhanced marketing activities undertaken by our financial leasing business in response to increased market competition in 2019, in particular our adoption of a series of promotion policies, which lowered internal rate of return and the corresponding gross profit margin. The profit margins for each group of customers differ primarily because the financial leasing business has been concentrating on the Shaanxi Holding Group brand from its establishment. As we develop business with non-Shaanxi Holding Group brands, we will charge higher fees based on our risk assessment. The risk of Shaanxi Holding Group brand is lower than that of the non-Shaanxi Holding Group mainly due to the installation of the locking system that was developed by our Group on the commercial automobiles of Shaanxi Holding Group.
- (10) The profit margin of our factoring business in 2020 and 2021 was higher than 2019 mainly due to the strengthened risk control of our factoring business since 2020 to reduce the default ratio for the new factoring transactions. In particular, the profit margin in 2020 was slightly higher than 2021 mainly because the Company had successfully collected the penalty interest from certain overdue projects resulting in a relatively high gross profit for such period in the fourth quarter of 2020.
- (11) The profit margins for each group of customers differ mainly due to the volume discount pricing we offer. During the Track Record Period, Shaanxi Holding Group and Associated Customers purchased a considerable volume of our products whereas the purchases made by Independent Customers are more infrequent. As the purchases made by Independent Customers are infrequent, the profit margin of the products purchased by them may affect our overall gross profit margin of the relevant period substantially. For 2020 and 2021, the products purchased by Independent Customers are mainly products with a lower profit margin.
- (12) The main cost of the services we provided under our IoV and related technologies application solutions business is network bandwidth, which is shared by all types of customers and therefore the profit margins for each group of customers are the same.
- (13) Please also refer to (i) the section headed “Financial Information” for detailed discussion of revenue, gross profit and gross profit margin and (ii) the section headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence” for detailed discussion on the material fluctuations and the disparities among each customer category, during the Track Record Period.

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

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

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

OUR COMPETITIVE STRENGTHS

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

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

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- Our large IoV platform and advanced data technology support the growth of our IoV and data business
- Experienced management team and strong support from our Controlling Shareholders

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

BUSINESS STRATEGIES

Our main business strategies are as follows:

- We adopt both offline and online measures to improve our commercial automobile aftermarket service offerings
- We focus on improving the core IoV technology and data service capabilities to consolidate our advantages
- We continue to consolidate our industry advantages in supply chain financial services and third party logistics services to optimise our business structure
- We continuously improve our employees’ career prospects and enhance incentive schemes to attract and cultivate talents

For details of our business strategies, please see the section headed “Business — Business Strategies” in this document.

SUMMARY HISTORICAL FINANCIAL STATEMENTS

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

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Summary Consolidated Statements of Comprehensive Income

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

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

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

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Summary Consolidated Statements of Financial Position

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

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

Note:

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

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

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

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Summary Consolidated Statements of Cash Flow

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

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

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

For the years ended 31 December 2020 and 2021, our Group recorded net cash outflow from operating activities of RMB705.9 million and RMB470.8 million, respectively. The cash outflow for the year ended 31 December 2020 mainly arose from the financial leasing business. We make a lump sum payment of purchase price upon purchase of the leased commercial vehicles by the lessor while collecting instalment repayments from the lessees over a period of time, which was typically 2 years. The cash outflow was primarily due to the increased investment in financial leasing business in line with our expansion of business scale in 2020, while the additional fund required to the business expansion was mainly from capital injection from related parties and the issuance of asset-backed notes in 2020 which were reflected as financing cash inflow. In addition, the cash outflow for the year ended 31 December 2021 also mainly arose from the financial leasing business and factoring business. The cash outflow was mainly due to the increase in borrowings to fund our repayment of loans from related parties and our issuance of two batches of asset-backed securities during the year ended 31 December 2021. For our logistics and supply chain service sector, and IoV and data service sector, we recorded cash inflow from operating activities for the three years ended 31 December 2021 for such business segments. For our supply chain financial service sector, we recorded net operating cash outflow for the years ended 31 December 2020 and 2021 since: (i) there is generally a limited period of mismatch between our cash inflow and outlay on the operational level for such business segment which results in short-term negative operating cash flows. For

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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.

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

Key financial ratios

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

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

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

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SUMMARY OF MATERIAL RISK FACTORS

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

- We heavily rely on our Controlling Shareholders and any material changes in our relationships with our Controlling Shareholders would have a material adverse impact on our business, financial conditions and operating results.
- Our historical financial conditions and operating results are not indicative of future performance and implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate.
- Our business operation will be materially and adversely affected if any force majeure events take place, such as natural disasters, public health crisis, including the outbreak of COVID-19, acts of God, acts of war or terrorism and civil or social unrest.
- Our financial leasing business and factoring business may be negatively affected if we are unable to effectively manage and reduce the credit and solvency risks associated with our business and operations and to monitor and maintain the quality of financial leasing and factoring assets adequately.
- The major focus of our businesses is on the commercial automobile-related industry. Our business, financial conditions and operating results may be negatively affected in a material manner if there is a reduction in the prevalence and general usage of commercial automobiles in the PRC.
- Changes in industry standards imposed by the PRC government could restrict the supply of and reduce the demand for commercial automobiles in China, which in return would impact the market for other commercial automobile-related services and products.
- We operate in regulated industries, and any failure by us to comply with applicable laws and regulations, or obtain or maintain necessary approvals, licences and permits in a timely manner may adversely affect our business.
- Our business, financial conditions and operating results may be affected by the unpredictable changes in the legal and regulatory framework in a materially adverse manner.
- The business environment in which we carry out our business activities is becoming increasingly competitive.

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OUR CUSTOMERS

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

OUR SUPPLIERS

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

COMPETITION

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

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

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

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

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

PRICING POLICY

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

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

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

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

SUMMARY

OUR CONTROLLING SHAREHOLDERS

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

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

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

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

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DIVIDENDS

Our Group declared dividends in an aggregate amount of RMB63.0 million, RMB336.4 million and RMB68.0 million, respectively, for the years ended 31 December 2019, 2020 and 2021 to our then shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the [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 and will be subject to our Articles and the Company Law.

[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 [REDACTED] of HK\$[REDACTED] million from the [REDACTED] assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]). 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 but not limited to [REDACTED] and fees) of approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), and (ii) non-[REDACTED]-related expenses 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 of approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), and (b) other fees and expenses of approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million).

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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) and 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]

FUTURE PLANS AND [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] will be approximately HK\$[REDACTED] million, after deducting the [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]).

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We intend to use the [REDACTED] of the [REDACTED] for the purposes and in the amounts set out below assuming that the [REDACTED] is not exercised and the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED]):

- Approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, will be used for the development of an offline digital warehousing and distribution network, as well as a repair service network targeting at commercial automobile aftermarket
- approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, will be used for ongoing establishment of online service platform for commercial automobile aftermarket (being our CLGG Online Platform). Based on our existing CLGG Online Platform, we will carry out a system upgrade and development in order to establish a unified online service platform for users
- approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, will be used to enhance the core technology capabilities and data service capabilities of IoV and data service sector
- approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million will be used for the replenishment of general working capital.

For further information, please refer to the section headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

COVID-19 OUTBREAK

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

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

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

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

In the first four months of 2022, in order to combat the latest wave of COVID-19 pandemic outbreak in PRC, the relevant authorities have continued to adopt stringent restrictions on human and goods mobility, and even implemented lockdown in various PRC regions, including Xi’an in January 2022 and April 2022, Shenzhen in March 2022, and Jilin, Shanghai and Beijing in March 2022 to April 2022, which to a certain extent affected our normal business operations. For instance, our offices in Xi’an and Shanghai were closed from the end December 2021 to the end January 2022 and from the end March 2022 to the date of this document, respectively. Administrative restrictions in Suzhou of Jiangsu Province, Taiyuan and Datong of Shanxi Province and Henan province in the first four months of 2022 also adversely affected our automobile sales business. Based on our unaudited management accounts, the overall revenue and net profit of our Group for the four months ended 30 April 2022 decreased for approximately 6.7% and 44.7%, respectively, compared to that for the four months ended 30 April 2021. Such decline in our overall revenue was primarily due to the reduced operational scale of our principal businesses (except for third party logistics service and factoring service) for the same period attributable to the temporary impact of COVID-19 pandemic in certain affected areas and/or transportation routes in the PRC. According to Frost & Sullivan Report, the sales volume of heavy duty commercial automobiles in the PRC was approximately 275.3 thousand units for the four months ended 30 April 2022, representing a decline of approximately 62.0% from the four months ended 30 April 2021. In particular, such sales volume was approximately 76.8 thousand and 43.8 thousand units for March 2022 and April 2022, respectively, representing a decline of approximately 66.6% and 77.3% from the respective months in 2021, according to the same report. As such, we believe that the COVID-19 pandemic has impact on both the commercial automobile industry as a whole and us as a key market player in the commercial automobile service industry in the PRC. In addition, our net profit decreased in a greater percentage than that of our revenue for the same

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period primarily because of the increase in business volume of, and hence revenue contribution from our third party logistics service which had a relatively low profit margin than that of our other business segments, whereas our financial leasing service and our IoV and data service which had relatively high profit margins contributed less revenue during the same period. Assuming that the impact of the epidemic on our Group’s business operation will lessen in the second half of 2022 as the spread of COVID-19 pandemic is brought under control and there will be unfulfilled demands of our customers which will bounce back after the restrictions are lifted, we believe we will be able to substantially achieve our internal business and financial targets for the year of 2022.

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

RECENT DEVELOPMENTS

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

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

As the situation of COVID-19 is constantly changing, including the sporadic outbreaks in various regions in China, such as Ruili, Tianjin and Xi’an, which led to region-wide lockdown, we will continue to assess the impact of the COVID-19 on our operations and financial performance and closely monitor our exposure to the risks and uncertainties under the new development of COVID-19 in China. In particular, our subsequent utilisation of inventories as at 31 December 2021 had been adversely affected by the COVID-19 outbreaks and the consequent administrative measures in Shanxi and Henan provinces as well as the Yangtze

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River Delta of the PRC in the first four months of 2022, particularly during the period from March 2022 to April 2022: (i) because of the temporary closure of local offices of several automobile administration departments in Suzhou of Jiangsu Province since March 2022, our commercial automobiles sales dealers were unable to carry out their sales and registration of our commercial automobiles; (ii) due to the restrictive measures of Taiyuan and Datong of Shanxi Province in March 2022 to April 2022, it has become difficult for our business staff to visit or to sign agreements or letters of intent with prospective customers, which to a certain extent adversely affected sales of our inventories of commercial automobiles; and (iii) picking up of commercial automobiles by our customers in Henan province in March 2022 was hindered by travel restrictions policies. Please refer to the section headed “Financial Information – Liquidity and Capital Resources – Inventories” in this document for further details.

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

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

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

We and our PRC Legal Adviser are of the view that, the Measures for Cybersecurity Review and the Draft Regulation will not have any material adverse effect on our business operations, the [REDACTED] or the [REDACTED] if the Draft Regulation is promulgated in its current draft, on the basis that (i) as at the Latest Practicable Date, we had not been subject to any fines or administrative penalties imposed by any government authorities (including the CAC) in relation to infringement of data security laws and regulations; (ii) as at the Latest Practicable Date, there is no material leakage of data or personal information or violation of

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data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iii) we have already been taking measures to prepare for compliance with the requirements under the draft Regulation and, as disclosed in the section headed “Business — Information Technology — Data Privacy and Protection” in this document, we have implemented measures to ensure ongoing compliance with relevant laws and regulations; (iv) we will continue to monitor the developments of data security regulations in the PRC; (v) should the Draft Regulations become effective, we will seek guidance from the relevant regulator to ensure our measures adopted are appropriate; and (vi) as advised by our PRC Legal Adviser, because (a) we did not possess personal information of over one million users during the Track Record Period and up to the Latest Practicable Date, and (b) although the exact scope of “affects or may affect national security” under the Draft Regulation and the current regulatory regime remains unclear and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, based on a telephone interview with the local CAC which has confirmed that the data processed by our group is not considered as critical data nor is such activity considered as affecting or may affect national security given that the nature of our business and the types and the types and volume of data we process, our Company will not be required to notify the CAC in writing of its [REDACTED].

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

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

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NO MATERIAL ADVERSE CHANGE

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