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德銀天下股份有限公司

DEEWIN TIANXIA CO.,LTD

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2418)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Deewin Tianxia Co.,Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as below.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	6	1,429,785	1,871,696
Cost of revenue		<u>(1,138,264)</u>	<u>(1,443,203)</u>
Gross profit		<u>291,521</u>	<u>428,493</u>
Selling expenses		(20,608)	(20,161)
Administrative expenses		(50,230)	(57,180)
Research and development expenses		(15,146)	(12,030)
Net impairment losses on financial assets		(56,005)	(79,871)
Other income	7	14,452	11,003
Other losses-net		<u>(874)</u>	<u>(721)</u>
Operating profit		<u>163,110</u>	<u>269,533</u>
Finance income		5,288	6,496
Finance costs		<u>(20,240)</u>	<u>(4,410)</u>
Finance (expense)/income-net		<u>(14,952)</u>	<u>2,086</u>
Share of net profit of associate accounted for using the equity method		<u>2,100</u>	<u>3,307</u>
Profit before income tax		150,258	274,926
Income tax expense	8	<u>(32,598)</u>	<u>(50,134)</u>
Profit for the period		<u>117,660</u>	<u>224,792</u>

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
– The equity holders of the Company		114,926	222,644
– Non-controlling interests		2,734	2,148
		<u>117,660</u>	<u>224,792</u>
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive income for the period		<u>117,660</u>	<u>224,792</u>
Total comprehensive income attributable to:			
– The equity holders of the Company		114,926	222,644
– Non-controlling interests		2,734	2,148
		<u>117,660</u>	<u>224,792</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic or diluted earnings per share	<i>9</i>	<u>0.05</u>	<u>0.10</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		97,551	93,178
Intangible assets		29,050	22,856
Investment in an associate		6,600	9,623
Right-of-use assets		62,696	62,147
Other receivables		15,574	111,145
Loan receivables	11	1,561,846	2,104,188
Deferred income tax assets		149,667	135,698
		<u>1,922,984</u>	<u>2,538,835</u>
Current assets			
Inventories		142,014	183,468
Trade receivables	10	577,166	467,505
Prepayments		182,197	86,924
Other receivables		254,496	165,493
Notes receivables		231,303	–
Financial assets at fair value through other comprehensive income (FVOCI)		245,943	367,020
Loan receivables	11	5,227,571	6,080,627
Restricted cash at banks		35,971	84,816
Cash and cash equivalents		680,697	213,339
		<u>7,577,358</u>	<u>7,649,192</u>
Total assets		<u><u>9,500,342</u></u>	<u><u>10,188,027</u></u>
EQUITY			
Share capital		1,629,000	1,629,000
Other reserves		518,046	515,628
Retained earnings		211,129	299,747
Total equity attributable to equity holders of the Company		<u>2,358,175</u>	<u>2,444,375</u>
Non-controlling interests		<u>6,161</u>	<u>5,372</u>
Total equity		<u><u>2,364,336</u></u>	<u><u>2,449,747</u></u>

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		24,300	23,409
Bond payables		24,559	103,785
Provisions for warranty		2,395	2,558
Other payables	<i>12</i>	577,135	1,026,190
Contract liabilities		15,644	28,064
Borrowings	<i>13</i>	989,232	395,019
Deferred government grants		16,642	14,043
		<u>1,649,907</u>	<u>1,593,068</u>
Current liabilities			
Trade and other payables	<i>12</i>	1,452,076	1,403,839
Lease liabilities		23,740	24,730
Bond payables		710,891	836,072
Contract liabilities		104,941	128,267
Current income tax liabilities		21,451	46,894
Borrowings	<i>13</i>	3,173,000	3,705,410
		<u>5,486,099</u>	<u>6,145,212</u>
Total liabilities		<u>7,136,006</u>	<u>7,738,280</u>
Total equity and liabilities		<u>9,500,342</u>	<u>10,188,027</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Deewin Tianxia Investment Holding Co., Ltd. (德銀天下投資控股有限公司, the “Company”) was incorporated in Shaanxi Province of the People’s Republic of China (the “PRC”) on 14 August 2014 as a limited liability company under the Company law of the PRC. On 25 December 2020, the Company was converted into a joint stock limited liability company and changed its name to Deewin Tianxia Co., Ltd. (德銀天下股份有限公司) (the “Company”). The address of its registered office is Jingwei Center, 29 West Section of Xijin Road, Xi’an Economic and Technological Development Zone, Xi’an, Shaanxi Province, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the business of logistics and supply chain service (including supply chain business, automobile sales business and aftermarket product business), supply chain financial service (including financial leasing business, factoring business), and internet of vehicle (IoV) and data service in the PRC.

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

The interim condensed consolidated financial information is presented in Renminbi thousand (RMB’000), unless otherwise stated.

These interim condensed consolidated financial information have been approved for issue by the Board of Directors on 30 August 2022.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the historical financial statements for the years ended 31 December 2019, 2020 and 2021, which have been prepared in accordance with International Financial Reporting Standard (“IFRS”), as set out in the prospectus of the Company dated 30 June 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those in the preparation of the Group's historical financial statements for the years ended 31 December 2019, 2020 and 2021, except for the adoption of new and amended standards as set out below.

Income tax expense in the interim financial statements was recognized based on management's estimate of the annual income tax rate expected for the full financial year.

3.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the Reporting Period commencing 1 January 2022. The adoption of these standards and amendments does not have significant impact to the Interim Financial Information of the Group.

		Effective for accounting periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	The improvements of IFRS 9, IFRS 16, IFRS 1 and IAS 41	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Annual improvements to IFRS 9	Financial Instruments	1 January 2022
IAS 37 (Amendments)	Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022

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

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associates or Joint Ventures	To be determined
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice statements 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Income Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023

The Group is in the process of assessing the impact of the new standards, amendments to standards and annual improvements on its results of operations and financial position. The Group expects to adopt the relevant new standards, amendments to standards and annual improvements when they become effective.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the historical financial statements of the Group for the years ended 31 December 2019, 2020 and 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the historical financial statements of the Group for the years ended 31 December 2019, 2020 and 2021.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2021.

(a) *Credit risk*

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

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

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macro economic data including the growth rate of China's gross domestic product ("GDP"), aggregate finance, industrial add value, producer price index, consumer price index, fixed asset investment. The Group regularly predicts the macro economic data under three economic scenarios (i.e., optimistic scenario, basic scenario, and pessimistic scenario). The predictions are used in the expected credit losses model. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better or worse than basic scenario respectively and can also become a source of sensitivity test. The Group comprehensively considers statistical analysis and expert judgement results to determine economic forecasts and weights under various scenarios.

(b) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

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

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 30 June 2022 (unaudited)					
Trade and other payables	1,459,923	559,781	32,508	–	2,052,212
Lease liabilities	24,265	15,024	10,847	–	50,136
Borrowings	3,320,547	1,030,235	–	–	4,350,782
Bond payables	722,388	24,675	–	–	747,063
	<u>5,527,123</u>	<u>1,629,715</u>	<u>43,355</u>	<u>–</u>	<u>7,200,193</u>
At 31 December 2021 (audited)					
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
	<u>6,061,767</u>	<u>1,621,753</u>	<u>13,941</u>	<u>–</u>	<u>7,697,461</u>

5.2 Fair value estimation

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

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

An explanation of each level follows underneath the table.

	As at 30 June 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVOCI				
Notes receivables	–	–	203,193	203,193
Trade receivables	–	–	42,750	42,750
	<u>–</u>	<u>–</u>	<u>245,943</u>	<u>245,943</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>245,943</u></u>	<u><u>245,943</u></u>
	As at 31 December 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVOCI				
Notes receivables	–	–	337,178	337,178
Trade receivables	–	–	29,842	29,842
	<u>–</u>	<u>–</u>	<u>367,020</u>	<u>367,020</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>367,020</u></u>	<u><u>367,020</u></u>

During the year ended 31 December 2021 and the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value of notes receivable and trade receivables are considered approximate to their carrying amount. The fair value change was insignificant.

6 SEGMENT INFORMATION AND REVENUE

6.1 Segment information

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

- Logistics and supply chain service sector, which includes supply chain business, automobile sales business and after-market product business;
- Supply chain financial service sector, which includes financial leasing business and factoring business;
- Internet of Vehicle (IoV) and data service sector, which includes sale of intelligent internet of vehicle terminal products sales business and relevant data service business.

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

The segment results for the six months ended 30 June 2022 and 2021 are as follows:

	Unaudited					Total RMB'000
	Six months ended 30 June 2022					
	Logistics and supply chain service RMB'000	Supply chain financial service RMB'000	Internet of Vehicle (IoV) and data service RMB'000	Unallocated RMB'000	Elimination RMB'000	
Revenue	1,037,986	316,460	94,860	-	(19,521)	1,429,785
- Sales of goods	141,766	-	41,322	-	-	183,088
- Logistics and warehousing service	882,080	-	-	-	(2,577)	879,503
- Interest income from financial leasing business	-	285,008	-	-	(1,501)	283,507
- Interest income from factoring service	-	30,613	-	-	(3,162)	27,451
- Internet of Vehicle (IoV) and data service	-	-	53,538	-	(99)	53,439
- Others	14,140	839	-	-	(12,182)	2,797
Gross profit	73,198	151,875	54,171	-	12,277	291,521
Operating profit	51,799	78,951	32,407	167,783	(167,830)	163,110
Financial (costs)/income-net	(14,904)	3,907	3,059	4,928	(11,942)	(14,952)
Share of net profit of associate	-	-	-	2,100	-	2,100
Profit before income tax	<u>36,895</u>	<u>82,858</u>	<u>35,466</u>	<u>174,811</u>	<u>(179,772)</u>	<u>150,258</u>
Total assets	1,585,390	7,703,884	259,010	4,399,413	(4,447,355)	9,500,342
Total liabilities	1,502,834	5,834,203	209,937	1,737,513	(2,148,481)	7,136,006

	Unaudited					Total RMB'000
	Six months ended 30 June 2021					
	Logistics and supply chain service RMB'000	Supply chain financial service RMB'000	Internet of Vehicle (IoV) and data service RMB'000	Unallocated RMB'000	Elimination RMB'000	
Revenue	1,325,398	413,048	206,865	-	(73,615)	1,871,696
- Sales of goods	428,630	-	151,313	-	-	579,943
- Logistics and warehousing service	871,723	-	-	-	(50,234)	821,489
- Interest income from financial leasing business	-	390,591	-	-	(200)	390,391
- Interest income from factoring service	-	20,991	-	-	(2,757)	18,234
- Internet of Vehicle (IoV) and data service	-	-	55,552	-	(689)	54,863
- Others	25,045	1,466	-	-	(19,735)	6,776
Gross profit	136,017	207,656	81,292	-	3,528	428,493
Operating profit	108,673	106,562	62,135	86,887	(94,724)	269,533
Financial (costs)/income-net	(4,288)	6,310	2,797	499	(3,232)	2,086
Share of net profit of associate	-	-	-	3,307	-	3,307
Profit before income tax	104,385	112,872	64,932	90,693	(97,956)	274,926
Total assets	1,642,387	11,749,939	383,295	3,549,233	(4,184,460)	13,140,394
Total liabilities	1,539,302	9,863,409	310,297	938,094	(1,882,709)	10,768,393

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

6.2 Revenue

	Unaudited	
	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Recognised at a point in time		
- Sales of goods	183,088	579,943
- Others	2,797	6,776
Recognised over time		
- Logistics and warehousing service	879,503	821,489
- Sales-and-leaseback financing business	283,507	390,391
- Interest income from factoring services	27,451	18,234
- Internet of vehicle (IoV) and data service	53,439	54,863
	1,429,785	1,871,696

7 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government subsidy income		
– Income related	12,991	10,155
– Assets related	1,461	848
	<u>14,452</u>	<u>11,003</u>

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

8 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax	46,567	70,807
Deferred income tax	(13,969)	(20,673)
Income tax expense	<u>32,598</u>	<u>50,134</u>

- (a) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the statutory corporate income tax rate in the PRC is 25% from 1 January 2008. The income tax rate of 25% is applicable to all of the Group's subsidiaries during the six months ended 30 June 2022 and 2021, except for Tianxingjian and Tonghui which enjoy a preferential income tax rate of 15% according to the policies of Western Area Development for the six months ended 30 June 2022 and 2021.
- (b) Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

9 EARNINGS PER SHARE

- (a) The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the six months ended 30 June 2022 and 2021. In determining the weighted average number of ordinary shares in issue, the issue of 607,042,500 new shares upon the IPO after the Reporting Period (Note 15) were retrospectively adjusted as if in issue since 1 January 2021.

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	114,926	222,644
Weighted average number of ordinary shares in issue (in thousand)	2,236,042.5	2,236,042.5
Basic earnings per share (RMB)	0.05	0.10

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential share during the six months ended 30 June 2022 and 2021.

10 TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables	593,526	484,180
Less: allowance for impairment	(16,360)	(16,675)
Trade receivables – net	577,166	467,505

As at 30 June 2022 and 31 December 2021, the fair values of trade receivables of the Group approximate their carrying amounts.

As at 30 June 2022 and 31 December 2021, all the carrying amounts of trade receivables were denominated in RMB.

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

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Within one year	580,420	475,192
One year to two years	5,015	1,510
Two years to three years	1,193	1,375
Over three years	6,898	6,103
	<u>593,526</u>	<u>484,180</u>

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

11 LOAN RECEIVABLES

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Loan receivables		
– Financial leasing business	6,542,907	7,901,021
– Factoring service	736,112	715,763
	<u>7,279,019</u>	<u>8,616,784</u>
Less: provision for impairment		
– Financial leasing business	(368,678)	(312,636)
– Factoring service	(120,924)	(119,333)
	<u>(489,602)</u>	<u>(431,969)</u>
Loan receivables – net	6,789,417	8,184,815
Less: non-current portion		
– Financial leasing business	(1,561,846)	(2,104,188)
Current portion	<u>5,227,571</u>	<u>6,080,627</u>

As at 30 June 2022 and 31 December 2021, the fair values of loan receivables of the Group approximate their carrying amounts.

As at 30 June 2022 and 31 December 2021, the carrying amounts of loan receivables were all denominated in RMB.

Loan receivables of approximately RMB4,482,073,000 and RMB6,791,022,000 were secured by the leased vehicles owned by lessees with original cost of approximately RMB16,473,438,000 and RMB15,530,814,000 as of 30 June 2022 and 31 December 2021, respectively.

As at 30 June 2022 and 31 December 2021, loan receivables of RMB2,307,077,000 and RMB2,816,032,000 were pledged for other borrowings of RMB1,936,502,000 and RMB2,498,429,000 respectively (Note 13).

As at 30 June 2022 and 31 December 2021, loan receivables of RMB1,016,631,000 and RMB1,119,557,000, respectively were transferred out but not derecognised under the Group's asset-backed security program.

As at 31 December 2021, loan receivables of RMB125,979,000 (30 June 2022: Nil) were transferred out but not derecognised under the Group's asset-backed notes program.

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	431,969	287,803
Provision for impairment	57,633	81,260
End of the period	489,602	369,063

12 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Notes payables	88,622	238,103
Trade payables	329,139	405,486
Other payables	1,571,375	1,725,386
Staff salaries and welfare payables	34,688	47,768
Termination benefits payable	2,898	3,634
Interest payable	263	2,284
Accrued taxes other than income tax	2,226	7,068
Trade and other payables	2,029,211	2,430,029
Less: non-current portion:		
Less: Other payables – deposits collected from lessee of commercial automobiles	(228,130)	(381,893)
Less: Termination benefits payable	(1,505)	(1,297)
Less: Other payables – loans from related parties	(347,500)	(643,000)
Total non-current portion	(577,135)	(1,026,190)
Current portion	1,452,076	1,403,839

As at 30 June 2022 and 31 December 2021, all trade and other payables except for loan from related parties of the Group were non-interest bearing, and fair values, excluding the staff salaries and welfare payables, termination benefits payable and accrued taxes (other than income tax) that are not financial liabilities, approximate to their carrying amounts.

(a) Aging analysis of the trade payables based on transaction date were as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Within one year	316,978	373,614
One year to two years	10,705	31,930
Two years to three years	1,241	24
Over three years	215	218
	329,139	405,786

13 BORROWINGS

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Non-current:		
Loan from bank borrowings guaranteed by Shaanxi Automobile	–	67,187
Unsecured bank borrowings	831,320	–
Other borrowings	1,936,052	2,498,429
Subtotal	2,767,372	2,565,616
Less: Non-current bank borrowings due within one year	(63,160)	(67,187)
Less: Non-current other borrowings due within one year	(1,714,980)	(2,103,410)
Total non-current portion:	989,232	395,019
Current:		
Short term secured bank borrowings	–	560,000
Short term unsecured bank borrowings	1,394,860	974,813
Non-current bank borrowings due within one year	63,160	67,187
Non-current other borrowings due within one year	1,714,980	2,103,410
Total current portion:	3,173,000	3,705,410
Total borrowings	4,162,232	4,100,429

(a) All the borrowings were denominated in RMB.

(b) As at 30 June 2022 and 31 December 2021, the Group's borrowings were repayable as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Within 1 year	3,173,000	3,705,410
Between 1 and 2 years	989,232	395,019
	4,162,232	4,100,429

14 DIVIDENDS

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

Pursuant to a resolution passed in the shareholders' meeting of the Company's subsidiary Xinjiang Fargo Supply-chain Management (Group) Co., Ltd on 9 May 2022, dividends of approximately RMB1,945,000 for the year ended 31 December 2021 were declared to the non-controlling interest of the Company, which were fully paid in 29 June 2022.

The board of directors of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

15 EVENTS AFTER THE REPORTING PERIOD

On 15 July 2022, a total of 543,000,000 new shares of the Company were issued at the offer price of HK\$1.8 per share, and the Company's shares were listed on the Main Board of the Stock Exchange.

On 12 August 2022, a total of 64,042,500 shares were issued upon the exercise of the over-allotment option in connection with the Global Offering at a price of HK\$1.8 per share.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

Deewin Tianxia focuses on providing various value-added services, including logistics and supply chain service, supply chain financial service, IoV and data service, to players along the commercial automobile industry chain. Commercial automobiles mainly include trucks, pickups, trailers, buses and lorries.

In the first six months of 2022, the resurgence of the COVID-19 has affected our normal business operations to a certain extent. However, in order to quickly adapt to the volatile market environment, we adopted various special measures to assist our qualified customers and support our business operations. Meanwhile, we continued to focus on enhancing our business offering to maintain our competitive edge and diversify our customer base.

In the first half of 2022, the Group generated revenue amounting to approximately RMB1,429.8 million, representing a year-on-year decrease of 23.6%. Among them, revenue from logistics and supply chain service sector amounted to approximately RMB1,023.8 million, representing a year-on-year decrease of 18.5%; revenue from supply chain financial service sector amounted to approximately RMB311.2 million, representing a year-on-year decrease of 23.9%; and revenue from IoV and data service sector amounted to approximately RMB94.8 million, representing a year-on-year decrease of 54.0%. Revenue from those three major business sectors accounted for 71.6%, 21.8% and 6.6% of the Group's total revenue, respectively.

Logistics and Supply Chain Service Sector

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

In terms of supply chain service, we provide supply chain management and “integrated logistics” services in relation to commercial automobile components. Through seamless integration with the manufacturing plan of commercial automobile manufacturers, we streamlined redundant processes and achieved a lower logistics cost while maintaining service quality. For the six months ended 30 June 2022, we provided automobile manufacturing supply chain service for the production of approximately 35.1 thousand commercial automobiles, and provided automobile logistics service in relation to approximately 27.7 thousand commercial automobiles.

Leveraging our network, we provide logistics service to independent customers such as raw material suppliers, resources companies and express courier service providers. In order to further expand our industry advantages in third party logistics service, we continued to diversify our customer base while exploring business opportunities with more independent customers through the expansion and development of our third party logistics service in relation to raw materials (such as coal and ore), commodities and express couriers. For the six months ended 30 June 2022, the revenue from our third party logistics service was approximately RMB609.9 million.

In terms of automobile sales business, in the first half of 2022, our automobile sales and other businesses have been greatly affected as a result of the development of COVID-19 pandemic in China. We realised a sale of 663 commercial automobiles and recorded a revenue of approximately RMB100.8 million in the first half of 2022. 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 the first half of 2022 based on the market conditions and the respective sales regions in the PRC to actively reduce such inventories subsequently.

In terms of aftermarket product business, we engaged in aftermarket product business that mainly covered the sales of (i) tyres, (ii) lubricants, and (iii) other commercial automobile-related products, such as carbamide and cylinder. For the six months ended 30 June 2022, these businesses achieved a revenue of approximately RMB41.0 million in total.

Supply Chain Financial Service Sector

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

We engage in financial leasing business through our wholly-owned subsidiary Deewin Financial Leasing. We specialise in providing sale and leaseback service to our customers. For the six months ended 30 June 2022, newly invested funds in financial leasing business reached RMB2,344.8 million. During the Reporting Period, financial leasing business provided by us covered 4,779 commercial automobiles.

We conduct our factoring business through our wholly-owned subsidiary Deewin Factoring. For the six months ended 30 June 2022, newly invested funds in factoring business reached RMB1,192.4 million.

We have further expanded our sources of funding through diversified funding channels. For the six months ended 30 June 2022, Deewin Financial Leasing issued 1 batch of asset-backed securities (ABS), with an aggregate principal amount of RMB500 million.

IoV and Data Service Sector

We conduct our IoV and data service business through our wholly-owned subsidiary Tianxingjian. As at 30 June 2022, the number of heavy commercial automobiles registered with our IoV platform was approximately 979.5 thousand.

Our IoV system has maintained its strong integration and data collection capabilities and broad range of application scenarios. As at 30 June 2022, the intellectual property rights owned by Tianxingjian included 13 patents and 75 copyrights, and Tianxingjian was in the process of applying for 23 patents.

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

Business Outlook and Development Strategies

Our performance in the first half of 2022 was solid. Although the market faces a lot of unknown risk factors in the second half of the year, we will continue to proactively develop and enhance our service capabilities. We plan to move forward in the following aspects:

We adopt both offline and online measures to improve the layout of the commercial automobile aftermarket service offerings

We actively deploy the repair and maintenance business for existing commercial automobiles, and set up an offline digitalised warehousing and distribution system for components and a repair and service network. We actively promote the development and upgrade of our online service platform for commercial automobiles. On the basis of our existing capabilities and technological know-how, we will develop a unified online service platform for users.

We focus on improving the core IoV technology and data service capabilities to consolidate our advantages

We will continue to expand our user base of our IoV and data service by continually improving our data collection and analysis capabilities, including we will actively expand and upgrade our IoV platform to achieve continuous growth in the number of users and commercial automobiles registered with our IoV platform. We will also continue to upgrade the core technologies and algorithms of our platform, and create data service and products to be used in more application scenarios. At the same time, we will continue to actively develop and create diversified data products and data service to provide better experience to our customers.

We will consolidate our advantage in supply chain financial service and third party logistics service, and continue to optimise business structure

We will continue to strengthen our influence in the commercial automobile sector and consolidate our advantages in providing customised services in the supply chain financial service sector. Meanwhile, we will improve the information technology infrastructure of supply chain financial services, including a continuous upgrade and optimization of business system, risk management system, information review system. We will also continue to diversify our customer base as well as exploring business opportunities with more independent customers through the expansion and development of our third party logistics service in relation to raw materials (such as coal and ore), commodities and express couriers.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group's business operations can be categorised into the following sectors: (i) logistics and supply chain service sector, (ii) supply chain financial service sector, and (iii) IoV and data service sector.

The revenue of the Group decreased by 23.6% to RMB1,429.8 million for the six months ended 30 June 2022 from RMB1,871.7 million for the corresponding period of 2021.

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

	For the six months ended 30 June			
	2021		2022	
	Amount	%	Amount	%
	<i>(RMB'000, except for percentages)</i>			
Logistics and Supply Chain Service Sector	1,256,321	67.1	1,023,797	71.6
– Logistics and warehousing service	821,489	43.9	879,503	61.5
– Sales of goods	428,630	22.9	141,766	9.9
– Others ^{Note (1)}	6,202	0.3	2,528	0.2
Supply Chain Financial Service Sector	409,199	21.9	311,227	21.8
– Interest income from financial leasing business	390,391	20.9	283,507	19.8
– Interest income from factoring services	18,234	1.0	27,451	1.9
– Others ^{Note (2)}	574	0.0	269	0.1
IoV and Data Service Sector	206,176	11.0	94,761	6.6
– Sales of goods	151,313	8.1	41,322	2.9
– IoV and data service	54,863	2.9	53,439	3.7
Revenue	1,871,696	100.0	1,429,785	100.0

Notes:

- (1) Other revenue from logistics and supply chain service sector was mainly (i) financial leasing assistance service for customers of automobile sales business, and (ii) provisional automobile plate service.
- (2) Other revenue from supply chain financial service sector was used for 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. Revenue from this sector decreased by approximately 50.0% from RMB0.6 million for the six months ended 30 June 2021 to RMB0.3 million for the six months ended 30 June 2022, primarily due to the decrease in revenue from GPS positioning services as a result of the decrease in rental volume since 2022 as compared with the corresponding period of previous year.

Logistics and supply chain service sector

Revenue generated from logistics and supply chain service sector accounted for a majority of the total revenue of the Group for the six months ended 30 June 2022. Such revenue primarily derived from (i) our logistics and warehousing services including automobile manufacturing supply chain service, automobile logistics service and third party logistics service, (ii) sales of commercial automobiles and components, including tyres, lubricants and other automobile-related products, and (iii) other services, such as financial leasing assistance service. The revenue derived from logistics and supply chain service sector decreased by approximately 18.5% from RMB1,256.3 million for the six months ended 30 June 2021 to RMB1,023.8 million for the six months ended 30 June 2022, primarily due to the decrease in revenue from this sector as compared with the corresponding period of previous year mainly as a result of the impact of the pandemic and the economic downturn.

Supply chain financial service sector

Supply chain financial service sector was our second largest source of revenue for the six months ended 30 June 2022. Revenue were mainly 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 provision of satellite positioning device and the related installation service under our financial leasing service. The revenue derived from supply chain financial service sector decreased by approximately 23.9% from RMB409.2 million for the six months ended 30 June 2021 to RMB311.2 million for the six months ended 30 June 2022, primarily due to the decrease in interest income from financial leasing business resulting from the decrease in rental volume since 2022 mainly as a result of the impact of the pandemic and the economic downturn.

IoV and data service sector

The revenue of IoV and data services was generated from (i) sales of intelligent IoV products, and (ii) provision of IoV solutions and data services. The revenue derived from IoV and data service sector decreased by approximately 54.0% from RMB206.2 million for the six months ended 30 June 2021 to RMB94.8 million for the six months ended 30 June 2022, primarily due to the significant decrease in revenue from sales of IoV products as compared with the corresponding period of previous year resulting from the outbreak of a new wave of COVID-19 pandemic.

COST OF REVENUE

Cost of revenue of the Group decreased by approximately 21.1% from RMB1,443.2 million for the six months ended 30 June 2021 to RMB1,138.3 million for the six months ended 30 June 2022.

The cost of our logistics and supply chain service sector decreased by 15.6% for the six months ended 30 June 2022 as compared with the corresponding period of 2021, which was relatively lower than the decrease in revenue of this sector by 18.5% during the same period, primarily due to the increase in the proportion of revenue from logistics and warehousing services as a result of the adjustment of business structure during the year.

Cost of our supply chain financial service sector decreased by 23.8% for the six months ended 30 June 2022 as compared with the corresponding period of 2021, which was generally consistent with the decrease in revenue of this sector by 23.9% during the same period.

The cost of our IoV and data service sector decreased by 67.6% for the six months ended 30 June 2022 as compared with the corresponding period of 2021, which was relatively higher than the decrease in revenue of this sector by 54.0% during the same period, primarily due to large decrease in revenue from sales of commodity and large decrease in associated cost resulting from changes in revenue structure during the year and the proportion of revenue from IoV and data service increased which had lower cost element.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit of the Group decreased by approximately 32.0% from approximately RMB428.5 million for the six months ended 30 June 2021 to approximately RMB291.5 million for the six months ended 30 June 2022, and gross profit margin of the Group decreased to approximately 20.4% during the Reporting Period from approximately 22.9% during the corresponding period of 2021. The decrease in gross profit margin was mainly due to the increase in proportion of revenue from logistics and supply chain service sector.

SELLING EXPENSES

Selling expenses increased by approximately 2.0% from RMB20.2 million for the six months ended 30 June 2021 to RMB20.6 million for the six months ended 30 June 2022. The increase was mainly due to the increase in employee benefit expenses as a result of the increase in sales personnel as compared with the corresponding period of 2021.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 12.2% from RMB57.2 million for the six months ended 30 June 2021 to RMB50.2 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the impact of the pandemic in the first half of 2022, which led to a significant decrease of approximately RMB2.8 million in related expenses such as travel expenses, entertainment expenses and conference expenses as compared with the corresponding period of 2021; (ii) tax and surcharges decreased by approximately RMB2.3 million due to the decrease in revenue.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased by approximately 25.8% from RMB12.0 million for the six months ended 30 June 2021 to RMB15.1 million for the six months ended 30 June 2022. The increase was primarily due to the increase in the development of the internal application platform by IoV and data services sector.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Net impairment losses on financial assets decreased by approximately 29.9% from RMB79.9 million for the six months ended 30 June 2021 to RMB56.0 million for the six months ended 30 June 2022. The decrease was mainly due to the increase in the amount of bad debts caused by the increase in overdue situation under the impact of the industry epidemic in the second half of 2021, and the Company's decrease in the scale of financial assets investment in 2022 in order to manage the risks and the expected decreased credit loss.

OTHER INCOME

Other income increased by approximately 31.8% from RMB11.0 million for the six months ended 30 June 2021 to RMB14.5 million for the six months ended 30 June 2022. The increase was mainly due to the fact that the supply chain financial service sector received the immediate refund of value-added tax. The 2021 immediate refund of value-added tax was received from September to December in 2021, and the 2022 immediate refund of value-added tax was received from January, March and June in 2022.

NET OTHER (LOSSES) GAINS

Net other (losses) gains increased by approximately 28.6% from RMB0.7 million for the six months ended 30 June 2021 to RMB0.9 million for the six months ended 30 June 2022. The increase was mainly due to the increase in the amount of business penalty charged by our customers in logistics and supply chain service business.

NET FINANCE INCOME/FINANCE COSTS

The Group recorded net finance income/finance costs of RMB2.1 million and RMB15.0 million for the six months ended 30 June 2021 and 2022, respectively.

PROFIT BEFORE INCOME TAX

Profit before income tax decreased by 45.3% from RMB274.9 million for the six months ended 30 June 2021 to RMB150.3 million for the six months ended 30 June 2022. The decrease was mainly due to the combined effect of the pandemic, the downward trend of the industry and other adverse factors, resulting in a significant decrease in revenue of all business segments as compared with the corresponding period of 2021.

INCOME TAX EXPENSE

We recorded an income tax expense of approximately RMB32.6 million for the six months ended 30 June 2022 as compared to RMB50.1 million for the corresponding period of previous year. The decrease was mainly due to the decrease in profit before tax.

RESULTS FOR THE REPORTING PERIOD

We recorded a net profit of approximately RMB117.7 million for the six months ended 30 June 2022 comparing with RMB224.8 million for corresponding period of previous year. Net profit margin for the six months ended 30 June 2022 was 8.2% as compared to 12.0% for the corresponding period of previous year.

LIQUIDITY AND CAPITAL RESOURCES

Current Assets and Current Liabilities

As at 30 June 2022, the Group had net current assets of approximately RMB2,091.3 million, increased by approximately 39.0% from RMB1,504.0 million as at 31 December 2021. The Group had net current assets as at such date primarily because current liabilities decreased by RMB659.1 million as compared with the end of 2021.

The Group's current assets decreased by RMB71.8 million from approximately RMB7,649.2 million as at 31 December 2021 to approximately RMB7,577.4 million as at 30 June 2022. The decrease was primarily due to a decrease in inventories and long-term receivables due within one year.

The Group's current liabilities decreased by RMB659.1 million from approximately RMB6,145.2 million as at 31 December 2021 to approximately RMB5,486.1 million as at 30 June 2022, mainly due to the decrease in borrowings due within one year, notes payable, accounts payable, employee benefits payable and taxes payable as a result of the decrease in the volume of each business sector in 2022.

Other Receivables

Other receivables decreased by approximately RMB6.5 million from RMB276.6 million for the year ended 31 December 2021 to RMB270.1 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the decrease of RMB19.2 million in the advances to customers as a result of the decrease in the advances to customers of the logistics and supply chain service sector; (ii) the increase of RMB13.1 million in sub-leasing business deposits in supply chain financial service sector as compared with that of in the end of 2021.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income decreased by approximately RMB121.1 million from RMB367.0 million for the year ended 31 December 2021 to RMB245.9 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in revenue, decrease in payment collection from customers and the decrease in new bills in hand during the Reporting Period.

Loan Receivables

Loan receivables decreased by approximately RMB1,395.4 million from RMB8,184.8 million for the year ended 31 December 2021 to RMB6,789.4 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the decrease of RMB853.1 million or 14.0% in the portion of long-term receivables due within one year as compared with that of as at 31 December 2021, which was caused by invested funds was reduced in financial leasing business in supply chain financial service business sector and the scale of financial leasing narrowed down and long-term receivables decreased accordingly, resulting in a corresponding decrease in the portion due within one year; (ii) long-term receivables decreased by RMB542.3 million or 25.8% compared with that of as at 31 December 2021. Mainly due to the sluggish heavy truck market as a result of the pandemic, coupled with the implementation of the China VI standard for heavy trucks since 1 July 2021, and the increase in natural gas price led to the decrease in demand in the transportation market, which led to the decrease in the sales volume of heavy trucks. Reducing in invested funds in financial leasing business in supply chain financial services sector and the decrease in the scale of financial leasing result in the decrease in long-term receivables.

Inventories

Investories of the Group decreased by approximately RMB41.5 million from RMB183.5 million for the year ended 31 December 2021 to RMB142.0 million for the six months ended 30 June 2022. The decrease was mainly due to the sales of stock cars was reduced while the purchase volume decreased during the Reporting Period.

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

	Year ended 31 December 2021	Six months ended 30 June 2022
Average turnover days of inventories of the logistics and supply chain service sector ^{Note (1)}	44.6	201.3
Average turnover days of inventories of the IoV and data service sector ^{Note (2)}	17.7	55.0

Notes:

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

Average turnover days of inventories of the logistics and supply chain service sector in 2021 and the six months ended 30 June 2022 were 44.6 days and 201.3 days, respectively, which was mainly due to the longer inventory turnover days as a result of the decrease in the sales of stock cars.

Average turnover days of inventories of the IoV and data service sector in 2021 and the six months ended 30 June 2022 were 17.7 days and 55.0 days, respectively, mainly due to longer average turnover days of inventories resulting from significant decrease in sales revenue during the Reporting Period.

Trade Receivables

Trade receivables increased by approximately RMB109.7 million from RMB467.5 million for the year ended 31 December 2021 to RMB577.2 million for the six months ended 30 June 2022, mainly due to the increase in the revenue from our third party logistics business in the logistics and supply chain service sector, resulting in the increase in accounts receivable in the Reporting Period.

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

	Year ended 31 December 2021	Six months ended 30 June 2022
Average turnover days of trade receivables	77.8	86.7

Note:

- (1) Average turnover days of trade receivables equal to the average of the opening and closing trade receivables 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 period.

For the year ended 31 December 2021 and the six months ended 30 June 2022, the average turnover days of trade receivables were 77.8 days and 86.7 days, respectively, representing longer turnover days, which was mainly due to the the slow collection of customers and longer aging of accounts as a result of the impact of the pandemic.

Trade and Other Payables

Trade and other payables decreased by approximately RMB400.8 million from RMB2,430.0 million for the year ended 31 December 2021 to RMB2,029.2 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the portion due within one year increased by approximately RMB48.2 million, mainly due to the increase of approximately RMB300.0 million in borrowings from related parties due within one year after liquidity compared with the end of 2021 and the decrease of approximately RMB226.1 million in notes payable and accounts payable compared with the end of 2021; (ii) the long-term portion decreased by approximately RMB449.1 million compared with the end of 2021, mainly due to the decrease of approximately RMB153.8 million in the financial leasing deposit generated from supply chain financial service sector compared with the end of 2021 and the decrease by approximately RMB295.5 million compared with the end of 2021 due to the reclassification of long-term borrowings from related parties to within one year according to the repayment schedule.

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

	Year ended 31 December 2021	Six months ended 30 June 2022
Average turnover days of trade payables ^{Note (1)}	85.4	65.6

Note:

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

Our average turnover days of trade payables for the year ended 31 December 2021 and the six months ended 30 June 2022 were 85.4 days and 65.6 days, respectively, primarily due to changes in revenue structure of logistics and supply chain service sector, shorter transportation settlement period from third party logistics, causing short average turnover days of trade payables.

Liquidity and Capital Resources

We have financed our operations primarily through cash generated from our operating activities, capital contribution from our Shareholders, bank borrowings, loans from related parties, asset-backed notes/securities and other borrowings obtained from other financial institutions. As at 31 December 2021 and the six months ended 30 June 2022, the Company had cash and cash equivalents of RMB213.3 million and RMB680.7 million, respectively.

Net Cash Generated from Operating Activities

For the six months ended 30 June 2022, net cash generated from operating activities was RMB292.8 million, with an increase of RMB259.2 million over the corresponding period of last year, mainly due to the decrease in the investment in financial leasing business in 2022 plus higher previous rental amount recovered, resulting in an increase in the net amount from operating activities compared with the corresponding period of 2021.

Net Cash Generated Used in Investing Activities

For the six months ended 30 June 2022, net cash used in investing activities was RMB17.2 million, with an increase of RMB13.4 million compared with the same period in 2021, mainly due to the increase in R&D expenditure of IoV and data service sector compared with the corresponding period of 2021.

Net Cash Generated from Financing Activities

For the six months ended 30 June 2022, net cash generated from financing activities was RMB191.8 million, with a decrease of RMB65.2 million compared with the same period in 2021, mainly due to the increase in repayment amount of bonds due and payable in 2022.

INDEBTEDNESS

Bank Borrowings

Bank borrowings increased by 39.0% from RMB1,602.0 million as at 31 December 2021 to RMB2,226.2 million as at 30 June 2022, mainly due to the adjustment of the financing structure and the increase in proportion of bank borrowings in 2022.

Loan from Related Parties

Loan from related parties increased by 0.5% from RMB854.0 million as at 31 December 2021 to RMB858.5 million as at 30 June 2022, mainly due to the repayment of the loan of RMB5.5 million to Shaanxi Automobile in 2022, and the new loan of RMB10.0 million from Meixin in 2022.

Asset-Backed Notes/Securities

Asset-backed notes/securities decreased by 21.7% from RMB939.9 million as at 31 December 2021 to RMB735.5 million as at 30 June 2022, primarily due to the fact that the amount of the repayment of the ABS issued in the previous period was greater than the amount of the newly issued ABS in 2022.

Other Borrowings

Our other borrowings from other financial institutions decreased by 22.5% from RMB2,498.4 million as at 31 December 2021 to RMB1,936.1 million as at 30 June 2022, mainly due to the adjustment of financing structure and the increase in the proportion of bank borrowings and a decrease in proportion of other borrowings from other financial institutions in 2022.

Notes Payable

Notes payable decreased by 62.8% from RMB238.1 million as at 31 December 2021 to RMB88.6 million as at 30 June 2022, primarily due to the maturity of notes payable issued previously, causing the decrease in billing amount of notes payable during the Reporting Period.

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

At 30 June 2022 (unaudited)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years (RMB'000)	Over 5 years	Total
Trade and other payables	1,459,923	559,781	32,508	–	2,052,212
Lease liabilities	24,265	15,024	10,847	–	50,136
Borrowings	3,320,547	1,030,235	–	–	4,350,782
Bond payables	722,388	24,675	–	–	747,063
Total	<u>5,527,123</u>	<u>1,629,715</u>	<u>43,355</u>	<u>–</u>	<u>7,200,193</u>

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

Items	Weighted average interest rate
Bank borrowings	3.98%
Borrowings from related parties	3.41%
Asset-backed notes/securities	3.69%
Borrowings from other financial institutions	5.06%

Lease Liabilities

Lease liabilities represent the lease of office buildings and facilities for our logistics and warehousing services. Lease liabilities amounted to RMB48.1 million and RMB48.0 million, respectively, as at 31 December 2021 and 30 June 2022. The lease term of our lease of buildings and facilities ranges from one year to five years.

Contingent Liabilities

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

As at 30 June 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 June 2022 and up to the Latest Practicable Date.

Gearing ratio

The group's gearing ratio remained stable at 69.7% in 2021 and 68.3% as at 30 June 2022.

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 5 to the interim condensed consolidated financial information included in Appendix to this announcement for further details.

Pledge of Assets

As at 30 June 2022 and 31 December 2021, the Group's loan receivables of RMB2,307.1 million and RMB2,816.0 million were pledged as security for other borrowings of RMB1,936.5 million and RMB2,498.4 million, respectively. Please refer to note 11 to the interim condensed consolidated financial information included in this announcement for further details.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 30 June 2022, the Group had a total of 1,899 employees. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The remuneration of the Group's employees includes salaries and allowances. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance.

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

OTHER INFORMATION

Corporate Governance

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

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

Purchase, Sale and Redemption of Shares

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

Corporate governance matters during the Reporting Period

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

Events after the Reporting Period

Save as the matters disclosed in the “Events after the Reporting Period” set out in note 15 to the interim condensed consolidated financial information, there were no material events occurred in the Company after 30 June 2022 .

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Use of Proceeds

The Shares were successfully listed on the Stock Exchange on 15 July 2022. The net proceeds from the Listing were approximately HK\$1,007.2 million (after deducting the underwriting commissions and other related listing expense payable by the Company in the Global Offering). For the six months ended 30 June 2022, the Group had not utilized the proceeds.

The table below sets out the planned applications and usage of the net proceeds:

	Budgeted (HK\$ in million)	Utilized amounts accumulated as at 30 June 2022 in aggregate (HK\$ in million)	Remaining amounts as at 30 June 2022 (HK\$ in million)	Expected timetable for the unutilized net proceeds
Offline business development				
– establishment of an offline digital warehousing and distribution network, as well as a repair service network targeting at commercial automobile aftermarket	377.7	–	377.7	by the end of 2026
Online business development				
– ongoing establishment of online service platform for commercial automobile aftermarket (being CLGG Online Platform)	226.6	–	226.6	by the end of 2025
Enhance the core technology capabilities and data service capabilities of IoV and data service sector	302.2	–	302.2	by the end of 2026
Replenishment of general working capital	100.7	–	100.7	by the end of 2024
Total	1,007.2	–	1,007.2	

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

Model code for securities transactions

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

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

Audit Committee

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

The condensed consolidated interim financial results have not been audited by the independent auditor of the Company. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2022 and this interim results announcement. The Audit Committee considers that the interim financial results for the six months ended 30 June 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.deewintx.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2022

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

DEFINITION

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

“Audit Committee”	audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“China” or “the PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Deewin Tianxia Co., Ltd (德銀天下股份有限公司) (formerly known as Deewin Tianxia Investment Holding Co., Ltd.* (德銀天下投資控股有限公司)), a limited liability company established in the PRC on 14 August 2014 and registered as a joint stock company with limited liability on 25 December 2020
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Deewin Factoring”	Shanghai Deewin Commercial Factoring Co., Ltd.* (上海德銀商業保理有限公司), a limited liability company established in the PRC on 17 September 2013, which is a wholly-owned subsidiary of the Company
“Deewin Financial Leasing”	Deewin Financial Leasing Co., Ltd.* (德銀融資租賃有限公司), a limited liability company established in the PRC on 24 November 2011, which is a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“EIT”	enterprise income tax of the PRC
“Global Offering”	the Hong Kong Public Offering and the International Offering both as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we” or “us”	the Company and its subsidiaries

“H Share(s)”	overseas listed foreign share(s) in our ordinary share capital with a nominal value of RMB1.00 each
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards
“Latest Practicable Date”	30 August 2022, being the latest practicable date for ascertaining certain information in this announcement before its publication
“Listing”	the listing of the H Shares on the Main Board
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Meixin”	Meixin Insurance Agency (Shanghai) Co. Ltd.* (美信保險經紀(上海)有限公司), a limited liability company established in the PRC on 14 September 2010, in which 30.00% equity interest is held by the Company and remaining 70.00% equity interest is held by an independent third party
“PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“Prospectus”	the prospectus being issued by the Company dated 30 June 2022 in connection with the Global Offering
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shaanxi Automobile”	Shaanxi Automobile Group Co., Ltd. (陝西汽車集團股份有限公司) (formerly known as Shaanxi Automobile Group Co., Ltd.* (陝西汽車集團有限責任公司)), a limited liability company established in the PRC on 18 November 1989 and registered as a joint stock company with limited liability on 30 March 2021. It is a Controlling Shareholder.
“Shaanxi Automobile Holding”	Shaanxi Automobile Holding Group Co., Ltd.* (陝西汽車控股集團有限公司), a limited liability company established in the PRC on 20 August 2012 and a Controlling Shareholder, in which 51.00% equity interest is held by the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province and 49.00% equity interest is held by one company that is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province
“Shaanxi Holding Group”	Shaanxi Automobile and Shaanxi Automobile Holding and/or their respective associates (excluding the members of our Group)
“Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange” or the “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Supervisor(s)”	supervisor(s) of the Company
“Tianxingjian”	Shaanxi Tianxingjian Internet of Vehicle Information Technology Co., Ltd.* (陝西天行健車聯網信息技術有限公司), a limited liability company established in the PRC on 18 June 2013, which is a wholly-owned subsidiary of the Company
“Tonghui”	Shaanxi Tonghui Automobile Logistics Co., Ltd.* (陝西通匯汽車物流有限公司), a limited liability company established in the PRC on 20 October 2005, which is a wholly-owned subsidiary of the Company
“%”	per cent.