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## BUSINESS

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### OUR MISSION

Facilitating intelligent logistics and promoting efficiency optimization.

### OUR VISION

To become the first choice for enterprises’ intralogistics equipment utilization and management.

### OVERVIEW

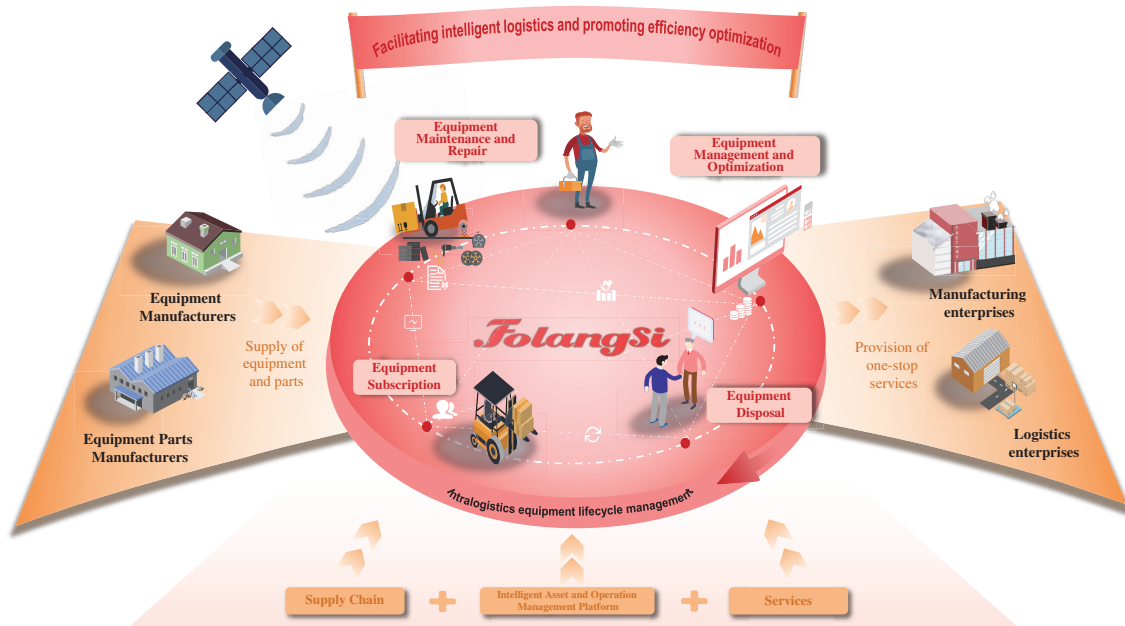
We are a leading intralogistics equipment lifecycle management solution provider in China, offering services featuring advanced IoT technology capability and strong digital transformation achievements. Focusing on intralogistics equipment subscription services, we strive to provide enterprises with one-stop solutions for intralogistics equipment utilization and management. According to CIC, we are the largest intralogistics equipment lifecycle management solution provider in China in terms of revenue for 2022. We are also a pioneer in the industry that carries full pledge services covering entire equipment lifecycle, including equipment subscription, repair and maintenance, and disposal. Furthermore, leveraging our innovative Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), we have developed an “online + offline” service network that facilitates convenient and integrated equipment engagement and management. Our platform features a user-friendly visualized interface that allows for real-time monitoring of equipment usage in various locations, promoting our continuous operational efficiency, and enhancing customer loyalty. As of December 31, 2022, we had 161 offline service outlets in 87 cities throughout China, managing approximately 40,000 units of intralogistics equipment and serving over 8,000 corporate customers.

Intralogistics equipment utilization and management present inherent challenges, including high purchase and maintenance costs, a need for specialized expertise, and significant management complexity. As a result, many enterprises struggle to access satisfying services from traditional service providers, as these needs can vary significantly depending on various stages of their business development, or the particular characteristics of their warehouse facilities and goods. To address these unserved and underserved needs, we, as one of the earliest companies in China to launch intralogistics equipment lifecycle management solutions, are well-equipped to provide tailor-made solution packages addressing specific needs of different customers. Our customers can enjoy flexible arrangements in terms of fleet size, routine management, and maintenance, resulting in cost optimization related to fixed asset purchase structure as well as operation and maintenance efficiency. Benefited from our strong technology capability, we effectively extend useful life of relevant equipment. According to CIC, intralogistics equipment lifecycle management solutions can help enterprises reduce costs by approximately 20% throughout the equipment’s lifecycle compared to traditional intralogistics equipment procurement mode. Furthermore, capitalizing on our extensive service network, as well as broad and diversified customer base, we offer suitable equipment disposal solutions to relevant customers, so that they may conveniently make adjustment to their fleet based on business plan at different stages. By revitalizing the value of used intralogistics equipment that may otherwise remain idle, we also promote our technology capability of effectively identifying and serving market demands.

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According to CIC, despite the growing demand for intralogistics equipment lifecycle management solutions in China, the penetration rate remains low at around 3.7% in 2022. In comparison, developed countries like the U.S. had a much higher penetration rate of approximately 54.6% in 2022, demonstrating significant potential for improvement and expansion in China. According to CIC, the market size of intralogistics equipment lifecycle management solutions in China is expected to reach RMB34.4 billion by 2027, representing a CAGR of 24.6% from 2022 to 2027.

The chart below illustrates the major participants in related industrial chains and the industry ecosystem:



### Our Business Model

Leveraging our strong technology capability, and inception on unserved and underserved market needs in relation to equipment procurement, maintenance, and management, we invested in developing and improving our intralogistics equipment lifecycle management solutions, which comprise the following three business segments during the Track Record Period:

- **Intralogistics Equipment Subscription Services:** We offer intralogistics equipment subscription services that allow customers to subscribe intralogistics equipment in a flexible and tailor-made way, as a result of which, they no longer need to incur significant costs to purchase intralogistics equipment and are able to enjoy optimization of fleet management and operation by using our proprietary tools with advanced technology features. As a result, we have managed to successfully address challenges associated with high purchase costs, high maintenance costs, and evolving demands, enabling customers to achieve light-asset operation.

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- **Maintenance and Repair Services:** Customers' demand for maintenance and repair services can vary significantly due to distinctive nature of their business operations and specific warehouse layouts, including fleet size, frequency of use, weight loading and operating routes of intralogistics equipment caused by relevant factors. Capitalizing on our experienced technical team, as well as extensive service network, we offer customers wide array of choices under our maintenance and repair services business segment, where they may enjoy customized plan that can fit into their particular need, including one-off repair services, and maintenance and repair service plans.
- **Sales of Intralogistics Equipment and Parts:** Complementing the aforementioned two business segments, our sales of intralogistics equipment and parts business segment allows us to effectively serve customers' diverse needs, while also managing to access first-hand knowledge on evolving market demands for the different equipment and components. This has resulted in enhanced relationships with reputable suppliers, expanded customer subscription channels, and the promotion of cross-selling opportunities for our intralogistics equipment subscription services and repair and maintenance services.

### **Our Intelligent Asset and Operation Management Platform**

We have committed resources towards development and utilization of advanced IoT and digital technologies to facilitate the continuous evolution of our intralogistics equipment lifecycle management solutions. We paid particular attention to address challenges associated with our fleet, component inventory, customer portfolio, and service scenarios, all of which involve large scale, broad geographic coverage, great complexity, and continuous evolution. Our technological capabilities enabled us to achieve comprehensive real-time equipment status supervision, transparent and flexible supply chain and inventory management, and quick and agile dispatch of personnel and equipment.

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Our technology platform, namely Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), comprises (i) IoT Smart Terminals, which consist of sensors and smart hardware serving as gateway for the collection and transmission of information on equipment status and usage patterns, which lay the foundation for our efficient business management and customer interaction; (ii) Operating Information Analysis System, which enables centralized management of intralogistics equipment and parts, and integrates, processes and analyzes comprehensive information in relation to our fleet collected through IoT Smart Terminals. This system delivers to us detail equipment information in multiple dimensions as well as analytical diagrams designed to present key operating information of such equipment from multiple dimensions, based on which, our management may quickly make business decisions in relation to relevant operations on a well-informed basis; and (iii) Information Management and Application, where we integrate information and analytical results developed through IoT Smart Terminals and Operating Information Analysis System, to facilitate proper equipment and technician dispatch, remote control of our equipment, cost-efficient maintenance and repair plans, and customization of services, etc.

Leveraging our technology capability, we managed to ensure highly efficient resource allocation and operation management, without incurring significantly larger labor costs, in spite of our continuous business expansion during the Track Record Period. As of the Latest Practicable Date, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) covered over 95.5% of our equipment fleet, allowing quick and smart operation management. For further details, please see “– Our Technology” in this section.

### ESG Initiatives and Commitment

For years, we have been dedicated to promoting sustainability and resource sharing. We address resource allocation challenges during peak equipment demand and help customers reduce associated costs. For example, our predictive maintenance service prolongs the useful life of assets, contributing to a more sustainable and efficient use of resources. We aim to build a supply chain ecosystem, connecting upstream suppliers and downstream customers through technology-based solutions.

As part of our commitment to environmental responsibility and sustainable intralogistics equipment solutions, we have significantly increased the proportion of electric forklifts in our equipment fleet during the Track Record Period, which increased from approximately 88.6% in 2020 to approximately 90.0% in 2021 and further increased to approximately 91.1% in 2022. According to CIC, electric equipment can potentially reduce energy consumption costs by up to 82.2% compared to ICE-powered equipment, assuming a standard eight-hour workday. Moreover, electric equipment produces zero emissions and much lower noise. During the Track Record Period, we also invest primarily in new energy equipment, with lithium battery equipment accounting for about 70% of our total intralogistics equipment as of December 31, 2022. We believe that our ESG initiatives and commitment to sustainable intralogistics solutions will facilitate the transformation of equipment towards more environmentally-friendly alternatives and promote environmental protection.

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### Operational Performance

During the Track Record Period, we achieved significant growth, with the number intralogistics equipment managed by us at 31,213 units, 36,257 units, and 39,145 units as of December 31, 2020, 2021 and 2022, respectively, representing a CAGR of 12.0% from 2020 to 2022. Our customer base has also grown steadily, with an increase from 7,477 for the year ended December 31, 2020 to 7,929 for the year ended December 31, 2021, and further to 8,170 for the year ended December 31, 2022. In particular, a significant portion of our customer base comprises of manufacturers and logistics companies, and we have observed substantial growth in the number of companies from these industries.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our success and position us for continued growth:

#### **Pioneer and Leading Provider of Intralogistics Equipment Lifecycle Management Solutions in China**

According to CIC, we are the largest intralogistics equipment lifecycle management solution provider in China in terms of revenue for 2022. We are also a pioneer in the industry that carries full pledge services covering entire equipment lifecycle, including equipment subscription, repair and maintenance, and disposal. We leverage our expertise to provide tailor-made solution plan that could optimize equipment performance and minimize downtime in an efficient way. With flexible fleet arrangements and streamlined management and maintenance, we help our customers reduce costs related to fixed asset purchase structure, while improving operation and maintenance efficiency. Strategically focusing on the intralogistics equipment lifecycle management solution industry since our inception, we have accumulated rich experience in managing intralogistics equipment and parts. Despite the growing demand for intralogistics equipment lifecycle management solutions in China, the penetration rate remains low at around 3.7% in 2022. In comparison, developed countries like the U.S. had a much higher penetration rate of approximately 54.6% in 2022, demonstrating significant potential for improvement and expansion in China. Building upon our first-mover advantages, leading technological innovation capabilities, extensive operation and management experience, and strong brand recognition, we are well-positioned to solidify our leading industry position and achieve sustainable growth.

During the Track Record Period, we achieved significant growth, with the number of intralogistics equipment managed by us increased from 31,213 units as of December 31, 2020 to 36,257 units as of December 31, 2021, and further increased to 39,145 units as of December 31, 2022, representing a CAGR of 12.0% from 2020 to 2022. We have received various honors and prizes in the industry, including the *2022-2023 Outstanding Supply Chain Enterprise* (2022-2023年優秀供應鏈企業獎) awarded by the Guangdong Procurement and Supply Chain Association, *Guangdong Smart Manufacturing Partner* (廣東省智能製造生態合作伙伴) awarded by the Department of Industry and Information Technology of Guangdong Province

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in 2021, and the *Most Innovative Award in the “Power of Example” Science and Technology Pioneer Competition* (“榜樣的力量”科創先鋒大賽最具創新力獎) awarded by Department of Science and Technology of Guangdong Province (廣東省科學技術廳), China Construction Bank Technology Finance Innovation Center (中國建設銀行科技金融創新中心) and Nanfang Daily Newspaper Group Co., Ltd. (南方報業傳媒集團), collectively, in 2020. Moreover, we are a director unit of the Industrial Truck Institution of China Construction Machinery Association and are used as a case study for supply chain benchmarking by the Guangdong Procurement and Supply Chain Association.

Since our establishment in 2007, we have been at the forefront of the industry, pioneering the development of intralogistics equipment lifecycle management solutions for manufacturing and logistics enterprises. Through over 16 years of efforts, we have built comprehensive competitive edges over industry peers, including:

- *Supply Chain Capabilities:* Leveraging years of first-hand management experience and continuous optimization, we have developed and maintained long-term and stable relationships with leading manufacturers in the industry, ensuring the timely and cost-effective procurement of equipment and parts, which had strong influence on upstream industry participants.
- *Intelligent Asset and Operation Management Capabilities:* Through our innovative Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), we have developed an “online + offline” service network that facilitates convenient and integrated equipment engagement and management. Our platform features a user-friendly visualized interface that results in continuous operation efficiency improvement and growing customer loyalty.
- *Predictive Maintenance Capabilities:* Our predictive maintenance services utilize advanced detection and repair technologies, enabling us to effectively restore and optimize functionality and endurance in a cost-efficient way, resulting in effective extension of equipment’ useful life.
- *Scale Effect:* The continuous expansion of our equipment fleet highlights the efficiency advantage of our integrated operation and management supported by strong technology capability. We leverage this scale effect to optimize the allocation of equipment and personnel resources, reducing costs and improving operation efficiency.

### **Continuous Improvement of Intralogistics Equipment Operational Efficiency Benefited From Highly Synergistic Service Portfolio**

We are a pioneer in the industry that carries full pledge services covering entire equipment lifecycle, including equipment subscription, repair and maintenance, and disposal. Intralogistics equipment utilization and management present inherent challenges, including high purchase and maintenance costs, a need for specialized expertise, and significant management complexity. As a result, many enterprises struggle to access satisfying services

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from traditional service providers, as these needs can vary significantly depending on various stages of their business development, or the particular characteristics of their warehouse facilities and goods. To address these unserved and underserved needs, we, as one of the earliest companies in China to launch intralogistics equipment lifecycle management solutions, are well-equipped to provide tailor-made solution packages addressing specific needs of different customers. Our customers can enjoy flexible arrangements in terms of fleet size, routine management, and maintenance, resulting in cost optimization related to fixed asset purchase structure as well as operation and maintenance efficiency. Benefited from our strong technology capability, we effectively extend useful life of relevant equipment. According to CIC, intralogistics equipment lifecycle management solutions can help enterprises reduce costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode. Furthermore, capitalizing on our extensive service network, as well as broad and diversified customer base, we offer suitable equipment disposal solutions to relevant customers, so that they may conveniently make adjustment to their fleet based on business plan at different stages. By revitalizing the value of used intralogistics equipment that may otherwise remain idle, we also promote our technology capability of effectively identifying and serving market demands.

Our comprehensive service portfolio provides us with strong cross-selling opportunities across different business segments, resulting in synergistic effects that facilitate the quick and continuous expansion of our equipment fleet. We start with equipment subscription services and introduce customers to our diverse range of service offerings through cross-selling efforts. In managing our repair and maintenance business segment, we earn customers' trust in our strong technology and execution capability, promoting their decision to engage us for equipment subscription services. During the Track Record Period, nearly 70% of our intralogistics equipment subscription service customers had previously utilized our repair and maintenance services, demonstrating the effectiveness of our cross-selling strategy. Our sales of intralogistics equipment and parts business segment enable us to serve customers' diverse needs while providing us with first-hand knowledge on evolving market demands. This has resulted in enhanced relationships with reputable suppliers and expanded customer subscription channels. The synergy among our three business segments has created a strong foundation for expanding our equipment fleet management capabilities, leading to increased customer subscription.

Our predictive maintenance services utilize advanced detection and repair technologies, enabling us to effectively restore and optimize functionality and endurance to the maximum extent in a cost-efficient way, resulting in effective extension of equipment' useful life. As a result, the useful life of intralogistics equipment under our management has been extended to up to 13 years, which is longer than the average useful life of intralogistics equipment in China, typically ranging from 5 to 10 years. Taken together our technology capability of improving our fleet's operation efficiency while reducing downtime, the effective extension of useful life of our equipment, is expected to lay a solid foundation for continuous optimization of our profitability.

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### **Intelligent Asset and Operation Management Platform With IoT Integration for Efficient Management**

We developed our technology platform, namely Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), based on IoT technologies, through which, we are able to achieve real-time equipment status supervision, transparent and flexible supply chain and inventory management, as well as quick and agile dispatch of personnel and equipment. This platform comprises (i) IoT Smart Terminals, which consist of sensors and smart hardware serving as gateway for the collection and transmission of information on equipment status and usage patterns, which lay the foundation for our efficient business management and customer interaction; (ii) Operating Information Analysis System, which enables centralized management of intralogistics equipment and parts, and integrates, processes and analyzes comprehensive information in relation to our fleet collected through IoT Smart Terminals. This system delivers to us detail equipment information in multiple dimensions as well as analytical diagrams designed to present key operating information of such equipment from multiple dimensions, based on which, our management may quickly make business decisions in relation to relevant operations on a well-informed basis; and (iii) Information Management and Application, where we integrate information and analytical results developed through IoT Smart Terminals and Operating Information Analysis System, to facilitate proper equipment and technician dispatch, remote control of our equipment, cost-efficient maintenance and repair plans, and customization of services, etc.

Leveraging our technology capability, we managed to ensure highly efficient resource allocation and operation management, without incurring significantly larger labor costs, in spite of our continuous business expansion during the Track Record Period. As of the Latest Practicable Date, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) covered over 95.5% of our equipment fleet, allowing quick and smart operation management. For further details, please see “– Our Technology” in this section.

We aim to maximize the use efficiency of intralogistics equipment and minimize operation and maintenance costs through repair and maintenance based on real-time supervision on equipment status. Utilizing our Intelligent Asset and Operation Management Platform, we create customized operation plans based on fleet specifications such as brand, vehicle type, quantity, and age. This is expected to improve equipment use efficiency, minimize operation costs and expenses, and reduces waste of resources due to idleness. For instance, by supervising operating data of different intralogistics equipment, including operation duration, weight loading, collision and speed, we could schedule repair and maintenance work in advance to reduce down time, and arrange relevant technicians and component inventory in a flexible way to improve cost-efficiency.

We have been at the forefront of the digital transformation of the intralogistics equipment industry, implementing comprehensive digitalization across our equipment procurement, maintenance, and management. Based on this achievement, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) is able to effectively support business development across all business segments, promoting synergy and enhancing our



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competitiveness. Drawing on our extensive practical experience, deep industry inception, and diversified product and service portfolio, we are able to continuously enhance our service efficiency and technology feature. In addition, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) enables us to develop accurate pricing models and risk control systems based on analysis on vast amount of information, including equipment usage conditions, depreciation, and estimated residual value, resulting in effective mitigation of relevant operational risks and further solidifying our competitive advantage in the market.

### **Comprehensive Supply Chain Management That Effectively Connects Upstream and Downstream Enterprises Along the Industry Value Chain**

Our comprehensive supply chain capabilities have enabled us to establish strong and reliable relationships with upstream suppliers. This allows us to secure a steady and consistent supply of intralogistics equipment and parts, ensuring the proper solution for the demands of all equipment and parts during our daily operations. With our extensive experience managing numerous brands and types of intralogistics equipment and parts, we have gained strong bargaining power, enabling us to effectively reduce purchasing and logistics costs while gaining a competitive edge.

Our extensive nationwide service network provides high-quality services with flexibility and convenience in a timely manner. As of December 31, 2022, our national service network included our headquarter, three main supply chain bases, and 161 service outlets in 87 cities across China, ensuring efficient and agile equipment supply. Our regional supply chain base layout, in conjunction with our Intelligent Asset and Operation Management Platform, enables us to match suitable equipment from the nearest base and arrange transportation based on customers' demands. We strategically place our service network to ensure our response time to reach the customer's designated work site is generally limited to approximately eight hours upon reception of notice.

We have established a comprehensive supply chain database to efficiently and systematically manage intralogistics equipment. As of December 31, 2022, the database contained information on around 320,000 spare parts, including types, specifications, performance indicators, inventory levels, and purchase details for all equipment brands. Each spare part has a unique identification code for accurate matching and rapid delivery to efficiently meet customer demands. Through our Intelligent Asset and Operation Management Platform, we are able to timely collect and study customers' feedback on common issues, as well as their particular demands that may arise from time to time during their business operations. Upon the occurrence of such incidents, we are able to make a quick response utilizing our technology capability and market influence to help relevant customers reduce failure rates and enhance operational efficiency.

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### **Comprehensive “Online + Offline” Service Network for Diverse Industries and Large Customer Coverage**

We are able to provide high-quality services to a large and diverse customer base across China by effectively combining our online and offline offerings. Our offline service outlets are strategically deployed to meet the demands of our customers. As of December 31, 2022, we had 161 service outlets located in 87 cities across China. Through this network, we were able to effectively serve over 8,000 corporate customers, including top logistics enterprises, such as Shanghai ANE, Best Logistics, Yimi Dida, and FAW Group, as well as large manufacturing enterprises like Swire Coca-Cola. According to the List of Top 50 Logistics Enterprises in 2022 in China issued by China Federation of Logistics & Purchasing, among the top ten logistics enterprises in China in 2022, seven of them are our customers.

We strive to continuously enhance the customer experience and fully explore customer value to meet the demands of manufacturing and logistics enterprises for intralogistics equipment, ensuring comprehensive “online + offline” coverage. We have secured relationships with various leading customers throughout our development process, and have maintained long-term and stable cooperation with them. As of December 31, 2022, we served 3,989 customers for intralogistics equipment subscription services. Our retained customers, defined as those who have been with us for one year or more, accounted for 89% of our intralogistics equipment subscription revenue, demonstrating our substantial customer retention rates. Moreover, during the Track Record Period, the number of our KA customers increased from 87 for the year ended December 31, 2020 to 123 for the year ended December 31, 2022.

Our one-stop service model sets us apart from our competitors and allows us to deliver exceptional customer experiences and build strong partnerships. During the Track Record Period, we maintained a KA customer retention rate of nearly 90% for intralogistics equipment subscription services. We are committed to meeting the diverse demands of our customers on a daily basis. With our expertise in equipment management, customer service, and data utilization, we have established a solid industry reputation and earned recognition from our customers. During the Track Record Period, we received several awards, including the Outstanding Contribution Supplier and Best Practice Prize from JD Logistics in 2022 and Best Partner of JD Logistics in 2021.

### **Visionary Management Team With Profound Industry Experience**

Our founder and management team have spent years deeply immersed in the industry, accumulating valuable sales, management, and operational experience in intralogistics equipment lifecycle management solution industry. Possessing keen business insights, they have successfully led the continuous evolution and growth of our business. Mr. Hou Zekuan, our founder and executive Director of our Company, has over 29 years of industry experience. In 2007, he co-founded Folangsi with Mr. Hou Zebing, who possesses 22 years of experience in intralogistics equipment industry. Together, they strategically positioned the company in both the upstream and downstream segments of the intralogistics equipment industry. Over the course of 16 years of development, they have consistently built resources across the entire industry, thereby enhancing our comprehensive service capabilities and pioneering the development of intralogistics equipment lifecycle management solutions for manufacturing and logistics enterprises.

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Our core management and executive team, who have worked together for over a decade, demonstrate strong stability and cohesion. They possess extensive knowledge of China's intralogistics equipment market and have a deep understanding of industry trends, the value of our products and services, and the internal management style required for success in the industry. Our team possesses extensive expertise in intralogistics equipment lifecycle management, which enables us to establish an efficient management framework and business strategy aligned with our operations. In addition, we have assembled a highly skilled team that seamlessly connects front, middle, and back offices. Our research and development and business teams are characterized by their rich professional experience and high levels of loyalty, which has helped us establish robust industry barriers. Our research and development staff, with an average of 5.8 years of experience, consistently explore the industry in-depth, while our business personnel maintain a keen understanding of customer needs and design effective solutions that receive high praise from our customers. We place a strong emphasis on talent recognition, incentivization, and strategies that foster and develop our company culture. As a result, we have achieved a retention rate of nearly 100% for employees at director-level and above over the past three years. This has allowed us to maintain a stable and highly experienced team that drives our success and ensures that we continue to provide effective solutions to our customers.

### OUR STRATEGIES

To drive our continued growth and achieve our mission, we will implement the following strategies:

#### **To Keep Improving Customer Coverage and Expanding the Categories of Intralogistics Equipment**

We aim to expand our sales network, diversify customer acquisition channels, and improve customer acquisition by conducting in-depth studies of regional markets to enhance service coverage over existing customers. We will also tap into new customer base. To achieve these goals, we will implement the following measures:

- *Increase Marketing Investment and Accurately Target Customers:* We plan to expand our sales teams and utilize various sales and marketing channels, including offline promotion, magazines and media, sponsorships, and association activities, to enhance our brand awareness and influence and attract more corporate customers.

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- *Expand our Service Outlets and Improve Service Quality:* We aim to increase the number of offline service outlets across China and strengthen connections with customers to improve our service coverage. By promoting one-stop services with intralogistics equipment subscription service as the primary business and repair and sales as auxiliary businesses, we aim to efficiently and comprehensively meet the high-standard, diversified, and personalized service demands of our customers and improve customer retention.

We will continuously invest in acquiring intralogistics equipment, expanding our range of intralogistics equipment beyond forklifts, and providing corresponding lifecycle solutions to expand our share in the market and fully demonstrate our scale advantages. We will develop businesses in diversified categories with forklifts and other transport equipment and covering storage, sorting, and conveying equipment in stereoscopic warehouses and other intralogistics equipment. Furthermore, we will gradually explore and expand into other industrial equipment categories, such as small machine tools, air compressors, and industrial sweeping machines, aiming to provide comprehensive solutions to our customers. In addition, we plan to continue R&D efforts in developing a battery management system that serves as the key component, allowing accurate reading and efficient transmission of battery status. By working together with other IoT Smart Terminals, it could enhance the performance of our Intelligent Asset and Operation Management Platform.

### **To Continue Improving Intralogistics Equipment Supply Chain Management Capability**

We aim to expand our business breadth and deepen our penetration into upper and downstream sectors of industry value chain in China. By doing so, we can further strengthen our capability to serve clients' demand for intralogistics equipment lifecycle management services. To achieve this, we plan to build four new supply chain bases in the future, in line with our strategic vision of enhancing geographic coverage and optimizing penetration. We also plan to expand our product and service offering portfolio at our outlets, with a proper assignment of technician staff to improve the efficiency of supply, dispatch, operation, and subsequent management of intralogistics equipment.

We consider the continuous recruitment and development of quality staff with specific skills and experience to be a key element in supporting the sustainable development of our business and promoting further innovation. We plan to continue investing in the development of career promotion plans for our employees while attracting suitable talents to support the sustainable growth of our business.

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### To Continually Enhance our Technological Capabilities

We plan to invest in technological capabilities and enhance our overall management and control capabilities to improve the quality and efficiency of our comprehensive services. Our strategies for technological capabilities include:

- *IoT hardware:* We plan to improve our hardware technologies. This will involve upgrading our technology infrastructure by investing in advanced hardware devices. For example, we plan to upgrade our IoT infrastructure by launching more wearable devices and installing multidimensional sensors to efficiently track and record intralogistics equipment.
- *IT systems:* We will upgrade our digital IT management system to expand our coverage and enhance our capabilities in operation and follow-up management of intralogistics equipment. This will help reduce the cost and difficulty of managing large-scale equipment and provide more efficient services to customers and management personnel. We will also invest in big data, cloud computing, and other new software technologies.
- *AI technology:* We plan to introduce AI video review technology to achieve automatic management, analyze video content, and quickly identify faults, improving service technology empowerment and management.
- *Other new technologies:* We plan to keep observing new industry trend closely, such as intelligent warehousing, and keep exploring the development and commercialization of different innovative technologies.

### To Explore Strategic Collaboration with Various Industry Participants

To strengthen and expand our market position, we plan to continue exploring opportunities for strategic alliances and investments. We will particularly focus on participants that have strengths in terms of asset quality, service capacities, customer resources, market influence and talent pool that complement our business and strategy. This includes those with a strong market presence in respective regional markets and those with strong technology capabilities. As of the Latest Practicable Date, we had no specific acquisition plans nor identified any specific targets. We will seek collaboration opportunities in a sustainable and prudent manner after the [REDACTED].

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### OUR BUSINESS

We are a leading intralogistics equipment lifecycle management solution provider in China. During the Track Record Period, we primarily generated revenue from business segments as follows:

- (i) **Intralogistics Equipment Subscription Services.** Our intralogistics equipment subscription services primarily include selecting suitable intralogistics equipment for our customers, delivering such equipment to the designated sites for their use, and providing on-site maintenance and inspections of such subscribed equipment on a regular basis. In managing this business segment, we charge customers fees based on duration they use our intralogistics equipment, where they make payments generally on monthly or yearly basis. Our comprehensive service package has strong technology-backed features that are designed to ensure quick equipment dispatch, safe and efficient equipment management, minimized equipment down-time, cost-efficient maintenance arrangement, as well as real-time status supervision, all of which serve to improve cost-efficiency and profit optimization. For details, please see “– Our Technology” in this section.
- (ii) **Maintenance and Repair Services.** Capitalizing on our strong technician forces and rich industry experience, we generate revenue from providing maintenance and repair services to customers for their intralogistics equipment. We charge fees either on project basis for one-off repair services, or based on service plans where we charge fees on monthly basis for certain contract period covering equipment specified in the relevant agreement.
- (iii) **Sales of Intralogistics Equipment and Parts.** Upon requests, we sell new and used intralogistics equipment, as well as related parts that meet customers’ demands.

We believe that our maintenance and repair service business segment, as well as our sales of intralogistics equipment and parts business segment, complement our intralogistics equipment subscription service business segment. This integration allows us to benefit from (i) close collaboration with reputable suppliers of intralogistics equipment and parts; (ii) expanded customer acquisition channels; and (iii) optimized utilization of our technician workforce.

In addition, these services provide us with valuable insights into customers’ evolving preferences and market trends for intralogistics equipment. By leveraging these insights, we can stay ahead of market trends, anticipate customer needs, and provide superior solutions that meet their specific requirements.

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The following table sets forth a breakdown of our revenue by business segments for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Intralogistics equipment						
subscription services	639,701	65.2	739,176	63.0	738,001	61.8
Maintenance and repair services	111,463	11.4	128,484	11.0	140,987	11.8
Sales of intralogistics equipment and parts	229,479	23.4	304,522	26.0	315,221	26.4
<b>Total</b>	<b>980,643</b>	<b>100.0</b>	<b>1,172,182</b>	<b>100.0</b>	<b>1,194,209</b>	<b>100.0</b>

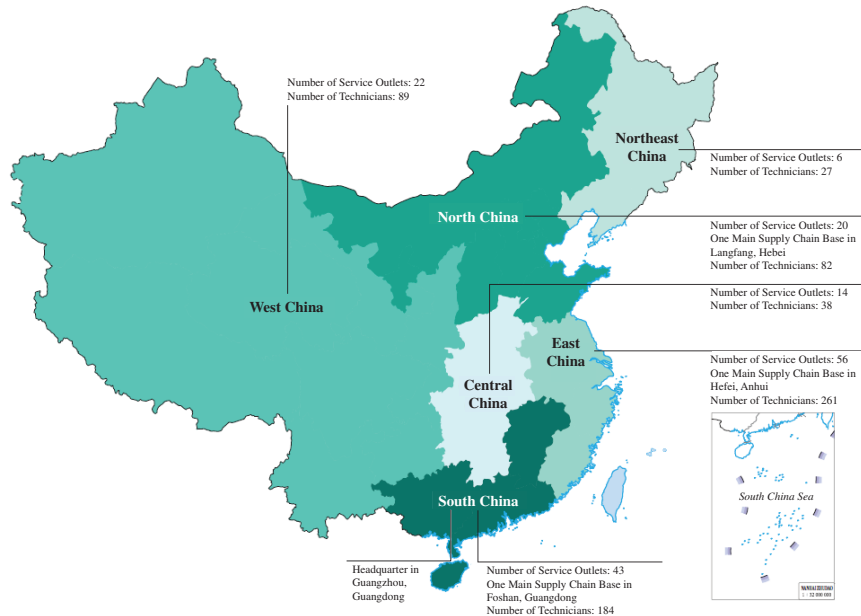
The overall growth in revenue from 2020 to 2021 was primarily driven by the growth of our intralogistics equipment subscription services as we strategically expanded our equipment fleet in line with the increased customer demand. In 2022, notwithstanding the resurgence of COVID-19 in multiple provinces that resulted in suspension or reduction of our operations in relevant local market, we still managed to achieve slight business growth in that year. For more information on the impact of COVID-19 on our business and results of operations during the Track Record Period, please see “– Impact of COVID-19 on our Operations” in this section.

Leveraging our extensive experience in intralogistics equipment and strong technology capabilities, we aim to offer one-stop intralogistics equipment lifecycle management solutions for our customers, covering the entire lifecycle of intralogistics equipment from equipment subscription, repair and maintenance, and disposal. The following flowchart illustrates the full cycle of our intralogistics equipment operation management services:



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As of December 31, 2022, we had established a nationwide service network consisting of our headquarter in Guangzhou, three main supply chain bases and 161 service outlets, covering 87 cities in China. The following map sets forth the geographical distribution of our service network as of December 31, 2022:



### Intralogistics Equipment Subscription Services

There has been an increasing demand for flexible intralogistics equipment subscription options compared to direct procurement of such equipment in recent years. According to CIC, a number of factors, such as high initial investment and excessive maintenance costs of intralogistics equipment, development of e-commerce and logistics industry, and regularity of the intralogistics equipment subscription service industry, contributed to the development of the intralogistics equipment subscription service market. In the past five years, the market size of the intralogistics equipment subscription service market in China increased from RMB4.4 billion in 2018 to RMB7.3 billion in 2022, at a CAGR of 13.5%.

To properly address such growing market needs, we have strategically expanded our equipment fleet. By doing so, we are committed to offering tailor-made and cost-effective intralogistics equipment subscription services for enterprises in different sizes and industries. We have continuously devoted resources in developing and optimizing our technology system, where our equipment fleet could be efficiently connected and managed, notwithstanding the fact that our fleet portfolio comprises a great variety of brands and types, and that the subscribed equipment generally operate at locations very distant to each other across China. For details, please see “– Our Technology” in this section.

Customers can conveniently choose intralogistics equipment they would like to subscribe from our fleet portfolio based on their intralogistics equipment needs, including brands, types, configurations and quantity. Where applicable, we also assist customers in determining the right composition of equipment and key parts they need, as well as appropriate working schedule of such equipment and key parts. After determining equipment composition, our



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customers can choose an subscription period depending on different business purposes, and the fee arrangement shall be determined accordingly. For details, please see “– Our Customers and Suppliers – Contracts with Customers” in this section.

During the contract term, we also carry out on-site inspections and maintenance of the intralogistics equipment on a regular basis. In case of any equipment failure or malfunction, our technician or engineer shall arrive within eight hours and provide on-site repairs emergently. For details of the summary of key terms of our intralogistics equipment subscription services, please see “– Our Customers and Suppliers – Contracts with Customers” in this section.

We believe that our customers are benefited from our customized intralogistics equipment subscription services in the way that they could save huge upfront investment or capital expenditure on intralogistics equipment, as well as equipment management resources associated therein, so that they may focus on developing their own key competing attributes, without sacrificing their intralogistics equipment needs. Our technology and operation competitiveness successfully distinguished us from industry peers, and helped us achieve quick and sustainable development during the Track Record Period.

During the Track Record Period, we derived a large portion of revenue from providing intralogistics equipment subscription services. To be specific, for the years ended December 31, 2020, 2021 and 2022, revenue derived from intralogistics equipment subscription services amounted to RMB639.7 million, RMB739.2 million and RMB738.0 million, respectively, accounting for 65.2%, 63.0% and 61.8%, of our total revenue for the corresponding years, respectively.

During the Track Record Period, we provided counterbalanced forklifts, reach trucks, walkie stackers and other kinds of intralogistics equipment for subscription. The table below sets out the equipment volume subscribed in our intralogistics equipment subscription services by equipment types for the years indicated:

	Year Ended December 31,					
	2020		2021		2022	
	Equipment Subscription Volume <sup>(1)</sup>	Percentage	Equipment Subscription Volume <sup>(1)</sup>	Percentage	Equipment Subscription Volume <sup>(1)</sup>	Percentage
		(%)		(%)		(%)
Counterbalanced Forklifts	135,245	41.5%	150,936	43.4%	150,274	42.4%
Reach Trucks	27,846	8.6%	27,088	7.8%	26,879	7.6%
Walkie Stackers	160,569	49.3%	167,159	48.1%	174,799	49.4%
Others	1,930	0.6%	2,476	0.7%	2,087	0.6%
<b>Total</b>	<b>325,590</b>	<b>100.0%</b>	<b>347,659</b>	<b>100.0%</b>	<b>354,039</b>	<b>100.0%</b>

*Note:* Total equipment subscription volume for a given year/period represents the aggregation of amount of times that intralogistics equipment in the fleet is subscribed in every month within a given year/period.

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During the Track Record Period, we experienced an increase in equipment subscription volume for intralogistics equipment subscription services primarily due to growing business needs of enterprises. In the meanwhile, the average monthly equipment subscription price remained relatively stable during the Track Record Period. To be specific, our average monthly equipment subscription price (excluding VAT) (the price equals revenue derived from intralogistics equipment subscription services in a particular year divided by the equipment subscription volume in the same period) was RMB1,965 per unit in 2020, RMB2,126 per unit in 2021, RMB2,085 per unit in 2022. According to CIC, for equipment of similar brands, configurations and conditions, there has been no material difference between the monthly subscription fees charged by the Company and those charged by industry peers of similar market position.

The following table set forth a portfolio of our existing intralogistics equipment subscription agreements by contract duration and contract value as of the dates indicated:

	As of December 31,					
	2020		2021		2022	
	Number of Agreements	Aggregated Contract Value <i>(RMB'000)</i>	Number of Agreements	Aggregated Contract Value <i>(RMB'000)</i>	Number of Agreements	Aggregated Contract Value <i>(RMB'000)</i>
Less Than One Year (Exclusive)	35,950	774,073	29,624	798,082	28,208	754,213
One Year or More (Inclusive)	21,025	689,504	27,670	944,566	30,217	992,191
<b>Total<sup>(1)</sup></b>	<b>56,975</b>	<b>1,463,577</b>	<b>57,294</b>	<b>1,742,648</b>	<b>58,425</b>	<b>1,746,404</b>

*Note:* The aggregated number of agreements exceeded the total equipment number in each year indicated because certain equipment were subscribed for several times within a year for multiple short term service contracts.

During the Track Record Period, the number of our intralogistics equipment subscription agreements on hand experienced steady growth primary due to growing business needs of enterprises, as well as the expansion of our equipment fleet. In particular, the proportion of long-term equipment subscription agreements increased steadily during the Track Record Period as the customer stickiness of our existing customers increased.

In particular, as of December 31, 2022, the aggregated remaining contract value of all valid subscription service contracts amounted to RMB695.2 million.

Considering the customer’s revenue contribution to us individually, certain customers are deemed KA customers under our intralogistics equipment subscription service business segment. KA customers play an important role in the business development. Although the exact scope of KA customers among different companies may vary due to their different business strategies and layout, the common key features for KA customers mainly consist of two aspects: (i) customers with large contribution to the company’s revenue, and (ii) customers

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with high potential to contribute to the company’s business and revenue growth in the future. Given that KA customers have large contribution and/or high potential to contribute to the company’s revenue growth, the number of KA customers and the associated retention rates and net dollar retention rates have been commonly used as key metrics to evaluate their business growth. The following table sets forth a summary of operating data of our KA customers for the years indicated:

	Year Ended December 31,		
	2020	2021	2022
Number of KA customers <sup>(1)</sup>	87	122	123
KA customer retention rate <sup>(2)</sup>	87%	99%	98%
Net dollar retention rate of KA customers <sup>(3)</sup>	98%	99%	97%

*Notes:*

1. A customer is deemed a KA customer under the intralogistics equipment subscription business if (i) the customer subscribes 50 units or more in that given 12-month period, or (ii) the customer subscribes 50 units or more in the preceding year and continued to subscribe intralogistics equipment (one unit or more) from us in that given 12-month period.
2. KA customer retention rate = ((total number of KA customers at the end of the given 12-month period – total number of new KA customers in that given 12-month period)/number of KA customers as of the beginning date of the given 12-month period)\*100%.
3. Net dollar retention rate of KA customers = (revenue in the given 12-month period from KA customers returned from the preceding 12-month period/revenue generated from KA customers in the preceding 12-month period)\*100%.

### *Case Studies*

*Shanghai Anneng Juchuang Supply Chain Management Co., Ltd. (上海安能聚創供應鏈管理有限公司)*

Shanghai Anneng Juchuang Supply Chain Management Co., Ltd. (上海安能聚創供應鏈管理有限公司) (“**Shanghai ANE**”) is a comprehensive logistics service enterprise located in Shanghai. It is a subsidiary of ANE (Cayman) Inc., a listed Company on the Hong Kong Stock Exchange (Stock code: 09956). It is one of the major customers of our intralogistics equipment subscription services. We have established a stable business partnership with Shanghai ANE since 2016.

As a national logistics company, Shanghai ANE has service outlets with different site conditions across the nation. Therefore, it requires suppliers with comprehensive intralogistics equipment portfolio, rapid response capabilities, and professional technical support teams. Before its cooperation with us, Shanghai ANE mostly subscribed intralogistics equipment from different local subscription service providers, which generally have limited types of intralogistics equipment and serve limited geographic areas. In addition, such local service providers generally could not respond fast in reaction to repair or maintenance needs. As a

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company with comprehensive equipment portfolio, strong supply chain capabilities, and service outlets across the nation, the Company was able to help Shanghai ANE solve the aforementioned pain points properly. Since 2016, Shanghai ANE gradually became one of our major customers in intralogistics equipment subscription service business.

In particular, the subscription volume from Shanghai ANE increased from around 60 units as of December 31, 2016 to around 3,100 units as of December 31, 2022. Meanwhile, Shanghai ANE's contribution to our revenue derived from intralogistics equipment subscription services increased from approximately 0.1% in 2016 to 9.0% in 2022. Leveraging the Company's advantages in supply chain capabilities and equipment management, the Company has helped Shanghai ANE improve its working efficiency with reduced costs, which was highly appreciated by Shanghai ANE.

### *Customer X*

Customer X is a leading home appliance and air conditioner manufacturing company headquartered in Foshan, Guangdong. The Company started to sell intralogistics equipment to Customer X in 2014, and has established a strong business relationship with it since then. The Company sold different types of intralogistics equipment to Customer X and its subsidiaries in different cities based on their intralogistics service needs.

To meet intralogistics service needs by way of procuring relevant equipment requires huge upfront investment or capital expenditure, professional team and technologies in managing the equipment, and large associated management expenses. Through close communications with Customer X, the Company offered to provide tailor-made intralogistics equipment subscription services to Customer X, which helped Customer X reduce its one-off capital expenditure, while fulfilling its intralogistics demand with quality intralogistics equipment and professional equipment management and maintenance services during subscription period. Since 2015, Customer X has gradually become a customer of our intralogistics equipment subscription services.

As of December 31, 2022, Customer X had subscribed around 430 units of intralogistics equipment from us. The Company will deliver the intralogistics equipment to its requested destinations across the country after it placing orders. Meanwhile, in addition to providing quality intralogistics equipment, the Company will assign professional service technicians to provide on-site guidance and trainings to Customer X's equipment operators, as well as regular inspections and maintenance to ensure the smooth running of the equipment. By transforming from an equipment procurement customer to an equipment subscription customer, the Company helped Customer X optimize its intralogistics equipment utilization and saving equipment management costs.

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### Maintenance and Repair Services

Leveraging our well-recognized market reputation as a leading company with rich maintenance and repair know-how on all makes and models, our strong force of technicians and engineers with expertise, and long-term relationship with reputable suppliers of intralogistics equipment and parts, we provided maintenance and repair services during the Track Record Period to our customers for their intralogistics equipment. Specifically, we offer (i) one-off repair services in response to emergent function failures or other problems; and (ii) maintenance and repair service plans where we provide scheduled inspections and regular maintenance services, as well as necessary part replacements and repairs. In managing this business segment, we charge on project basis for one-off repair services, and package price for maintenance and repair service plans.

The following table briefly summarizes the main types of maintenance and repair services we provided during the Track Record Period:

<b>Service Types</b>	<b>Brief Introduction</b>	<b>Main Customers</b>	<b>Payments</b>
<b>One-off repair</b>	Precisely identify the cause of the malfunction, and repair only the faulty unit(s) as necessary when our customers has a particular repair request	Manufacturers	One-off payment
<b>Maintenance and repair service plan</b>	Provide scheduled inspections and all maintenance services (including general maintenance services at planned intervals, and predictive maintenance) proactively to ensure daily smooth running of equipment; additional fixes and repairs are included as well	Manufacturers, logistics companies	Flat monthly payment/unit

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The following table sets forth a breakdown of our revenue derived from maintenance and repair services for the years indicated:

	Year Ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
One-off Repair	89,085	79.9	105,780	82.3	87,436	62.0
Maintenance and Repair						
Service Plan	22,378	20.1	22,704	17.7	53,551	38.0
<b>Total</b>	<b>111,463</b>	<b>100.0</b>	<b>128,484</b>	<b>100.0</b>	<b>140,987</b>	<b>100.0</b>

As of December 31, 2022, we had a dedicated team of 681 personnel in our technician team, the majority of whom had more than four years’ experience in intralogistics equipment industry. Our technician team is responsible for managing, inspecting and supervising our intralogistics equipment in stock, offering operational training services to our customers on site, and providing maintenance or repair services regularly to subscribed intralogistics equipment and to intralogistics equipment owned by customers as requested.

### *Case Study*

#### *Swire Coca-Cola Beverages Jiangsu Limited (江蘇太古可口可樂飲料有限公司)*

Swire Coca-Cola Beverages Jiangsu Limited (江蘇太古可口可樂飲料有限公司) (“**Swire Coca-Cola**”) is a soft drinks manufacturer located in Nanjing, Jiangsu. It is one of the Company’s major customers which subscribe maintenance and repair service plans. The Company started to establish business relationship with it since 2015. As of December 31, 2022, Swire Coca-Cola owned nearly 100 units of forklifts and had a huge demand for forklift maintenance and repair.

Since 2015, the Company started to provide one-off repair services based on the requests of Swire Coca-Cola every now and then, including but not limited to the replacement of various types of equipment parts. With a better understanding of Swire Coca-Cola’s equipment fleet condition through our long-term repair service relationship with it, the Company proposed our maintenance and repair service plans to Swire Coca-Cola, after making a multi-dimensional analysis on the types, ages, conditions, utilization rates and maintenance costs in relation to its equipment fleet.

To offer maintenance and repair service plans for the whole fleet of Swire Coca-Cola, the Company conducted comprehensive inspections and created an equipment profile for each forklift in the fleet, formulated a tailor-made service plan based on the actual operating condition and maintenance history of each forklift, and monitored the operating parameters of

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each forklift. The Company helped the client shift the maintenance and repair pattern from passively solving existing problems to actively preventing major problems, which in turn help reduces fleet maintenance costs. Since the provision of maintenance and repair service plans in 2021, the Company has helped Swire Coca-Cola reduce its total forklift maintenance expenses to no more than RMB1.0 million per year, representing around 30% decrease from its average annual maintenance expenses before having the maintenance and repair service plans.

### Sales of Intralogistics Equipment and Parts

During the Track Record Period, upon requests, we sold intralogistics equipment and parts catered to the diverse needs of our customers. As we have over a decade’s experience in sales of intralogistics equipment and parts, we have established business relationship with major manufacturers and suppliers of intralogistics equipment and parts. As such, we have relatively strong bargaining power in the procurement process, and are thus generally capable of providing our existing customers with quality intralogistics equipment and parts with competitive prices. With our established procurement and sales channels, we trade new and used intralogistics equipment to match diversified requirements of customers in China, which helps increase the customer adherence, and attract new customers to our intralogistics equipment subscription business segment and maintenance and repair business segment. In addition, we sold around 320,000 types of intralogistics equipment parts to customers in China and to over 100 foreign countries, such as United States, Thailand, Brazil, etc.

The following table sets forth a breakdown of our revenue by categories of goods sold for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Intralogistics equipment	116,195	50.6	162,505	53.4	156,664	49.7
Related parts	113,284	49.4	142,017	46.6	158,557	50.3
<b>Total</b>	<b>229,479</b>	<b>100.0</b>	<b>304,522</b>	<b>100.0</b>	<b>315,221</b>	<b>100.0</b>

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### OUR EQUIPMENT FLEET

As of December 31, 2022, we managed a fleet of 39,145 units of intralogistics equipment, which were mostly forklifts, and a few other intralogistics equipment, such as tractors and floor washers. A forklift is an industrial equipment with a metal fork platform attached to its front that can be used to lift heavy loads by inserting the fork platform under cargo, pallets, or machines for moving them or placing them in warehouses, production sites, distribution centers and other scenarios. During the Track Record Period, we mainly procured intralogistics equipment manufactured by internationally and nationally renowned intralogistics equipment manufacturers. The major types of intralogistics equipment in our equipment fleet include counterbalanced forklifts, reach trucks, and walkie stackers, details of which are set out in chart below:



**Counterbalanced Forklift**

Counterbalanced forklifts are one of the most common forms of forklifts and come in three and four wheel models. The forks of a counterbalance forklift truck stick out from the front of the equipment with legs or arms for stabilization. The name of a counterbalance forklift equipment comes from the counterweight at the rear of the equipment behind the motor. It is positioned such that it compensates for heavy loads.



**Reach Truck**

Reach trucks are a form of narrow aisle forklifts used in warehouses and have two outer legs to distribute the load with a set of wheels in the back located below the operator. They have a long horizontal platform behind the mast that allows the forklift to pick up bulky and heavy items in high places.



**Walkie Stacker**

Walkie stackers are a form of walk behind pallet trucks with a mast for lifting pallets to heights. Walkie Stackers can be either powered or manual. They are most commonly used for transporting & lifting pallets where a forklift is not necessary; such as in store rooms, small warehouses and specialized warehousing sections.



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The following table sets out information on the number of the intralogistics equipment we managed by categories as of December 31, 2022:

Energy Sources	Equipment Types	Volume (Units)	Percentage (%)
<b>Electric</b>	Counterbalanced Forklifts	12,404	31.7
	Reach Trucks	2,694	6.9
	Walkie Stackers	20,434	52.2
	Others	128	0.3
<b>ICE-powered</b>	Counterbalanced Forklifts	3,206	8.2
	Walkie Stackers	50	0.1
	Others	88	0.2
<b>Non-power</b>	Walkie Stackers	125	0.3
	Others	16	—*
<b>Total</b>		39,145	100.0

*Note:* Less than 0.1%.

We prioritize our commitment to responding to our customer’s needs in a timely manner, and manage to ensure that we have sufficient supplies of different kinds of intralogistics equipment at any time. To this end, we have continuously expanded our equipment fleet, with our managed equipment numbers increasing from 31,213 units as of December 31, 2020 to 36,257 units as of December 31, 2021, and further rising to 39,145 units as of December 31, 2022. During the Track Record Period, our intralogistics equipment had maintained a consistent level of utilization, with rates at 78.9%, 78.5%, and 73.1% for 2020, 2021, and 2022, respectively. These rates equal the subscribed equipment volume in a period divided by the available equipment volume in the same period. Such relatively stable utilization reflects our dedication to efficient equipment management, prioritizing timely customer response.

In October 2021, the State Council of China set the target to optimize energy consumption structure, boost low-carbon transformation in use of energy, and increase the consumption ratio of non-fossil energy to 25% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》), which is the national climate policy, aiming at achieving “peak CO<sub>2</sub> emissions” by 2030 and “carbon neutrality” by 2060. Since our establishment, we have been committed to promoting the green economies. As part of our commitment to environmental responsibility and sustainable intralogistics equipment lifecycle management solutions, we had increased the proportion of electric forklifts in our equipment fleet during the Track Record Period, which increased from approximately 88.6% in 2020 to approximately 90.0% in 2021 and further increased to approximately 91.1% in 2022.

Compared to ICE-powered forklifts, electric forklifts produce zero emissions and much lower noises, making them ideal for working indoor use. In addition, electric forklifts are much more cost-effective than ICE-powered forklifts in term of refueling. According to CIC, electric intralogistics equipment can potentially reduce energy consumption costs by up to 82.2% compared to ICE-powered intralogistics equipment, assuming a standard eight-hour workday.

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Leveraging our extensive industry know-how, strong maintenance and repair capabilities, we can effectively extend the service life of an intralogistics equipment through the combination of 24/7 monitoring, supervision and predictive maintenance. By identifying warning signs of incipient problems before they accumulate into major damage or failure that would require significant maintenance costs or total replacement, we can improve the cost-efficiency of our fleet operations. With our predictive maintenance capabilities, we can ensure that our customers’ intralogistics equipment remains in optimal condition, reduce down-time and increase operational efficiency.

According to our Group’s accounting policies, our intralogistics equipment for subscription are depreciated over their estimated useful lives, which generally range from three to eight years. For more information, please see “Financial Information – Significant Accounting Policies and Critical Accounting Judgments and Estimates – Significant Accounting Policies – Property, Plant and Equipment and Depreciation” in this document. For intralogistics equipment works beyond its estimated useful life, no additional depreciation or amortization costs of such equipment will be incurred thereafter. As advised by our PRC Legal Advisers, according to the Special Equipment Safety Law of the People’s Republic of China (《中華人民共和國特種設備安全法》) and Safety and Technical Regulations of Specialized Intralogistics Vehicle (TSG 81-2022) (《場(廠)內專用機動車輛安全技術規程(TSG 81-2022)》), the intralogistics equipment shall be mandatorily scrapped only if such intralogistics equipment has serious potential safety hazards to the extent that additional repair is meaningless, or other mandatory scrapping condition as stipulated in related laws and regulations is triggered. In other words, our intralogistics equipment is not subject to mandatory scrapping as long as such intralogistics equipment duly passes the annual inspection as required under such laws and regulations, which manifests that there is no triggering event for mandatory scrapping. As of December 31, 2022, 33,891 intralogistics equipment in our fleet were still in the depreciation and amortization period, and 5,254 units had fully depreciated. Fully depreciated equipment can be used for subscription without any future depreciation charges. During the Track Record Period, we procured intralogistics equipment from renowned national and international brands. However, from time to time, upon requests and where we deem appropriate, we may choose to procure idle intralogistics equipment from certain corporate partners of intralogistics equipment. Upon inspection and necessary repair and maintenance, we may choose to include such equipment into our fleet for subscription services, or, sell them based on market demands. We believe such arrangement allows us to realize our environmental, social and governance commitment by effectively improving the utilization of the idle equipment of our corporate partners; and to reinforce our leading position as a trustworthy intralogistics equipment lifecycle management solution provider in the market.

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### Source of Our Fleet

During the Track Record Period, taking into account our liquidity position and capital needs, we acquired intralogistics equipment by using our own funds, as well as by raising external financings, including bank loans and other borrowings. In determining financing plan for our intralogistics equipment procurement, we take into account a broad range of factors, including our debt ratio, applicable interest rates, repayment schedule, and our financial position. For more information, please see “Risk Factors – Risks Relating to Our Business and Industry – We incurred bank loans and other borrowings to invest in the expansion of our equipment fleet during the Track Record Period. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future to purchase equipment could have a material adverse impact on our business, results of operations and financial condition” and “Financial Information – Liquidity and Capital Resources – Net Current Liabilities” in this document.

In addition, we rented a limited number of intralogistics equipment from third-party equipment rental companies, as our customers occasionally asked to subscribe certain special type(s) of intralogistics equipment for temporary short terms (generally within three months). We rented such equipment that our customer intended to subscribe from third-party rental companies, and would return such equipment back to the lessor by the end of the term. As of December 31, 2022, intralogistics equipment rented from third-party rental companies amounted to 309 units.

### OUR TECHNOLOGY

We consider technology capability our key strength to continuously innovate our service offerings, enhance customers’ experience and optimize operation efficiency. We have continuously devoted resources in developing and optimizing our comprehensive technology platform, namely Intelligent Asset and Operation Management Platform (智慧資產運營管理系統). This platform enables us to integrate and connect key operating sectors, as well as assets involved, through which, we have been able to facilitate an intelligent, efficient and cost-effective management on equipment operation and utilization, service supervision, as well as asset management. Furthermore, leveraging this platform, we believe we are able to achieve quick expansion of our business network across China, as well as management of equipment and customer portfolio with consistent quality and optimized operational efficiency.

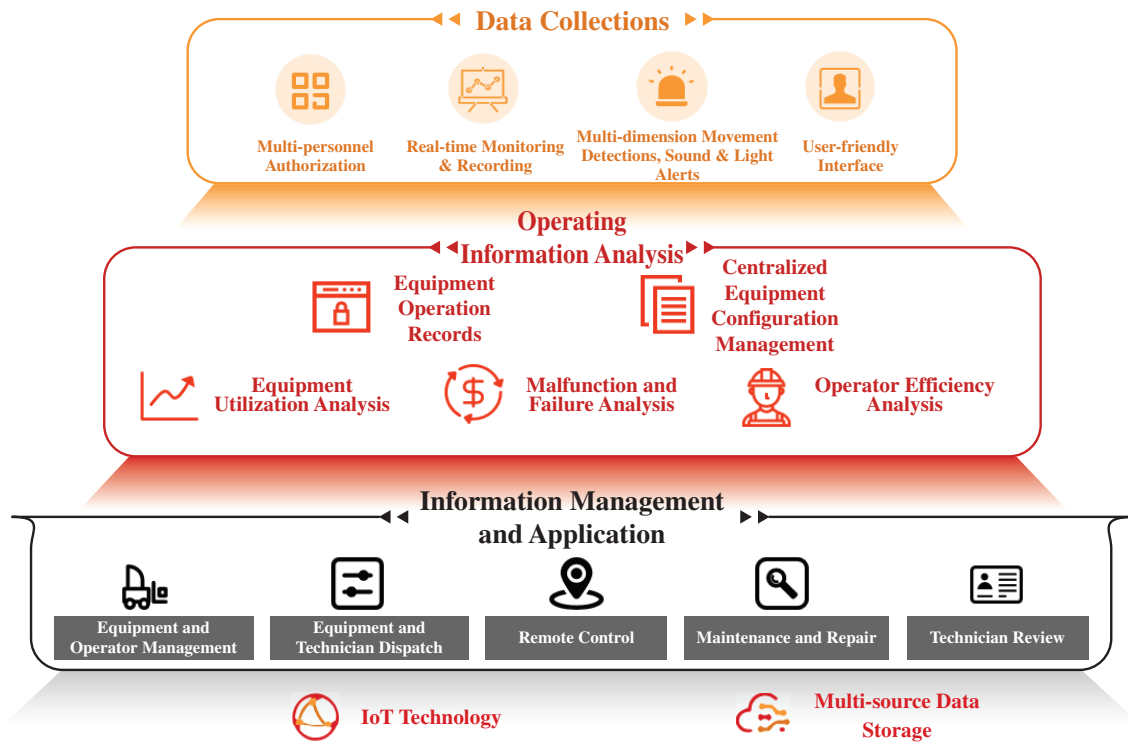
Our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), consists of (i) IoT Smart Terminals, which consist of sensors, wearable devices, and other smart hardware serving as gateway for the collection and transmission of information on equipment status and usage patterns, which lay the foundation for our efficient business management and customer interaction; (ii) Operating Information Analysis System, which enables centralized management of intralogistics equipment and parts, and integrates, processes and analyzes comprehensive information in relation to our fleet and usage patterns collected through IoT Smart Terminals. This system delivers to us detail equipment information in multiple dimensions as well as analytical diagrams designed to present key operating information of such equipment from multiple dimensions, based on which, our management may quickly make

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business decisions in relation to relevant operation arms on a well-informed basis; and (iii) Information Management and Application, where we integrate information and analytical results developed through IoT Smart Terminals and Operating Information Analysis System, to facilitate proper equipment and technician dispatch, remote control of our equipment, cost-efficient maintenance and repair plans, and customization of services, etc.

Leveraging our technology capability, we believe we may ensure efficient resource allocation and operation management, without incurring significantly larger labor costs, in spite of our continuous business expansion during the Track Record Period. As of the Latest Practicable Date, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) covered over 95.5% of our equipment fleet, which may allow quick and smart operation management.

The chart below illustrates our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統):



### Data Collection – IoT Smart Terminals

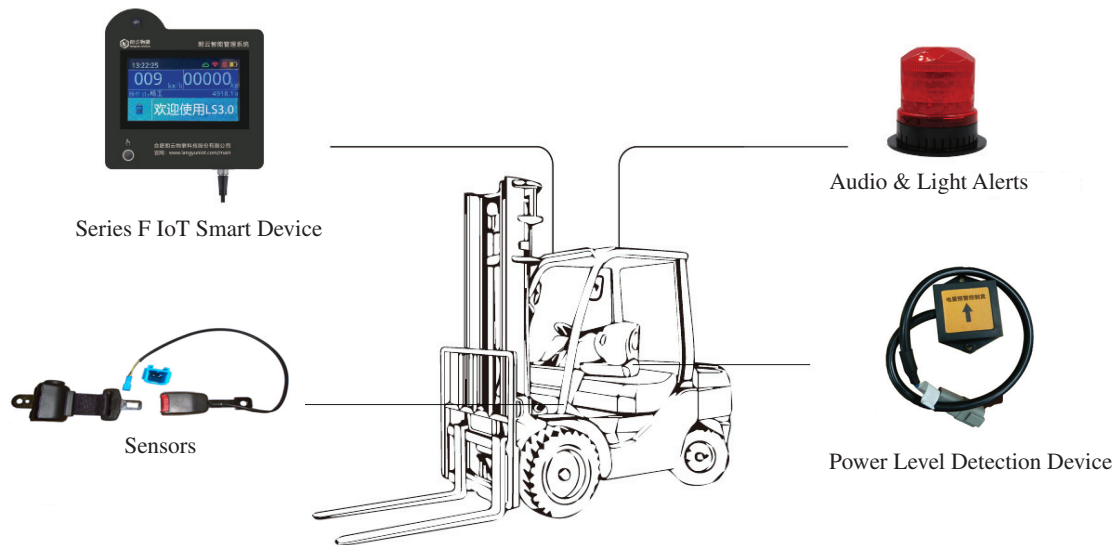
Our IoT Smart Terminals mainly consist of our proprietary Series F IoT Smart Device, wearable devices (remote-vision-based safety helmet), and various sensors, such as speed sensor, load sensor, air filter clogging sensor and off-seat detection sensor. By placing our Series F IoT Smart Device and add-on sensors on relevant equipment and requiring relevant operator to wear our remote-vision based safety helmet, such terminals are able to capture and transmit operating information on such equipment and operator, such as movement, weight load, collision, status of key parts and driving pattern, which allows us to perform 24/7 remote monitoring and supervision of relevant intralogistics equipment and operators, and, when emergent, timely interfere to ensure safety of equipment and operators.

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They capture movements of, and then generate and process operational information of our operating equipment and relevant operators. Such information will be shared across Series F IoT Smart Device and then transmitted to our cloud servers for storage and further analysis, allowing us to perform 24/7 remote monitoring and supervision of our intralogistics equipment and relevant operators.

The IoT Smart Terminals serve as the solid foundation for offering intralogistics solutions at a later stage. Leveraging our data analytics capabilities, we are able to study information gathered and processed through our IoT Smart Terminals, such as movements and operating information of the intralogistics equipment, as well as usage patterns, in the way to generate work orders or alerts in reaction to anomalies, to formulate maintenance schedule, so as to facilitate safe and proper use of our equipment.

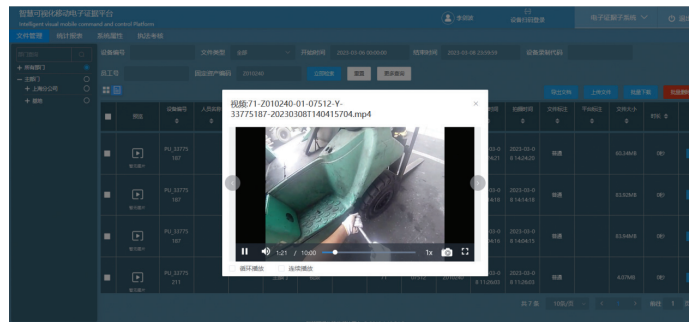
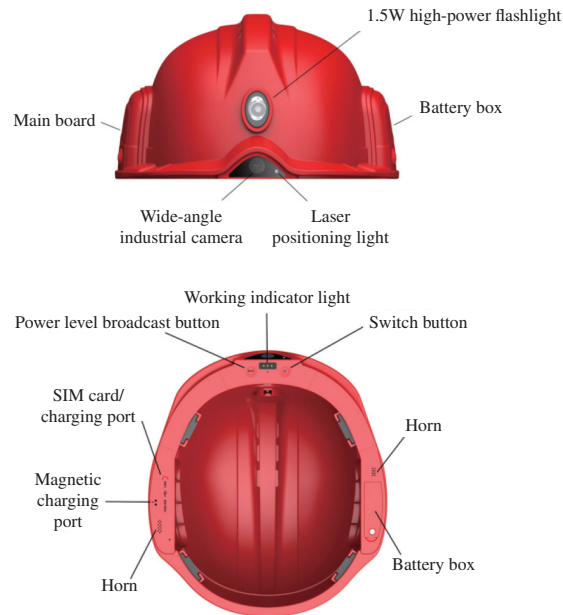
Series F IoT Smart Device is a self-developed device utilizing CAN bus, or Controller Area Network, which serves as nerve system in the intralogistics equipment that allows communication among various Electronic Control Units (ECUs) and other parts, so that we could have central measurement of the equipment dynamics, such as working time, speed, brake condition, oil pressure, etc. In addition, we could place additional sensors on the intralogistics equipment to read more operating data of the intralogistics equipment, which will be gathered through CAN bus as well. Series F IoT Smart Device is equipped with an user-friendly screen, which displays real-time operating information, such as operator identity, equipment load and speed. Set forth below is a picture of IoT Smart Terminals:



The remote-vision-based safety helmet enables us to record audio and high-definition video of service process of maintenance and repair services. In addition, our technician is able to recognize each equipment as well as the task assigned to such technician for that equipment by scanning the QR code generated specifically for such task in the WeChat mini program of Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), using the

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safety-helmet. The safety-helmet will then record and upload the service process entry for such equipment in the Operating Information Analysis System. Set forth below are pictures of the remote-vision-based safety helmet and a snapshot of video recording of certain maintenance and repair service via the safety helmet:



In addition, we develop certain sensors, such as speed sensor, load sensor, air filter clogging sensor and voltage sensor, to detect the changes in key parts of our intralogistics equipment. The sensors convert the physical phenomenon into digital signals, which data would be captured and processed by our Series F IoT Smart Device. In addition, as occasionally requested by certain clients, we will customize sensor modules to be placed on the intralogistics equipment tailored to our client’s desired functions. For more information, please see “– Our Technology – Information Management and Application” in this section.

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### Data Processing – Operating Information Analysis System

We have been making strategic investments in developing information analysis and cloud-edge collaboration capabilities for years. After over a decade's upgrades and optimization, our Operating Information Analysis System now is a comprehensive telematics suite that tracks and analyzes equipment operation and operator performance to help drive productivity across our business operations. Leveraging the big data analytics algorithms of our Operating Information Analysis System, we are able to analyze real-time information gathered from IoT Smart Terminals and transmitted through our cloud servers, and form various diagrams at multiple dimensions, including but not limited to, working status analysis, aging analysis, loading analysis, utilization analysis, irregular operation analysis of the whole fleet and each intralogistics equipment separately, which generally allow us to drive productivity by allocating our equipment and personnel resources properly, reducing equipment down-time, and extending average useful life of our equipment fleet.

In addition, the Operating Information Analysis System enables centralized management of intralogistics equipment and parts. In particular, our intralogistics equipment is categorized in multiple dimensions, including but not limited to, equipment types, equipment configurations, models, brands, tonnage, engine types, etc. By entering the unique identification number of an equipment into the analysis system, we can easily pull up equipment information, as well as all maintenance and repair history of such equipment.

Set forth below are some examples of analytical interface of the Operating Information Analysis System:



Note: this is a screen shot of the main page of Operating Information Analysis System on May 22, 2023, and the data on the page shall change from time to time.

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The map distribution interface above serves as the main page of our Operating Information Analysis System, where our management and personnel can have a snapshot on key information summary of our fleet on real-time basis, including fleet size, working status of the fleet, geographic distribution, recognized malfunctions, maintenance status of the fleet, irregular operations of the operators, risk alerts, etc.



*Note:* this is a screen shot of certain single equipment analysis interface of Operating Information Analysis System on May 22, 2023, and the data on the page shall change from time to time.

The single equipment analysis interface shows diagrams and results of key operating data of each intralogistics equipment separately, such as working time summary and equipment utilization analysis. In particular, our clients can access the operating information and analysis of their subscribed intralogistics equipment and operators during service period, with their client log-in information (i.e., account number and password provided by the Company), which information and analysis allow our clients to assess and manage the utilization of the subscribed equipment, and assist them to adjust their subscription plan.

### Information Management and Application

Our IoT Smart Terminals and Operating Information Analysis System jointly serve as a solid base for our Information Management and Application for asset and personnel resource allocation, equipment subscription and service monitoring for our clients, safe operation and predictive maintenance of our equipment, and human resources management. The centralized management of our equipment widely distributed around the nation, instant visibility into service scenes, and immediate detection of equipment anomalies may liberate our people from labor-intensive manual recording and frequent on-site inspections, generally allowing them to react nimbly to various situations and requests. To be specific, the average equipment service capacity per employee substantially increased from around seven units in 2016 to around 57 units in 2022 after the utilization of Intelligent Asset and Operation Management Platform (智慧資產運營管理系統).



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Leveraging the detailed equipment configuration management, intralogistics equipment and parts that matches the configuration requests of the clients can be properly selected, and dispatched from the warehouse or main supply chain bases closest to the client's site through our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) in a digitalized and intelligent way. After client engagement, we manage to improve transparency of service process by assisting clients to collect, categorize, and study the operating data in relation to their subscribed equipment, operators, working environment and load conditions. For instance, the client is able to obtain actual working time and standby time of the subscribed intralogistics equipment, as well as the analytical results of utilization rates and workloads of the intralogistics equipment, so that we could assist our clients to properly adjust equipment subscription plan and maintenance schedule, so as to help them achieve optimized working efficiency in a cost-effective way.

To ensure safe operation of our intralogistics equipment, we generally set limits on certain operating parameters, such as speed acceleration, top speed, load, oil pressure, operational boundaries, to reduce occurrence of avoidable accidents or unnecessary worn-outs of key parts. If certain parameter exceeds the limits, we will instantly generate alerts and work orders accordingly. For example, once we detect speeding of a forklift, we could generate commands to slow down the forklift remotely through Series F IoT Smart Device, and gradually stop it so as to ensure safe operation.

Occasionally, certain clients ask us to add features for their subscribed equipment, such as collision alerts, etc. After the requests arise, our research and development department works closely with such clients for the realization of the requested functions, usually by way of placing related sensors on the equipment body so that the concerned actions can be properly captured by the Series F IoT Smart Device, and creating add-ons to the existing Operating Information Analysis System so that once the actions are captured, certain alerts or reactions can be generated through Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) automatically.

We are able to foresee and identify maintenance needs before the problems become too costly to fix as our IoT Smart Terminals enable 24/7 remote monitoring and supervision of our intralogistics equipment. Upon detection of potential malfunction of the equipment or anomalies of key parts, our Operating Information Analysis System enables us to track maintenance and repair history of such equipment, so that our technician will be able to find the pain point of the intralogistics equipment and form maintenance plan in a timely manner. For example, once we detect lubricant starvation through the analysis system, our technician will be able to add lubricant in a timely manner to prevent cylinder scoring at a later stage, which will be substantially more expensive to fix. In addition, upon detection of incorrect maneuver of the operators, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) will generate alerts swiftly so as to decrease damages to equipment and to regulate the operators' driving behaviors.

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In addition, by reviewing the video records of our technicians' services, and analysis outcomes of such technicians' work efficiency, our human resources department will be able to produce proper performance results for internal reviews, and make decisions in relation to personnel management accordingly.

### OUR NATIONWIDE SERVICE NETWORK

As of December 31, 2022, our national service network consisted of our headquarter, three main supply chain bases, and 161 service outlets in 87 cities across China, with a focus on cities in Yangtze River Delta and Pearl River Delta. In particular, we had 21 service outlets in tier-one cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, and additional 48 service outlets in new tier-one cities, namely Chengdu, Hangzhou, Chongqing, Xi'an, Suzhou, Wuhan, Nanjing, Tianjin, Zhengzhou, Changsha, Dongguan, Foshan, Ningbo, Qingdao, and Shenyang, representing 42.9% of our total service outlets. The following table sets out the summary of our service network as of December 31, 2022:

<b>Service Network</b>			
<b>Segment</b>	<b>Number</b>	<b>Location</b>	<b>Main Functions</b>
Headquarter	One	Guangzhou, Guangdong	Overall administration and management of the Group; research and development
Main Supply Chain Bases	Three	Foshan, Guangdong; Hefei, Anhui; Langfang, Hebei	Supply chain management; warehousing of intralogistics equipment
Service Outlets	161	87 cities across the nation	Equipment management; offering services; sales and marketing

We have an extensive service network that allows us to consistently deliver high-quality services nationwide with flexibility and convenience for our customers in a timely manner. Our response time (i.e., the period of time required to reach the site of work designated by the customer from any service outlet) is approximately eight hours.

### SALES AND DISTRIBUTION

During the Track Record Period, we sold intralogistics equipment and parts directly to corporate end customers in China and abroad, including but not limited to manufacturers, logistics carriers, and trading companies. During the Track Record Period, our revenue derived from sales of intralogistics equipment and parts amounted to RMB229.5 million, RMB304.5 million and RMB315.2 million in 2020, 2021 and 2022, respectively.

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### PRICING

#### **Intralogistics Equipment Subscription Services**

For our intralogistics equipment subscription services, the prices are mainly determined by the equipment's depreciation, maintenance and repair expenses, and operating expenses. The equipment types and subscription term selected by a customer also play an important role in pricing. We may adjust the prices based on the customization requested by certain customers, estimated daily working time of the equipment, market demand, corresponding intensity of competition among competitors in the same region, and the working environment.

During the Track Record Period, our average unit subscription price of intralogistics equipment (excluding VAT) ranged from approximately RMB1,950 to RMB2,150 per month depending on different types of devices and their brands, configurations and models.

#### **Maintenance and Repair Services**

For our maintenance and repair services, the prices are primarily determined through a cost-plus basis, the services fees vary due to various factors, such as (a) the nature and complexity of the maintenance and/or repair services; (b) labor costs of technicians of different seniority and level of experience; and (c) the overall quantity of the materials required.

#### **Sales of Intralogistics Equipment and Parts**

We determine the selling price of new intralogistics equipment and parts based on our research of prevailing market price and conditions. We also take into consideration our expected gross profit margin in determining the selling prices. With respect to used intralogistics equipment, we determine the selling price for the used equipment generally taking into consideration the net replacement value of the relevant equipment by making reference to the market selling price of the relevant equipment or similar equipment, the estimated selling costs and repair costs for the equipment.

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### **RESEARCH AND DEVELOPMENT**

We always attach great importance to technologies and research and development in order to enhance our operational efficiency and provide customers with more standardized services. Our research and development efforts primarily focus on the upgrades of our service capabilities. Apart from the general upgrades and optimization of our existing technologies, our research and development team also attend to specific customization requests from our clients, in offering our intralogistics equipment subscription services, such as collision alerts. For more information, please see “–Our Technology – Information Management and Application” in this section.

For the years ended December 31, 2020, 2021 and 2022, our research and development expenses amounted to RMB29.3 million, RMB35.7 million, and RMB39.7 million, respectively. As of December 31, 2022, our research and development employees amounted to 144, representing 8.9% of our total number of employees as of the same date. As a reflection of our sustained investment in technologies, we possessed numerous intellectual property rights as of the Latest Practicable Date. Please see “–Intellectual Property” in this section for more information.

### **MARKETING AND PROMOTION**

As of December 31, 2022, we had a dedicated team responsible for our sales and marketing activities. Our sales and marketing activities are primarily conducted through on-site marketing events, and telephone calls. We secure customers and orders through different kinds of marketing channels. For instance, we would send our staff to visit the sites and contact or directly negotiate with the person in charge on site. Through online promotion or posters on trade shows, we would be able to attract attention of potential customers, and then conduct contract negotiations. We would also obtain business opportunities through referrals from existing customers and suppliers.

### **INVENTORIES**

Our inventories primarily consist of intralogistics equipment and parts. For more information, please see “Financial Information – Discussion of Certain Selected Items From the Consolidated Statements of Financial Position – Inventories” in this document. We have implemented policies to optimize our inventory level. According to such policies, we standardize our inventory management through our digital warehousing system across our general warehouses in main supply chain bases and sub-warehouses in our local subsidiaries. Each of the inventories is given an unique identification code at the time of storage and we keep track of all inventories at all stages.

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We analyze our inventory level on a monthly basis, and prepare annual inventory inspection report at the end of each fiscal year, so that we are able to deal with slow-moving inventories in a timely manner. For slow-moving intralogistics equipment and parts held for sale, we collect information about prices of comparable brands and models in the market and adjust our selling prices to the extent appropriate.

### OUR CUSTOMERS AND SUPPLIERS

#### Our Customers

During the Track Record Period, almost all of our customers were corporate entities, which comprised of manufacturers, logistics companies, and trading companies. As of December 31, 2022, we effectively served over 8,000 corporate customers, including leading logistics enterprises such as Shanghai ANE, Best Logistics, Yimi Dida, and FAW Group and large manufacturing enterprises, such as, Swire Coca-Cola. According to the List of Top 50 Logistics Enterprises in 2022 in China issued by China Federation of Logistics & Purchasing, among the top ten logistics enterprises in China in 2022, seven of them are our customers.

The following table sets forth a summary of the number of our customers by industries for the years indicated:

	Year Ended December 31,					
	2020		2021		2022	
	(%)		(%)		(%)	
Manufacturers <sup>(1)</sup>	3,042	40.7	3,094	39.0	3,290	40.3
Logistics companies <sup>(1)</sup>	1,814	24.3	1,929	24.3	1,916	23.5
Trading companies <sup>(1)</sup>	2,157	28.8	2,373	29.9	2,183	26.7
Others	464	6.2	533	6.7	781	9.6
<b>Total</b>	<b>7,477</b>	<b>100.0</b>	<b>7,929</b>	<b>100.0</b>	<b>8,170</b>	<b>100.0</b>

*Note:* Customers that we categorized as manufacturers, logistics companies, trading companies and others were based on publicly available information on the background of our customers.

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We review our customers on a regular basis. For the years ended December 31, 2020, 2021 and 2022, (i) our five largest customers contributed to 17.0%, 15.8% and 13.9% of our total revenue, respectively; and (ii) our largest customer contributed to 6.1%, 6.5% and 5.8% of our total revenue, respectively.

Customer	Revenue (RMB'000)	% of Total Revenue in Same Customers' Period	Customers' Background	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended</i>						
<i>December 31, 2020</i>						
Customer A	60,223.7	6.1%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	47,781.9	4.9%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2017
Customer C	31,970.5	3.3%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017
Customer D	13,255.9	1.4%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2017
Customer E	13,108.4	1.3%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2020
<b>Total</b>	<u>166,340.4</u>	<u>17.0%</u>				

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Customer	Revenue (RMB'000)	% of Total Revenue in Same Customers' Period	Customers' Background	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended</i>						
<i>December 31, 2021</i>						
Customer A	75,752.4	6.5%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	42,764.2	3.6%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2017
Customer C	31,180.4	2.7%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017
Customer F	21,172.5	1.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2020
Customer G	13,847.3	1.2%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2015
<b>Total</b>	<b>184,716.8</b>	<b>15.8%</b>				

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Customer	Revenue (RMB'000)	% of Total Revenue in Same Customers' Period	Customers' Background	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended December 31, 2022</i>						
Customer A	69,244.1	5.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	33,534.4	2.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	90 days	2017
Customer C	26,018.0	2.2%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017
Customer H	21,861.6	1.8%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer G	15,514.2	1.3%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2015
<b>Total</b>	<u>166,172.2</u>	<u>13.9%</u>				



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As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

### **Contracts with Customers**

A summary of the key terms of our intralogistics equipment subscription service contract is as follows:

- *Term.* The contract term varies based on customers' needs, generally ranging from month(s) to few years (generally less than three years);
- *Services.* We provide door-to-door delivery of the subscribed equipment as specified in the contract to our customer. We assist our customer to finish set-up the equipment, and provide guidance to our customer's in-house equipment operators. We will provide periodic inspections and maintenance to the equipment to ensure their smooth operation on site;
- *Payment term.* The subscription fee shall be payable by month. The cumulative usage duration of each intralogistics equipment shall not exceed certain hour limit per month, and any excessive hours shall be paid by the customer at pre-determined hourly rates in the contract;
- *Termination.* If the customer fails to pay the service fees as stipulated in contract to us within the prescribed period in the contract, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day. If the payment is overdue for more than 20 days, then we have the right to use customer's security deposit (if any) directly to offset overdue service fee and late fee. If the payment is overdue for more than 30 days, then we have the right to take back the subscribed equipment, suspend or cancel the contract in advance, and require the customer to pay the corresponding liquidated damages;
- *Renewal.* If the customer wants to renew the service agreement after the expiration, it should cooperate with us to complete the renewal within 30 days before the expiration of such contract; if the customer does not go through formal termination or renewal procedures with us after the expiration, it will be regarded as customer's automatic choice to renew the contract.

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A summary of the key terms of our one-off repair service contract is as follows:

- *Services.* We carry out one-off repair, and provide necessary replacement parts and materials for the customer's intralogistics equipment on as-needed basis. After the execution of the service contract, we shall assign technician(s) to the designated site of the customer for performing the service;
- *Prices and payment.* The agreed unit rates of each item and quantities of various items of works are set out in the service agreement. The customer is required to make full payment within an agreed period of time after the performance of the repair service;
- *Duration of work.* Our technician(s) on site shall finish the repair works within the agreed period of time.

A summary of the key terms of our maintenance and repair service plan contract is as follows:

- *Term.* The contract term varies based on customers' needs, which is usually from 12 months to 36 months;
- *Services.* The customers may choose to have regular maintenance packages only, where we provide inspection and maintenance services at specific intervals (for example, every 200 hours, 600 hours, 1,200 hours, etc.), or to have maintenance and repair service plans where we provide scheduled inspections and all maintenance services proactively to ensure daily smooth running of equipment; additional fixes and repairs are included in the plans as well. We shall keep and update maintenance record for the serviced equipment;
- *Payment term.* The service fees shall be payable by month, at a pre-determined price as agreed by both parties; service fees include labor costs and costs of replacement parts (barring specific exclusions, such as replacement of tires, batteries, electric motors, and other major parts, costs in relation to damages to the equipment caused by willful or gross negligent conducts of the customer's operators; fuels, etc.);
- *Termination.* If any party wants to terminate the maintenance and repair contract due to its material change of operation, such party shall notify the other party in writing for one month in advance, and the contract can be terminated in advance after both parties agree and settle all costs; if any party fails to notify the other party in advance before terminating the contract, the other party pay ask for compensation equal to one month's service fees.

A summary of the key terms of purchase and sale contract is as follows:

- *Specification.* The purchase and sale agreement typically sets out the specifications, models, quantities and total sales amount of the intralogistics equipment and parts we sell;
- *Payment term.* The customer shall pay deposit after the execution of the contract, and the balance of the purchase price shall be paid within certain days after the delivery of product. The ownership of the products belongs to us until the payment is paid in full;

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- Inspection and acceptance.* The customer shall inspect the products on site after delivery. Within three working days after acceptance, if the customer discovers any quality issue(s) of the products, the customer can notify us in writing, we are responsible to handle the issue(s) at our own costs if such issue(s) are bilaterally confirmed to be quality issue(s). If the customer does not contact us within such agreed period, the products are deemed to be without quality issues.

### Our Suppliers

During the Track Record Period, we primarily procured intralogistic equipment and parts. Our suppliers primarily consisted of intralogistics equipment and parts manufacturers. For the years ended December 31, 2020, 2021 and 2022, (i) our five largest suppliers contributed to 50.7%, 49.0% and 46.7% of our total purchases, respectively; and (ii) our largest supplier contributed to 20.7%, 17.7% and 22.1% of our total purchases, respectively.

Supplier	Transaction Amount (RMB'000)	% of Total Purchases in Same Period	Suppliers' Background	Products Purchased by us	Credit Terms	Year in Which the Group Commenced Business with the Supplier
<i>For the year ended December 31, 2020</i>						
Supplier A	161,371.6	20.7%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment and parts	60 days	2016
Supplier B	123,096.2	15.8%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2016
Supplier C	42,453.4	5.4%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2007
Supplier D	40,253.9	5.2%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2019
Supplier E	27,814.2	3.6%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2014
<b>Total</b>	<u>394,989.3</u>	<u>50.7%</u>				

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Supplier	Transaction Amount (RMB'000)	% of Total Purchases in Same Period	Suppliers' Background	Products Purchased by us	Credit Terms	Year in Which the Group Commenced Business with the Supplier
<i>For the year ended December 31, 2021</i>						
Supplier A	151,541.1	17.7%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment and parts	60 days	2016
Supplier B	145,946.5	17.0%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2016
Supplier C	57,165.1	6.7%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2007
Supplier E	38,074.1	4.4%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2014
Supplier F	27,204.6	3.2%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2015
<b>Total</b>	<b><u>419,931.4</u></b>	<b><u>49.0%</u></b>				

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Supplier	Transaction Amount (RMB'000)	% of Total Purchases in Same Period	Suppliers' Background	Products Purchased by us	Credit Terms	Year in Which the Group Commenced Business with the Supplier
<i>For the year ended December 31, 2022</i>						
Supplier A	179,846.8	22.1%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment and parts	60 days	2016
Supplier B	134,924.0	16.6%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2016
Supplier C	36,628.1	4.5%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2007
Supplier G	14,588.1	1.8%	Manufacturer of intralogistics equipment parts	Intralogistics equipment parts	30 days	2014
Supplier H	13,464.4	1.7%	Manufacturer of intralogistics equipment parts	Intralogistics equipment parts	30 days	2019
<b>Total</b>	<u>379,451.4</u>	<u>46.7%</u>				

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

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### Contracts With Suppliers

A summary of the key terms of our equipment and/or parts procurement agreement is as follows:

- *Specification.* The procurement agreement typically sets out the specifications, models, quantities, the unit purchase price and total purchase amount of the equipment and/or parts we purchase;
- *Unit purchase price.* The unit purchase price of the equipment and/or parts is specified in the procurement agreement;
- *Logistics.* Unless otherwise agreed, the supplier is required to deliver the equipment and/or parts we purchased to locations designated by us;
- *Payment term.* We will pay the purchase price of the equipment and/or parts to the supplier under the conditions that (i) we receive the original copy of VAT invoice issued by the supplier for 100% of the purchase price; and (ii) all purchased equipment and/or parts are properly delivered to us.

Due to the nature of our business, during the Track Record Period, certain of our five largest suppliers was also our customer. According to CIC, it is common that certain conglomerate equipment manufacturing group in China has numerous subsidiaries with different business lines and business needs/supplies from/to third parties.

Supplier A/Customer H is a leading manufacturing group company of automobiles, intralogistics equipment, rechargeable batteries and other related products in China. It has a number of subsidiaries with different and independent businesses in China, and the Company has business relationship with certain of its subsidiaries. During the Track Record Period, we purchased intralogistics equipment and parts from certain of its subsidiaries that mainly manufacture intralogistics equipment and parts. In 2020, 2021 and 2022, our procurement from Supplier A/Customer H amounted to RMB161.4 million, RMB151.5 million, and RMB179.8 million, respectively. During the Track Record Period, we mainly provided maintenance and repair services to certain of its subsidiaries that owned intralogistics equipment. Occasionally, certain subsidiaries of Supplier A/Customer H (such subsidiaries were not the same with the subsidiaries selling intralogistics equipment and parts to us) would subscribe or purchase intralogistics equipment from us as they were looking for certain specific types of intralogistics equipment. In 2020, 2021 and 2022, our revenue generated from Customer H amounted to RMB5.7 million, RMB13.0 million and RMB21.9 million, respectively.

Our Directors confirm that the transactions with the overlapping customer and supplier were on normal commercial terms, because (a) we are knowledgeable of the industry and are experienced in identifying whether the commercial term is in line with market practice; (b) with respect to supplier engagement, we generally conduct negotiations with a number of suppliers as part of our supplier selection process and we will compare the commercial terms of supplier candidates in making the selection; and (c) with respect to transactions with customers, the commercial terms are heavily negotiated and customers may be in negotiations with our competitors, which ensures that the commercial terms are normal and in line with market practice.

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Our Directors further confirm that the terms of these transactions were in line with industry norm. In particular, some leading participants in the intralogistics equipment lifecycle management solution industry are conglomerates which are comprised of multiple subsidiaries that engage in independent and different businesses. Therefore, certain subsidiaries which mainly engage in manufacturing businesses sell intralogistics equipment to third parties; while certain subsidiaries in the same group company require intralogistics equipment subscription services or maintenance and repair services from third parties.

### AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period.

Year	Award or Recognition	Issuing Authority
2020	“Power of Example” Science and Technology Pioneer Competition – Most Innovative Award (“榜樣的力量”科創先鋒大賽—最具創新力獎)	Department of Science and Technology of Guangdong Province (廣東省科學技術廳), China Construction Bank Technology Finance Innovation Center (中國建設銀行科技金融創新中心) and Nanfang Daily Newspaper Group Co.,Ltd. (南方報業傳媒集團)
2021	Guangdong Smart Manufacturing Partner (廣東省智能製造生態合作伙伴)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
2023	2022-2023 Outstanding Supply Chain Enterprise (2022-2023年優秀供應鏈企業)	Guangdong Procurement and Supply Chain Association (廣東省採購與供應鏈協會)

### COMPETITION

We face competition in respect of the quality and effectiveness of our intralogistics equipment lifecycle management solutions, our ability to meet potential customers’ expectations and specifications in a flexible way, and our experience and reputation. The principal competitive factors in our industry generally include scope and quality of services, speed in response, marketing and sales capabilities, user experience, pricing, brand recognition and reputation.

We believe that there are high barriers for our competitors to enter into the market, which include, among other things, sufficient capital, extensive customer acquisition, vast equipment resources, accumulated industry experience, effective risk control management system, and extensive research and development capacities. For more information on the competitive landscape of our industry, see “Industry Overview” in this document. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed “Our Strengths” in this section.

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### THIRD-PARTY PAYMENT ARRANGEMENT

#### Background

During the Track Record Period, certain of our customers (the “Relevant Customer(s)”) settled their payments with us through third-party payers (such payer(s), the “Third-Party Payer(s),” and such arrangement(s), the “Third-Party Payment Arrangement(s)”). In 2020, 2021, and 2022, the aggregate amount of third-party payments (the “Third-Party Payments”) we received from Third-Party Payers was RMB5.3 million, RMB10.4 million, and RMB17.9 million, which respectively accounted for 0.5%, 0.9%, and 1.5% of our Group’s total revenue for the corresponding year. The total revenue attributable to the Third-Party Payments was the same as the above aggregate Third-Party Payments amount for the corresponding year, respectively, and such revenue constituted an immaterial proportion of our total revenue for each year during the Track Record Period. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period. Since May 20, 2023, we had ceased to allow our customers to settle payments through Third-Party Payers and all new orders thereafter can only be settled by our customers’ own accounts.

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangements, but only accepted the Third-Party Payments paid by the third-party payers at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements. The payment, the pricing terms and other general commercial terms of the Relevant Customers are generally the same as our other customers. As advised by our PRC Legal Advisers, our acceptance of payments through the Third Party Payment Arrangements do not contravene any prohibitive provisions under PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, as confirmed by the Directors, (1) we had not encountered any disputes with, nor received any refund request from, any Relevant Customer or Third-Party Payer, and (2) we had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements.

#### Reasons for Utilizing Third-Party Payment Arrangements

During the Track Record Period, (A) the Relevant Customers primarily comprised overseas customers who purchased intralogistics equipment parts from us; and (B) the Third-Party Payers generally comprised affiliates of Relevant Customers and third party settlement agents and their nominees engaged by Relevant Customers. According to CIC, it is common market practice for intralogistics equipment parts purchasers to settle payments through third-party payers to their vendors to facilitate payments, particularly for cross-border transactions. To the best knowledge of our Directors, the main reason for the Relevant Customers to utilize Third-Party Payment Arrangements is to expedite foreign exchange settlement and customs clearance for international transactions which were settled by non-RMB currencies.



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### **Internal Control Measures for Third-Party Payment Arrangements**

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. To safeguard our Group's interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

- (1) Since May 20, 2023, we have ceased to allow our customers to settle payments through Third-Party Payers and all new orders placed thereafter by customers can only be settled by such customers' own accounts;
- (2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payments;
- (3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer's name, content of transaction, payment data, payment sum, payment method and the payer's name, so as to ensure that relevant payments are made directly by the relevant customer;
- (4) Since May 20, 2023, for all identified payments made by the Third-Party Payers, we will initiate refund to such Third-Party Payers and ask the relevant customers to re-arrange direct payment to us.

Considering that our revenue generated from Third-Party Payment Arrangements as a percentage of our total revenue was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements would not have any material adverse impact on our business, financial conditions or results of operations.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")**

During the Track Record Period, we pay great attention to environmental protection and are committed to operating our business in compliance with applicable environmental protection laws and regulations. We believe our continued growth rests on integrating social values into our business. We have been dedicated to creating a lasting positive environmental, social, and governance impact. We regulate and instruct each of our business departments to conduct environmental protection management properly in accordance with applicable PRC laws and regulations. Moreover, we may from time to time engage independent professional third parties to help us make necessary improvements.

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We are committed to practicing environmental protection and promoting sustainability to fulfil our social responsibilities as a global corporate citizen. We have formulated numerous environmental management policies and measures such as, the Environmental Protection Management Policy (《環境廢物管理制度》), and the Solid Waste Management Policy (《固體廢物管理制度》), to avoid and reduce the risks and impacts of our operations on the environment.

### *Energy Saving and Efficiency Enhancement*

Our strong commitment to ESG principles is embedded in our business operations. In intralogistics equipment selection, priority was given to equipment consuming clean electric energy. We have increased the proportion of electric forklifts in our equipment fleet during the Track Record Period, which increased from approximately 88.6% in 2020 to approximately 90.0% in 2021 and further increased to approximately 91.1% in 2022. According to CIC, electric equipment can potentially reduce energy consumption costs by up to 82.2% compared to ICE-powered equipment, assuming a standard eight-hour workday. Moreover, electric equipment produces zero emissions and much lower noise. During the Track Record Period, we also invest primarily in new energy equipment, with lithium battery equipment accounting for about 70% of our total intralogistics equipment as of December 31, 2022. We help our customers reduce their carbon emissions by offering options of electric forklifts with equally good functionality with ICE-powered forklifts, and encouraging the subscription of electric forklifts.

In addition, we have continuously devoted resources to developing and optimizing our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), which integrates digital technologies and services across various aspects of our business operations. It helps us streamline service processes and help us reduce human errors, control costs, and improve overall productivity. Our digital infrastructure provides real-time data and insights, allowing for better decision-making and improved performance. It helps us scale and grow more easily, by providing a solid foundation for expansion and the ability to quickly adapt to changing market conditions. For more information about the technologies, please see “– Our Technology” in this section.

### *Treatment of Solid Waste*

Regarding the treatment of solid waste, our operation may be regulated under the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (《中華人民共和國固體廢物污染環境防治法》) (promulgated by the SCNPC on October 30, 1995 with the latest amendment taking effect on September 1, 2020) and the “National Hazardous Waste List (2021 Edition).”

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We generated limited amount of hazardous waste, such as waste engine oil and waste oilcloths, during daily operation. In our daily operations, we added oil-saving trays and oil-absorbing sponge to the operating environment and locations where there is a risk of oil leakage, and strictly required technicians for enforcement. In the process of providing maintenance and/or repair services, limited amount of hazardous waste was generated. The customers were responsible for the treatment of such hazardous waste as generally agreed in our service agreements with customers. However, certain customers will ask us to take care of the treatment as they are not familiar with the requirements or procedures to dispose such waste; therefore, occasionally, we collect waste produced in the service process and then delegate to qualified agents. We actively strives for the harmless treatment of waste and the recycling of resources. During the Track Record Period, we generated 2.7 tons of hazardous waste in average. The treatment of hazardous waste is delegated to qualified units for professional disposal. For aged equipment, and scrap metal, we generally sell them to scrap collection units for recycling and disposal.

We adopted the Solid Waste Management Policy (《固體廢物管理制度》) and have assigned the hazardous waste management responsibility to our administrative office. We have specific location and containers in our work site to store such waste, and engage qualified disposal units and transportation units to standardize the treatment. In the daily operations, our technicians provide proper maintenance and repair to our intralogistics equipment with the support of our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) so as to prevent frequent repairs or major repairs that would produce more waste.

### **Governance Regarding Environmental, Social and Climate-Related Risks**

Our Group acknowledges its responsibility on environmental protection and social responsibilities and is committed to complying with the environmental, social and governance reporting requirements upon [REDACTED]. We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Instead, our Board of Directors takes up the responsibility of monitoring and managing material ESG issues, with the assistance from the management. Our Board of Directors is principally responsible for (i) setting up and developing the Group's overall ESG policies, strategies, principles and visions, (ii) monitoring and reviewing our ESG performances and fulfillment of the Board of Directors' ESG objectives, (iii) keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG policies in accordance with the latest regulatory updates; and (iv) identifying ESG risks and opportunities related to our Group, assessing the impact arising from such risks or opportunities on our Group. Our Board of Directors is responsible to oversee the coordination of different departments to ensure that our operations and practices are in line with related ESG strategies.

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Furthermore, our Board of Directors closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we place great emphasis on the Stock Exchange's ESG requirements, and in order to ensure compliance with the said requirements, our Board of Directors will adjust our related policies based on such developing ESG requirements.

### **DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT**

Data privacy and information security is one of our top priorities. In the ordinary course of our business, we generally collect and process operating data of subscribed intralogistics equipment (such as, location, speed, working time), and service process of our technicians. We have in place a robust data protection policy to ensure our compliance with the applicable laws and regulations.

We pay close attention to risk management relating to our IT system, as storage and protection of operating data and related information is critical to us. We have developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols:

- provide limited authorization to our employees holding specific positions and responsibilities to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment;
- require our employees to log in our information systems with access codes provided by the Group.

We provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. In addition, we organize annual comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management. We have an emergency response mechanism for information security and we carry out emergency drills on a regular basis and improve our information management system accordingly.

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of operating or transaction data. As confirmed by our PRC Legal Advisers, we were in compliance with the applicable PRC data privacy and security laws, rules and regulations relating to the collection, use or security of operating data in material respects as of the Latest Practicable Date. Please see "Risk Factors – Risks Relating to Our Business and Industry – We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of operating data and related information" and "Regulatory Overview – Laws and Regulations Relating to Cyber Security and Data Security" in this document.

## **INTELLECTUAL PROPERTY**

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed two copyrights, ten patents, 11 domain names, 17 trademarks and 109 computer software copyrights in China. For detailed information about our material intellectual property, see "Appendix IV. Statutory and General Information – Further Information about the Business of our Company – 2. Intellectual Property Rights" to this document.

In this regard, we rely primarily on a combination of copyrights, patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties' intellectual property rights in the PRC.

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### EMPLOYEES

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. We typically sign non-competition agreement with our senior management or other key employees with a two-year term. Our employees are reviewed every month on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We plan to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online job sites and internal reference. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees’ full potential.

As of December 31, 2022, we had 1,622 full-time employees, all of whom were based in China. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

	<b>Number of Employees</b>	<b>% of Total</b>
Technicians and engineers	681	42.0
Sales and marketing	186	11.5
General administration	611	37.7
Research and development	144	8.9
<b>Total</b>	<b>1,622</b>	<b>100.0%</b>

We currently have a labor union for our employees. We believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. For more information, please see “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities” in this document.

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### INSURANCE

For operational fixed assets, we established a mature asset operation system to effectively manage and use all assets. In addition, we insure for all operational fixed assets against risks that may happen as follows: for our main office building in Guangzhou, we take out all-risk property insurance against risks of loss of our assets; for our intralogistics equipment, and commercial vehicles, we take out all-risk property insurance and third party liability insurance for our vehicles and equipment. Meanwhile, for passenger vehicles and commercial vehicles, we take out vehicle compulsory liability insurance according to applicable PRC laws and regulations. Overall, we believe that our insurance coverage is in line with industry practice and is sufficient to cover all scenarios and risks of our existing operations.

For our employees, we purchase social insurance for them in accordance with applicable PRC laws and regulations, including housing, pension, medical, maternity, work injury and unemployment insurance, which are paid at a prescribed percentage of the employee’s salary.

With the continuous development of our business types and models, our insurance coverage and types may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. In such cases, we will evaluate our insurance coverage as needed, and continue to expand insurance coverage and types. For details, see “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not sufficiently cover the risks related to our business” in this Document.

### SEASONALITY

Our intralogistics equipment subscription services and maintenance and repair services are primarily provided to customers in manufacturing and logistics industries. We generally have a lower volume of business around the Chinese New Year holiday in the first quarter of each year as most of our customers enjoy Chinese New Year holiday and stop production and operation or substantially lower production and operation during such period. Correspondingly, we generally observe a surge in business in the second and the fourth quarters of each year, such as, 618 Shopping Festival, Double 11 Shopping Festival and Double 12 Shopping Festival as logistics companies have higher demand of handling, transferring, sorting, and stacking huge amount of good during such periods. As a result, our financial condition and results of operations for future periods may continue to fluctuate from time to time due to seasonality. For details, see “Risk Factors – Risks Relating to Our Business and Industry – Our performance is subject to seasonality” in this document.

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### PROPERTIES

#### Owned Properties

As of the Latest Practicable Date, we owned land use rights of two parcels of land with a total site area of approximately 124,303.2 sq.m., which were primarily used for industrial purposes. We had obtained the land use right certificates for such land. As of the Latest Practicable Date, we had been building office buildings and warehouses on one of such two parcels of land in Hefei, Anhui.

As of the Latest Practicable Date, we had one property with an aggregated GFA of approximately 28,746.2 sq.m., which was primarily used as the office building. We had obtained building ownership certificates for such buildings.

#### Leased Properties

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we leased 77 properties in various locations with an aggregated GFA of approximately 68,079.5 sq.m. As of the Latest Practicable Date, we had not register 69 of our leased properties, with an aggregated GFA of approximately 52,673.2 sq.m., which were used as office buildings and warehouses. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. Our Directors consider that the lack of registration of the lease contracts would not have a material and adverse effect on our business, financial condition, or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the lease agreements, and we will continue to seek cooperation from the lessors of the leased properties to register executed lease agreements with the relevant PRC government authorities in the future. We will continue to request our lessors to provide necessary documentations and to cooperate with us in completing the registration of the lease agreements. For more related risks, please see "Risk Factors – Risks Relating to Our Business and Industry – Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines" in this document.

As of the Latest Practicable Date, the lessors of eight of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents, representing approximately 4.1% of the total GFA of our leased properties. We primarily used such properties as offices and warehouses. Any dispute or claim arising from such title defects of our leased properties may require us to relocate our premises and incur relocation costs. For related risks, please see "Risk Factors – Risks Relating to Our Business and Industry – We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties." As of the Latest Practicable Date, we had not received any request of relocation from the lessors or any third parties. Even if we are required to do so in the future, our Directors are of the view that we will not incur substantial costs for seeking alternative premises due to the convenience of relocating offices and warehouses. In addition, we reserve the right to claim the lessors' liabilities arising from an event of default under the relevant PRC laws and the lease agreements.



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As advised by our PRC Legal Advisers, as the tenant of these properties, we will not be subject to any administrative punishment or penalties simply in this regard but we may not be able to lease, occupy and use such leased properties if the relevant lease agreements are deemed to be in breach of applicable laws and therefore be void. However, in the event that we are unable to continue using these leased properties, based on our past experience we do not expect substantial difficulties in finding properties for relocation, as each such leased property is not large, the location is not critical, and we do not need to spend much time and cost to select, design and decorate the new places. In addition, we will adopt stricter internal control measures and review the property ownership certificates and sublease authorizations before we enter into new lease agreements in the future.

We have enhanced our internal control measures in connection with property leasing. We will require all of our lessors to provide the valid title certificates and other necessary documentation before we enter into lease agreements with them.

Having considered the foregoing, our Directors believe that these ownership issues described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these leased properties had never been challenged by any third parties and (ii) if we have to terminate the leases or relocate from such leased properties with ownership issues, we are able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

## CERTIFICATES, LICENSES AND PERMITS

As advised by our PRC Legal Advisers, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in material respects. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations.

The following table sets forth a list of our material certificates, licenses, and permits:

Name of License, Approval and Permit	Holder	Issuing Authority	Effective From	Effective as of
Production License of Special Equipment PRC (特種設備生 產許可證)	The Company	Administration for Market Supervision of Guangdong Province (廣東省 市場監督管理局)	November 4, 2021	December 19, 2025

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Name of License, Approval and Permit	Holder	Issuing Authority	Effective From	Effective as of
Production License of Special Equipment PRC (特種設備生產許可證)	Anhui Folangsi Machinery Co., Ltd. (安徽佛朗斯機械有限公司)	Administration for Market Supervision of Anhui Province (安徽省市場監督管理局)	March 21, 2022	March 20, 2026
Production License of Special Equipment (Self-inspection) (特種設備生產許可證) (自檢機構)	Guangzhou Pengze Machinery Equipment Co., Ltd. (廣州鵬澤機械設備有限公司)	State Administration for Market Supervision and Administration (國家市場監督管理總局)	June 28, 2020	June 27, 2025
PRC Customs Declaration Unit Registration Certificate (海關報關單位註冊登記證書)	The Company	Panyu Customs, PRC (番禺海關)	March 7, 2017	Long term
PRC Customs Declaration Unit Registration Certificate (海關報關單位註冊登記證書)	Guangzhou Pengze Machinery Equipment Co., Ltd. (廣州鵬澤機械設備有限公司)	Panyu Customs, PRC (番禺海關)	June 29, 2016	Long term

## LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors, except for certain lawsuits arising from the ordinary course of business which would not individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations. See “– Employees” in this section and “Risk Factors – Risks Relating to Our Business and Industry – We may be subjected to litigations, legal or contractual disputes, government investigations or administrative proceedings” in this document. According to our PRC Legal Advisers, our business operations had been carried out in compliance with applicable laws and regulations in material aspects during the Track Record Period and up to the Latest Practicable Date.

Please see “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities” and “– Properties – Leased Properties” in this section for a description of certain legal matters relating to our compliance with PRC employment and real property related laws and regulations which our Directors consider would not have a material and adverse effect on our business, financial condition, or results of operations. Our Directors are of the view that our Group has in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

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### **BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS**

During the Track Record Period, we made export sales and deliveries of intralogistics equipment parts (i.e., export sales to customers of forklift parts procured from third-party manufacturers) to customers located in jurisdictions affected by International Sanctions.

The U.S. and other jurisdictions or organizations, including the European Union, the U.K., and Australia, have, through executive order, passing of legislation or other governmental means, implemented International Sanctions targeting entities and individuals, including Sanctioned Targets, entities and individuals that are nationals of or located in certain Sanctioned Countries, and entities and individuals that are associated with certain industries or sectors in specific countries.

During the Track Record Period, we made sales and deliveries of intralogistics equipment parts to customers in Belarus, Russia, Venezuela, Iran, and Syria (each, a "Relevant Region", and collectively, "Relevant Regions"). Among the Relevant Regions, Iran and Syria are subject to comprehensive U.S. economic sanctions. Russia, Belarus, and Venezuela are not currently subject to comprehensive U.S. economic sanctions, but a significant number of entities, individuals, and industries in Russia, Belarus, and Venezuela are subject to U.S. economic sanctions.

To the best knowledge of our Directors, in 2020, 2021 and 2022, our revenue generated from transactions related to Iran was approximately RMB3.8 million, RMB7.2 million, and RMB6.9 million, respectively, representing approximately 0.4%, 0.6% and 0.6% of our total revenue for the same periods, respectively.

In 2020, 2021 and 2022, our revenue generated from transactions related to Syria was approximately RMB127,000, RMB122,000, and RMB108,000, respectively, representing approximately 0.01%, 0.01% and 0.01% of our total revenue for the same periods, respectively.

Similarly, in 2020, 2021 and 2022, our total revenue generated from sales to customers in Belarus, Russia, and Venezuela was RMB10.0 million, RMB11.7 million, and RMB17.0 million, respectively, representing approximately 1.0%, 1.0%, and 1.4% of our total revenues for the same periods, respectively.

We have engaged DLA Piper, our International Sanctions Legal Adviser, to perform procedures to assess our compliance with International Sanctions laws and regulations and evaluate our risk of exposure and potential penalties imposed under the International Sanctions laws and regulations for purposes of guidance letter HKEX-GL101-19 issued by the Stock Exchange in March 2019. Our International Sanctions Legal Adviser has evaluated our International Sanctions risk exposure by requesting and reviewing factual information provided by the Company, including documents provided by us about our Group, our shareholding structure, business operations, revenues, contracts, and customer lists. Our International Sanctions Legal Adviser has relied on such information on the assumption that it is accurate, complete, and not misleading. In addition, our International Sanctions Legal Adviser compared our customer lists to published lists of entities and regions subject to International Sanctions in Relevant Jurisdictions.

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Our International Sanctions Legal Adviser has advised us that the risk that our sales to the Relevant Regions during the Track Record Period constituting Sanctioned Activity under International Sanctions enacted by Relevant Jurisdictions is low, with the exception of the Iran USD Sales and Syria USD Sales discussed below.

### **Sanction Risks under the U.S. Law**

#### ***Primary Sanction Risks***

##### *Iran USD Sales and Syria USD Sales*

Our International Sanctions Legal Adviser has advised us that International Sanctions administered by the Office of Foreign Assets Control (OFAC) of the U.S. may be applicable to activities involving a U.S. nexus, such as funds transfer in U.S. currency that clear through the U.S. financial system.

During the Track Record Period, the Company made sales of intralogistics equipment parts manufactured in China to customers located in Iran and Syria, which are subject to comprehensive U.S. economic sanctions. Such sales to Iran and Syria include sales denominated in RMB and other currencies. However, we received payments dominated in USD for certain sales to Iran ("**Iran USD Sales**") and certain sales to Syria ("**Syria USD Sales**"). The Iran USD Sales include 62 distinct transactions to 12 distinct Iran customers with delivery dates between December 19, 2019 and November 19, 2022, in which the Company received approximately USD1.5 million in payments denominated in USD to the Company's bank accounts in China. The Syria USD Sales include three distinct transactions to one customer in Syria with delivery dates between January 8, 2022 and August 3, 2022 in which the Company received approximately USD15,000 in payments denominated in USD to the Company's bank accounts in China. We have ceased all sales involving Iran and Syria since May 20, 2023.

Our International Sanctions Legal Adviser has advised us that such USD-denominated transactions appear to be in violation of U.S. primary sanctions laws that prohibit the use of the U.S. financial system for this type of trade with Iran and Syria. Accordingly, the Iran USD Sales and Syria USD sales likely constituted Primary Sanctioned Activity.

After consulting with our International Sanctions Legal Adviser, we made an initial notification of voluntary self-disclosure ("**VSD**") to OFAC on May 23, 2023 related to the Iran USD Sales and the Syria USD Sales, and plan to submit a full VSD report regarding these transactions to OFAC.

Based on the facts and circumstances and the assessment made by our International Sanctions Legal Adviser, our International Sanctions Legal Adviser has advised us that there is a reasonable likelihood that OFAC may close this matter by issuing a cautionary letter to our Company without imposing any monetary penalty. Alternatively, we may be required to pay an administrative penalty for such Iran USD Sales and Syria USD Sales. If OFAC was to impose a monetary penalty, the base monetary penalty for the violation would be approximately

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USD735,000, taking into consideration that a VSD has been filed to OFAC and that the matter is likely not "egregious" in nature. Such penalty amount is likely to be reduced by OFAC from the likely base penalty amount of approximately USD735,000 to a lower amount during a negotiated settlement process by taking into account mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC. Our International Sanctions Legal Adviser has advised us that the submission of a VSD has materially reduced the legal and reputational risks to the Company arising from the Iran USD Sales and Syria USD Sales.

### *Other Export Sales to Relevant Regions*

Our International Sanctions Legal Adviser has advised us that the risk that our other sales to Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) during the Track Record Period infringing International Sanctions administered by the U.S. is low.

Specifically, our export sales to customers in the Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) did not involve Sanctioned Targets or otherwise involve the sectors, industries, or activities necessary to satisfy the jurisdictional and substantive elements of offenses constituting Primary Sanctioned Activities. As advised by our International Sanctions Legal Adviser, none of our contracting parties located in the Relevant Regions are Sanctioned Targets specifically identified on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC (the "SDN Lists"). In the absence of any information to the contrary, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are on such lists either.

### *Secondary Sanction Risks*

Our International Sanctions Legal Adviser has advised us that the risk of the Company's activities during the Track Record Period might be considered Secondary Sanctionable Activities and result in the imposition of secondary sanctions on our Company is low. The U.S. is the only Relevant Jurisdiction that routinely employs secondary sanctions. Under current U.S. law and practice, the Iran USD Sales and Syria USD Sales would likely be addressed as Primary Sanctioned Activity rather than Secondary Sanctionable Activity. Accordingly, the Company's activities during the Track Record Period pose a low risk of being deemed to include Secondary Sanctionable Activities.

### **Sanction Risks under E.U. Law**

Our International Sanctions Adviser has advised us that International Sanctions enacted by the E.U. generally apply within E.U. territory, to E.U. entities or nationals, or to business done within the E.U. Accordingly, the risk that our sales of Chinese manufactured products to customers in the Relevant Regions being subject to the jurisdiction of E.U. sanctions is low.

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### **Sanction Risks under U.K. Law**

Our International Sanctions Adviser has advised us that International Sanctions enacted by the U.K. generally apply within U.K. territory and to U.K. entities or nationals. Accordingly, the risks that our sales of Chinese manufactured products to customers in the Relevant Regions might be subject to the jurisdiction of U.K. sanctions are low.

### **Sanction Risks under Australia Law**

Our International Sanctions Adviser has advised us that International Sanctions enacted by Australia generally apply within Australian territory and to Australian entities or nationals. Accordingly, the risks that our sales of Chinese manufactured products to customers in the Relevant Regions might be subject to the jurisdiction of Australia sanctions are low.

### **Sanctions Risks to Relevant Persons Resulting from Participation in [REDACTED]**

Given the scope of the [REDACTED] and the expected [REDACTED] as set out in this document, our International Sanctions Legal Adviser is of the view that the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, including our Company and our subsidiaries, the respective Directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' investors, Shareholders, the Stock Exchange, the Listing Committee and group companies, or any person involved in the [REDACTED], and accordingly, the sanctions risk exposure to our Company, its investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], [REDACTED], and [REDACTED] of our Shares (including the Stock Exchange, the Listing Committee and related group companies) as a result of such involvement in the [REDACTED] is low.

Please see "Risk Factors – Risk Related to Our Business and Industry – We could be adversely affected as a result of any sales we made to customers in certain countries that are, or become subject to, sanctions administered by the U.S., the EU, the UN, Australia and other relevant sanctions authorities" for further details regarding sanctions risks.

### **Our Undertakings to the Stock Exchange**

We undertake to the Stock Exchange that:

- we will implement the internal control measures to minimize International Sanctions risk as described above;
- we will not use the net [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Regions or any other government, individual or entity sanctioned by the United States, the European Union, Australia, or the U.K., including but not limited to, any

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government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, Australia, or the U.K.;

- we will not use the net [REDACTED] from the [REDACTED] to pay any damages for terminating or transferring any contract that violates International Sanctions;
- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders, or potential investors to violate or become a target of sanctions laws of the United States, the European Union, Australia, or the U.K.;
- we will make timely disclosure on our website if we believe that any of our business activities would put our Company or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, Australia, or the U.K.; and
- we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, Australia, and the U.K., and our business intention relating to customers from any such country.

### **Our Internal Control Measures to Minimize International Sanctions Risk**

We will continue to enhance internal control and risk management measures which we believe enable us to better monitor and evaluate our business and to address economic sanctions risks.

The following internal control and risk management measures shall be implemented at the time of the [REDACTED] to control and monitor our exposure to sanctions risks:

- Our Company will adopt a Trade Compliance Policy for the purposes of complying with applicable International Sanctions enacted by Relevant Jurisdictions.
- Our Trade Compliance Policy will include appropriate procedures:
  - o to screen foreign customers and suppliers against the lists of individuals, entities, and regions subject to International Sanctions enacted by Relevant Jurisdictions;
  - o to determine the extent to which our Company's business with foreign customers and suppliers may expose the Company to legal, commercial, or reputational risks; and
  - o to determine appropriate measures to mitigate such risks.

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- Our Trade Compliance Policy will prohibit the use of U.S. dollars and involvement with U.S. financial institutions or other U.S. Persons in connection with any transactions involving countries or regions subject to comprehensive International Sanctions enacted by the United States.
- Our Company will establish a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy
- The Sanctions Oversight Committee will be authorized to engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers.
- The Sanctions Oversight Committee will be authorized to arrange appropriate compliance training for our Directors, our senior management, and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.
- Our Company will open and maintain separate bank account(s) which is/are designated for [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual, or entity sanctioned by the United States, the European Union, Australia, or the U.K.

In addition, our Controlling Shareholders signed a deed of indemnity on May 22, 2023 (“**Deed of Indemnity**”), pursuant to which, our Controlling Shareholders have undertaken to fully indemnify us against, amongst other things, any liability or penalty arising from the sale activities with customers in relation to countries subject to International Sanctions.

Our International Sanctions Legal Adviser has reviewed and evaluated these internal control measures and are of the view that these measures, once implemented, will be consistent with guidance published by OFAC regarding sanctions compliance programs, and these measures appear adequate and effective for our Company based on our products and risk assessment, to comply with applicable international sanctions laws and address sanctions risks.

With regard to the internal control measures set out above, subject to the planned full implementation and enforcement of the above measures, our Directors and the Sole Sponsor, after taking into account the view of our International Sanctions Legal Adviser, are of the view that these measures will provide an adequate and effective framework to assist our Company in identifying and monitoring any material risks relating to sanctions laws.



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### RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our Shareholders' investment and our assets at all times. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. We also adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as IT, financial reporting, compliance, and human resources. Our Board of Directors are responsible for the establishment, updating and implementation of our internal control policies and systems, while our senior manager monitors the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments.

#### Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

In terms of anti-bribery and anti-corruption, we have implemented specific policies and internal control measures against corruption and bribery, which set forth procedures for identifying potential corruption, implementing relevant anti-corruption procedures and setting out anti-corruption responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and anti-corruption policies. This prohibition applies to all business activities, whether involving government officials, influential personnel or private or public payors. Improper payments prohibited by these policies include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail.

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We specifically require that the employees submit all reimbursement requests related to entertainment expenditure or gifts presented to third parties on behalf of the Company in accordance with our anti-bribery and anti-corruption policies, and specifically record the reason for the expenditure. Any entertainment expenditure exceeding certain amount per person and any expenditure incurred for entertainment not related to business meetings must be approved in advance by our compliance officer. Payment made in violation of anti-bribery and anti-corruption policies is strictly prohibited. Our compliance department is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-corruption policies. We conduct anti-corruption compliance check and inspections regularly on employees and senior personnel. We also have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

### **Asset Security Risk Management**

We are exposed to asset security risk with our intralogistics equipment subscription services as customers may damage or lose our intralogistics equipment, or we are unable to reclaim actual control or possession of intralogistics equipment. During the Track Record Period, we did not experience any incident of loss or damage to our intralogistics equipment from customers during the subscription period. For more information about related risks, please see “Risk Factors – Risks Relating to Our Business and Industry – We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, agents, customers, suppliers or other third parties” in this document. Our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) enables 24/7 remote monitoring and supervision of our intralogistics equipment and relevant operators, so that we could generate alerts or other actions in a timely manner upon detection of incorrect maneuver of the operators. If the customer causes any loss or damage to our intralogistics equipment during the subscription period, we would claim compensation from customers.

### **Credit Risk Management**

We are exposed to the credit risks associated with our intralogistics equipment subscription service business and sales of intralogistics equipment and parts. In order to mitigate the credit risks and ensure the collectability of trade and bills receivables in our transactions, we have delegated a team responsible for determination of credit limits and credit approvals, and have adopted credit risk measures to review and monitor our trade and bills receivables from time to time, including implementing security measures and monitoring procedures on customers. Before accepting any new customers, we use Qichacha (企查查) and Tianyancha (天眼查), to assess the creditworthiness of potential customers and determine their appropriate credit limits individually. The line of credit and scoring attributed to customers are reviewed regularly in order to effectively monitor our customers. These procedures are

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designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time. In addition, in order to manage our exposure to credit risk, we have adopted credit management policies and procedures that are reviewed and updated by our risk management team in conjunction with other relevant departments. We have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings. However, we cannot assure that we are able to collect all trade and bills receivables. For more information, please see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process" in this document.

### **Liquidity Risk**

As of December 31, 2020, 2021, and 2022, our gearing ratio was 171.8%, 153.9%, and 152.0%, respectively. We aim to maintain sufficient cash and credit lines to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt.

### **IMPACT OF COVID-19 ON OUR OPERATIONS**

Starting in January 2020, the COVID-19 pandemic has spread around the world and adversely affected the global economy. In response, during the period from January 2020 to April 2020, China imposed various measures to contain the spread of the virus. Such measures in the first quarter of 2020 led to a decrease in intralogistics demand and affected our operations and financial conditions. As COVID-19 became gradually contained and business activities gradually recovered in China later in 2020 and 2021, our business operations across China and market demand for intralogistics gradually improved.

Our business operations and financial performance were affected by a resurgence of the COVID-19 pandemic in multiple regions in China in 2022, especially in Guangzhou from October to November 2022, and in Shanghai from March to June 2022. We have experienced temporary decrease in service demand for intralogistics equipment subscription services and maintenance and repair services, primarily due to our customers' closures and reduced business activities during COVID-19 resurgence. Some customers, especially those from industries that require on-site operations, such as manufacturers and logistics companies, reduced or stopped their subscription due to a sharp decline in their business operations. Despite such temporary disruption caused by COVID-19 pandemic, we were still able to sustain our strong growth momentum and deliver robust revenue growth. Since December 2022, most of the travel restrictions and quarantine requirements have been lifted nationwide. For more information about related risks, please see "Risk Factors – Risks Relating to Our Business and Industry – Any catastrophe, including outbreaks of health pandemics and other extraordinary events in China, could severely disrupt our business operations."