The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountant's Report included in Appendix I to this document. Our historical financial information and the consolidated financial statements of our Group have been prepared in accordance with the HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix I and not rely merely on the information contained in this section. Unless the context otherwise requires, historical financial information in this section is described on a consolidated basis.

The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

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.

Our total revenue increased by 19.5% from RMB980.6 million in 2020 to RMB1,172.2 million in 2021, and continued to increase to RMB1,194.2 million in 2022, despite the adverse impact of the recurring COVID-19 outbreak in China. We recorded profit and total comprehensive income for the year of RMB54.2 million, RMB55.2 million, and RMB35.4 million in 2020, 2021 and 2022, respectively. As a result of our successful operation, we recorded net cash from operating activities of RMB451.6 million, RMB527.6 million, and RMB522.2 million in 2020, 2021 and 2022, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors, including:

- the overall economic growth and the political, economic and social stability in China;
- regulatory changes affecting the intralogistics equipment lifecycle management solution industry;
- the growth and competition of the intralogistics equipment lifecycle management solution industry; and
- the advancement in technologies affecting the intralogistics equipment lifecycle management solution industry.

In particular, our results of operations are affected by the growth of the intralogistics equipment lifecycle management solution industry. The size of the intralogistics equipment lifecycle management solution industry in China grew rapidly from RMB6.9 billion in 2018 to RMB11.4 billion in 2022, and is expected to reach RMB34.4 billion in 2027, representing a CAGR of 24.6% from 2022 to 2027, according to CIC. We anticipate strong demand for intralogistics equipment lifecycle management solutions going forward. For details, see "Industry Overview" in this document.

In addition, we believe our results of operations are more directly affected by the following major factors.

Our Ability to Grow Customer Base, Drive Customer Engagement and Settle Payments by our Customers in a Timely Manner

Our ability to attract and retain customers is essential to our revenue growth and long-term success. We have built a loyal customer base over the years that keep expanding, comprising enterprises from diverse industries. Our customers include leading logistics companies such as Shanghai ANE, Best Logistics, Yimi Dida, and FAW Group, as well as large manufacturing enterprises like Swire Coca-Cola. For more details, please see "Business – Our Customers and Suppliers – Our Customers" in this document.

During the Track Record Period, we were able to grow our customer base from 7,477 for the year ended December 31, 2020 to 7,929 for the year ended December 31, 2021. Moreover, our customer base continued to expand and reached 8,170 for the year ended December 31, 2022, reflecting our ability to adapt to changing market conditions and maintain strong customer relationships despite the challenges posed by the recurring COVID-19 outbreak in China in 2022. This expansion in customer base enabled us to increase our revenue from RMB980.6 million in 2020 to RMB1,172.2 million in 2021, and further to RMB1,194.2 million in 2022. In particular, during the Track Record Period, we have experienced an increase in the number of KA customers under our intralogistics equipment subscription service business segment. For the year ended December 31, 2020, 2021, and 2022, we had 87, 122, and 123 KA customers, respectively. Additionally, we have maintained a KA customer retention rate of 87%, 99% and 98% for the year ended December 31, 2020, 2021 and 2022, respectively, and net dollar retention rate of KA customers at 98%, 99% and 97% for the year ended December 31, 2020, 2021 and 2022, respectively.

However, our ability to maintain and expand our customer base is subject to various external factors beyond our control, such as changes in the general economic conditions, competition, and shifts in our customers' business operations and strategies. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our business, growth and prospects are significantly affected by the demand of our services in China" and "Risk Factors – Risks Relating to Our Business and Industry – Any economic slowdown or decrease in general economic activities may adversely affect our business, results of operations, financial condition, and prospects" in this document.

Moreover, timely payment by our customers is crucial for our working capital and cash flow management. While customers have generally complied with payment schedules during the Track Record Period, unforeseen financial distress, such as the COVID-19 pandemic, may hinder timely payment, negatively impacting our financial condition and results of operations. Nonetheless, we have taken proactive measures to mitigate these risks, including customer engagement and collection settlement efforts. Our trade receivable turnover days remained stable at 81.3 days, 72.3 days, and 78.1 days in 2020, 2021, and 2022, respectively. Please also see the "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.

Our Ability to Effectively Manage our Fleet, Utilization Rate, and Inventories

During the Track Record Period, a significant portion of our revenue came from intralogistics equipment subscription services, which accounted for 65.2%, 63.0%, and 61.8% of our total revenue in 2020, 2021, and 2022, respectively, totaling RMB639.7 million, RMB739.2 million, and RMB738.0 million. To manage this business segment effectively, our ability to optimize equipment utilization rates while expanding our fleet to meet growing market demand is critical to our financial performance.

Leveraging our robust technology capabilities, particularly our Intelligent Asset and Operation Management Platform, we manage our fleet with increased operation efficiency. Specifically, we invest in enhancing our technology capability to predict, arrange, and execute maintenance solutions for our fleet, which allows us to extend the useful life of our intralogistics equipment and ensure their quality status. For more information, please see the "Business – Our Equipment Fleet" and "Business – Our Technology" in this document.

Despite the challenges posed by the COVID-19 pandemic and related lockdown policies in certain local markets, we were able to effectively manage our fleet utilization rates, as a result, during the Track Record Period, our average utilization rates remained relatively stable at over 73%, indicating our ability to efficiently allocate our equipment fleet and meet the evolving needs of our customers. For details, see "Business – Our Equipment Fleet" in this document.

Our management team proactively monitors and analyzes utilization rates to identify trends, areas for improvement, and expansion opportunities. We aim to manage our fleet size dynamically, taking into account various factors, including customer demand, market prospects, and our liquidity management policy, to effectively mitigate risks associated with overcapacity and underutilization.

Efficient Centralized Procurement and Effective Supply Chain Management

Our efficient centralized procurement strategy and effective supply chain management are key factors in our business success and financial performance. With over a decade of experience in intralogistics equipment lifecycle management solution industry, we have established close relationships with major manufacturers and suppliers of intralogistics equipment in China. This has given us relatively strong bargaining power in the procurement process, enabling us to provide quality intralogistics equipment and parts to our customers at competitive prices.

By consolidating our orders and negotiating bulk purchasing agreements, we streamline our procurement processes, reduce procurement costs, and secure favorable pricing and delivery terms. We also trade new and used forklifts to match diversified requirements of customers in China, thereby increasing customer adherence and broadening our customer base and streams of revenue. 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.

Our centralized procurement strategy also allows us to quickly adapt to changes in market demand and customer needs. By closely monitoring market trends and adjusting our procurement plans accordingly, we maintain a diverse inventories to meet the evolving needs of our customers. This flexibility enables us to deliver timely and customized solutions, enhancing our reputation as a trusted partner for enterprises seeking lifecycle management solutions for intralogistics equipment.

Our Revenue and Service Mix

During the Track Record Period, our revenue primarily came from three business segments: (i) intralogistics equipment subscription services, where we charge customers fees based on the duration they use relevant intralogistics equipment; (ii) maintenance and repair services, where we provide maintenance and repair services for customers' intralogistics equipment; and (iii) sales of intralogistics equipment and parts, where we sell new and used intralogistics equipment as well as related parts that meet customers' demands.

As an intralogistics equipment lifecycle management solution provider, we have diversified our business mix and increased our recurring revenue. However, a shift in our revenue mix can affect our gross profit margin, as the margin for each service category varies. The overall level of our gross profit margin depends on the types and mix of service categories we provide. During the Track Record Period, we maintained a relatively stable gross profit margin of 33.7%, 31.9%, and 30.3% in 2020, 2021, and 2022, respectively. Moving forward, we will continue to optimize our revenue mix and carefully manage our growth to maintain a healthy gross profit margin.

Our Ability to Enhance Operational Efficiency and Manage Operating Expenses

Our ability to enhance operational efficiency and manage operating expenses effectively is crucial to our profitability. Staff costs constitute a significant portion of our administrative expenses and selling and distribution expenses, making cost management critical to our results of operations. As we continue to expand our business, we aim to achieve economies of scale that will result in decreasing percentages of revenue accounted for by our operating expenses. In 2020, 2021, and 2022, our selling and distribution expenses accounted for 7.4%, 7.2%, and 7.2% of our revenue, respectively, while our administrative expenses accounted for 12.3%, 12.2%, and 13.1% in the corresponding years.

To achieve greater operational efficiency and cost savings, we continuously seek to optimize our business processes, reduce waste, and streamline our operations. We have invested in innovative technologies and equipment to enhance our operational efficiency and reduce labor costs. For instance, we have continuously devoted resources in developing and optimizing our technology platform, the Intelligent Asset and Operation Management Platform. This platform enables us to integrate and connect each key operating sector, as well as the assets and personnel involved, allowing for highly intelligent, efficient, and cost-effective management of equipment operation and utilization. In addition, we leverage data analytics to monitor and analyze our equipment utilization rates, optimize equipment allocation, and reduce downtime.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss.

The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountant's Report included in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Note 2.4 and Note 3 to the Accountant's Report in Appendix I to this document.

Significant Accounting Policies

Revenue Recognition

Revenue From Contracts With Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Intralogistics Equipment Subscription Services

Intralogistics equipment subscription services represent one-stop services for full-cycle management of intralogistics equipment, covering the entire equipment lifecycle from procurement, utilization, maintenance, and repair.

The intralogistics equipment subscription services comprise two performance obligations: (i) the operating lease of intralogistics equipment, which is accounted for in accordance with the policies set out for "Lease" under HKFRS 16, and (ii) the stand ready comprehensive services package (the "Comprehensive Service"), which includes equipment management, vehicle route planning, quick vehicle dispatch, maintenance arrangement, as well as real-time equipment status supervision. At contract inception, we determine the stand-alone selling price of the operating lease and the Comprehensive Service underlying, which are capable of being distinct and separately identifiable. Regarding the Comprehensive Service, we estimate the stand-alone selling price using an adjusted market assessment approach. However, since there is no directly-observable market data for the stand-alone selling price of the operating lease, we estimate it as the difference between the total transaction price and the stand-alone selling prices of the Comprehensive Service.

The nature of our Comprehensive Service is a single performance obligation under the service contract to stand ready to provide an unspecified quantity of services each day throughout the contract period. Revenue from the Comprehensive Service is recognized evenly over the contract period.

Maintenance and Repair Services

Maintenance and repair services mainly include one-off repair services and service plans for a fixed service period. We issue invoices either on a project basis for one-off repair services, or on a monthly basis for service plans with valid contract periods covering equipment specified in the relevant agreements. Revenue from stand ready maintenance and repair services is recognized evenly over the contract period.

For maintenance and repair services except for stand ready services, we recognize revenue over time using an input method to measure progress towards complete satisfaction of the service. This is because we create and enhance an asset that the customer controls as we perform the service. Our directors have assessed the stage of completion based on the proportion of costs incurred for the maintenance and repair services (i.e., direct labor costs, cost of materials, and other miscellaneous costs directly attributable to these services) performed to date relative to the estimated total costs to complete the satisfaction of these services.

Sales of Intralogistics Equipment and Parts

Revenue from the sale of intralogistics equipment and parts is recognized at the point in time when control of the asset is transferred to the customer. This generally occurs upon receipt of the intralogistics equipment and parts by the customers.

Revenue From Other Sources

Revenue from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as revenue from operating lease. Contingent rents or variable lease payments are recognized as revenue in the period in which they are earned.

Other Income

Interest income is recognized, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial assets.

Lease

We assess whether a contract is, or contains, a lease at contract inception. A contract is considered to be, or contain, a lease if it grants the right to control the use of an identified asset for a period of time in exchange for consideration.

Act as a Lessee

As a lessee, we apply a single recognition and measurement approach for all leases, except for short-term leases. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

Right-of-use assets are recognized at the commencement date of the lease and measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets in which we are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the estimated useful life. Otherwise, we depreciate the recognized right-of-use assets on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office buildings	1.5 to 7 years
Intralogistics equipment	3 to 8 years

When we obtain ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease, at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate), or a change in assessment of an option to purchase the underlying assets.

Short-Term Leases

We apply the short-term lease recognition exemption to our short-term leases of office premises and intralogistics equipment, which are those leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Act as a Lessor

When we act as a lessor, we classify each of our leases as either an operating lease or a finance lease at lease inception (or when there is a lease modification). Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a standalone selling price basis. Revenue from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as revenue from operating lease. Contingent rents or variable lease payments are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. When we are an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which we apply the on-balance sheet recognition exemption, we classify the sublease as an operating lease.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Intralogistics equipment included in the property, plant and equipment is transferred to construction in progress at its carrying amount when replacement incurred. Upon the completion of replacement, the intralogistics equipment is transferred to appropriate category. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.1%
Intralogistics equipment	11.3% – 22.5%
Leasehold improvements	Over the shorter of the lease term and $33^1/_3$%
Motor vehicles	19.0%
Furniture, fixtures and equipment	$33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intralogistics equipment included in the property, plant and equipment is transferred to inventories at its carrying amount when it ceases to be rented and becomes held for sale in ordinary activities.

Critical Accounting Judgements and Estimates

Allocation of the Transaction Price to Operating Lease and the Comprehensive Service for Intralogistics Equipment Subscription Services

We have entered into contracts with customers for intralogistics equipment subscription services that contain operating lease and Comprehensive Services. For such contracts, significant assessments and interpretations are required to determine the appropriate method to allocate the transaction prices among the operating lease and the Comprehensive Services. We estimate the stand-alone selling price of the Comprehensive Service using an adjusted market assessment approach. In the absence of directly-observable market data for the stand-alone selling price of the operating lease, we estimate it as the difference between the total transaction price and the stand-alone selling prices of the Comprehensive Service.

Estimated Useful Life and Residual Value of Property, Plant and Equipment

We determine the estimated useful lives, residual value for our property, plant and equipment. This estimate is based on historical experience of actual useful lives and considers the technical or commercial obsolescence of property, plant and equipment of a similar nature and function. We will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or we write off or write down obsolete or non-strategic assets that have been abandoned. Changes in these estimations may have a material impact on our results.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix, or other applicable approaches, to calculate expected credit losses ("**ECLs**") for our trade receivables. The provision rates are based on the number of days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type) and initially based on our historical observed default rates, supplemented by relevant external information as appropriate. For example, if we expect forecast economic conditions, such as gross domestic product, to deteriorate over the next year, which could lead to an increased number of defaults in the specific group of customers, we adjust the historical default rates accordingly. At each reporting date, we updated the historical observed default rates and analysed the changes in the forward-looking estimates.

The assessment of the correlation among historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may not be representative of a customer's actual default in the future. For details, see Note 18 to the Accountant's Report in Appendix I to this document.

Impairment of Long Term Non-Financial Assets (Other Than Goodwill)

We assess whether there are any indicators of impairment for our long term non-financial assets (including the right-of-use assets) at the end of each reporting period. We test these assets for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

We calculate the fair value less costs of disposal based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When we undertake value in use calculations, we estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows.

Leases – Estimating the Incremental Borrowing Rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	980,643	100.0	1,172,182	100.0	1,194,209	100.0
Cost of sales	(650,463)	(66.3)	(798,015)	(68.1)	(832,545)	(69.7)
Gross profit	330,180	33.7	374,167	31.9	361,664	30.3
Other income and gains	4,853	0.5	4,022	0.3	6,276	0.5
Selling and distribution expenses	(72,270)	(7.4)	(84,018)	(7.2)	(86,072)	(7.2)
Administrative expenses	(120,746)	(12.3)	(143,199)	(12.2)	(156,858)	(13.1)
Impairment loss on financial assets	(6,808)	(0.7)	(4,498)	(0.4)	(4,178)	(0.3)
Other expenses	(197)	–*	(262)	–*	(2,750)	(0.2)
Finance costs	(73,604)	(7.5)	(81,838)	(7.0)	(83,609)	(7.0)
Share of profits/(losses) of associates	(228)	–*	(4,929)	(0.4)	948	0.1
Profit before tax	61,180	6.2	59,445	5.1	35,421	3.0
Income tax expenses	(6,970)	(0.7)	(4,267)	(0.4)	(20)	–*
Profit and total comprehensive income for the year	54,210	5.5	55,178	4.7	35,401	3.0
Attributable to: Owners of the Company	54,210	5.5	55,178	4.7	35,401	3.0

Note: *Less than 0.1%.

Revenues

Revenue by Business Segments

During the Track Record Period, our revenue primarily came from three business segments: (i) intralogistics equipment subscription services, where we charge customers fees based on the duration they use relevant intralogistics equipment; (ii) maintenance and repair services, where we provide maintenance and repair services for customers' intralogistics equipment; and (iii) sales of intralogistics equipment and parts, where we sell new and used intralogistics equipment as well as related parts that meet customers' demands. The table below sets forth a breakdown of our revenue by business segments for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0

Intralogistics Equipment Subscription Services

We offer a flexible intralogistics equipment subscription service, allowing customers to conveniently choose equipment based on their specific needs, including brand, type, configuration, and quantity. Our comprehensive service also includes regular on-site maintenance and inspections.

During the Track Record Period, we experienced a growing demand for intralogistics equipment subscription services primarily because more and more customers recognized our services and brands, and chose us to subscribe more equipment to support their business operation and expansion. 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) was RMB1,965 per unit in 2020, RMB2,126 per unit in 2021, RMB2,085 per unit in 2022.

Maintenance and Repair Services

The table below sets forth a breakdown of our revenue of maintenance and repair services by service category for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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
Total	111,463	100.0	128,484	100.0	140,987	100.0

Sales of Intralogistics Equipment and Parts

The following table sets forth a breakdown of our revenue of sales of intralogistics equipment and parts by categories of goods sold for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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
Total	229,479	100.0	304,522	100.0	315,221	100.0

Cost of Sales

Our cost of sales primarily consists of (i) depreciation charges and rental expenses, which primarily represent the depreciation expenses of property, plant and equipment and right-of-use assets, as well as rental expenses for short-term leases of intralogistics equipment; (ii) costs of machinery and parts, which include costs related to the parts used in providing our services, as well as costs of machinery and parts associated with the sales of intralogistics equipment and parts; (iii) staff costs, which represent salaries and welfare for our business operation personnel; and (iv) fulfillment costs, which primarily include (a) logistics expenses related to the transfer and allocation of intralogistics equipment, as well as the sales of intralogistics equipment and parts; (b) necessary annual inspection costs for intralogistics equipment; as well as (c) insurance fees. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Depreciation charges and rental expenses	319,465	49.1	366,217	45.9	383,724	46.1
Cost of machinery and parts	265,270	40.8	343,300	43.0	348,919	41.9
Staff costs	42,811	6.6	58,465	7.3	69,045	8.3
Fulfillment costs	22,917	3.5	30,033	3.8	30,857	3.7
Total	650,463	100.0	798,015	100.0	832,545	100.0

The table below sets forth a breakdown of our costs of sales by business segments for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Intralogistics equipment subscription services	411,526	63.3	488,504	61.3	511,914	61.5
Maintenance and repair services	65,878	10.1	76,125	9.5	83,289	10.0
Sales of intralogistics equipment and parts	173,059	26.6	233,386	29.2	237,342	28.5
Total	650,463	100.0	798,015	100.0	832,545	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. In 2020, 2021 and 2022, our gross profit was RMB330.2 million, RMB374.2 million and RMB361.7 million, respectively. Gross profit margin represents our gross profit as a percentage of our revenue. In 2020, 2021 and 2022, our gross profit margin was 33.7%, 31.9% and 30.3%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Intralogistics equipment subscription services	228,175	35.7	250,672	33.9	226,087	30.6
Maintenance and repair services	45,585	40.9	52,359	40.8	57,698	40.9
Sales of intralogistics equipment and parts	56,420	24.6	71,136	23.4	77,879	24.7
Total gross profit/overall gross profit margin	330,180	33.7	374,167	31.9	361,664	30.3

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) staff costs, which represent salaries and welfare for our in-house sales and marketing personnel; (ii) depreciation charges and rental expenses, which include depreciation of property, plant and equipment, right-of-use assets, rental expenses, and utilities fees for our leased properties used for our sales and marketing team; and (iii) office expenses, comprising expenses related to office operations and travel incurred by our sales and marketing personnel. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	37,262	51.5	45,687	54.3	49,950	58.0
Depreciation charges and rental expenses	16,246	22.5	17,462	20.8	13,996	16.3
Office expenses	16,111	22.3	16,872	20.1	18,412	21.4
Others	2,651	3.7	3,997	4.8	3,714	4.3
Total	72,270	100.0	84,018	100.0	86,072	100.0

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, representing salaries and welfare for our in-house administrative personnel and directors' remuneration; (ii) research and development expenses; (iii) depreciation charges and rental expenses consisting of depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, as well as rental expenses and utilities fees for our leased properties used for our administrative department; (iv) office expenses, comprising expenses related to office operations and travel incurred by our administrative personnel; and (v) professional and consulting service fees incurred in relation to auditing and financing services. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	62,154	51.5	82,138	57.3	80,294	51.2
Research and development expenses	29,296	24.3	35,668	24.9	39,652	25.3
Depreciation charges and rental expenses	7,401	6.1	8,027	5.6	16,110	10.3
Office expenses	10,614	8.8	12,263	8.6	13,635	8.7
Professional and consulting service fees	7,874	6.5	1,139	0.8	1,692	1.1
Others	3,407	2.8	3,964	2.8	5,475	3.4
Total	120,746	100.0	143,199	100.0	156,858	100.0

Other Income and Gains/(Expenses)

Our other income and gains/(expenses) primarily consists of (i) interest income from bank deposits; (ii) gain on remeasurement of an associate to acquisition-date fair value, representing the gain arising from the remeasurement of our investment in an associate to its fair value as at the acquisition date in relation to our acquisition of Hefei Langyun; (iii) government grants, representing short-term subsidies received from the local governments in connection with the business development and rewards for financial and employment contribution; (iv) fair value gains of financial assets at fair value through profit or loss, reflecting investment gains from wealth management products we purchased by using our surplus cash; and (v) net foreign exchange differences. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,443	1,651	1,945
Gain on remeasurement of an associate to acquisition-date fair value	–	–	1,435
Government grants	2,751	1,481	1,547
Fair value gains of financial assets at fair value through profit or loss	–	–	892
Foreign exchange differences, net	587	577	(2,377)
Others	(125)	51	84
Total	4,656	3,760	3,526

We invest our surplus cash in wealth management products, which are short-term financial products issued by reputable commercial banks in China. These products are typically low-risk or risk-free and have an expected rate of approximately 3% per annum. We have implemented internal control policies and rules to ensure that investments are made with the aim of preserving capital and liquidity until the cash is used for our primary business operations. Our senior management team and finance department are responsible for making and supervising investment decisions, and we have a designated finance team with relevant background to manage our investment portfolios. Before investing, we ensure sufficient working capital for our business needs, operating activities, and capital expenditures. To control risk exposure, we seek low-risk financial products with terms no longer than six months and monitor their performance regularly. Our investment decisions are made on a case-by-case basis, taking into account factors such as duration and expected returns. We believe our policies and risk management mechanisms are adequate, and our investment in financial assets at fair value through profit or loss will comply with Chapter 14 of the Listing Rules after [**REDACTED**].

Finance Costs

Our finance costs include (i) interests on bank loans; (ii) interests on other borrowings; and (iii) interests on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	6,612	12,278	16,309
Interest on other borrowings	18,237	14,355	10,738
Interest on lease liabilities	51,845	62,157	61,927
Subtotal	76,694	88,790	88,974
Less: Interest capitalized	(3,090)	(6,952)	(5,365)
Total	73,604	81,838	83,609

Income tax Expenses

Our income tax expenses consist of current and deferred income taxes payable in the PRC by our subsidiaries. The income tax provision for our operations in the PRC is calculated using the applicable tax rate on the estimated assessable profits for the year or period, based on existing legislation, interpretations, and practices. During the Track Record Period, our Company qualified as "high and new technology enterprises," and benefited from a preferential income tax rate of 15%. Certain other subsidiaries qualified as "small and micro enterprises," and were subject to a preferential income tax rate of 5% to 10%.

During the Track Record Period, we experienced a decrease in income tax expenses, from RMB7.0 million in 2020, to RMB4.3 million in 2021, and further down to RMB20 thousand in 2022. The decreases in income tax expenses were mainly attributable to (i) a decrease in our profit before tax and (ii) an increase in the proportion of profit generated by our subsidiaries with lower tax rates. Our effective tax rates were 11.4%, 7.2%, and 0.1% in 2020, 2021, and 2022, respectively, calculated based on actual expenses divided by profit before income tax for the same period. Our effective tax rates decreased from 11.4% in 2020 to 7.2% in 2021 due to an increase in the proportion of profit generating from our subsidiaries with lower tax rate. Furthermore, our effective tax rate decreased substantially from 7.2% in 2021 to 0.1% in 2022, primarily attribute to the decrease in taxable income due to (i) an increase in the additional tax deduction for qualified research and development expenses and (ii) a decrease in profit before tax.

RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared With Year Ended December 31, 2021

Revenue

Despite the adverse impact of recurrence of COVID-19 in 2022, our revenue still increased by 1.9% from RMB1,172.2 million in 2021 to RMB1,194.2 million in 2022.

Intralogistics Equipment Subscription Services

Revenue generated from intralogistics equipment subscription services slightly decreased from RMB739.2 million in 2021 to RMB738.0 million in 2022. This was primarily due to the recurrence of COVID-19 in 2022, which led to strict social distancing restrictions and temporary closures of our service network. These restrictions significantly limited our ability to provide our services to customers, resulting in a negative impact on our revenue. Despite our active efforts in business expansion during the highly restricted period, the growth resulting from the expansion of our business was offset by the negative impact on revenue caused by the COVID-19 restrictions.

Maintenance and Repair Services

Revenue from maintenance and repair services increased by 9.7% from RMB128.5 million in 2021 to RMB141.0 million in 2022, mainly as a result of our business expansion. Although the COVID-19 lockdowns had a negative impact on our maintenance and repair service revenue, our continued business growth of maintenance and repair services offset some of the losses. In particular, our full maintenance plans experienced a relatively significant increase in revenue as a percentage of our overall maintenance and repair service revenue, demonstrating the effectiveness of our diverse service offerings in meeting evolving market demands.

Sales of Equipment and Parts

Revenue generated from sales of equipment and parts increased by 3.5% from RMB304.5 million in 2021 to RMB315.2 million in 2022, primarily due to our business expansion. Despite the slowdown in the overall industry growth due to the impact of the COVID-19 pandemic on global supply chains and domestic business expansion, our business still expanded slightly. In particular, our revenue from sales of related parts increased from RMB142.0 million to RMB158.6 million as a result of our diverse sale offerings to customers.

Cost of Sales

Our cost of sales increased from RMB798.0 million in 2021 to RMB832.5 million in 2022, primarily due to (i) an increase in depreciation charges and rental expenses due to the expansion of our intralogistics equipment fleet, which increased from 36,257 units as of December 31, 2021 to 39,145 units as of December 31, 2022; (ii) an increase in staff costs as a result of increases in salary and employee headcount in line with service network expansion; and (iii) an increase in costs of machinery and parts due to the growing market demand, specifically in the business expansion of maintenance and repair services and sales of equipment and parts.

Gross Profit and Gross Profit Margin

Our gross profit decreased from RMB374.2 million in 2021 to RMB361.7 million in 2022. In addition, our gross profit margin decreased from 31.9% in 2021 to 30.3% in 2022. The decreases in our overall gross profit primarily reflect the decrease in our revenue due to the negative impact of the COVID-19 recurrence in 2022, which temporarily closed service outlets in several cities such as Beijing, Shanghai, Guangzhou, and Shenzhen. Our overall gross profit margin decreased in 2022 primarily due to the facts that we closed relevant service outlets, while fixed costs (such as staff costs, depreciation charges and other operation related expenses) continued to incur during the corresponding period.

Intralogistics Equipment Subscription Services

Gross profit from intralogistics equipment subscription services decreased from RMB250.7 million in 2021 to RMB226.1 million in 2022, with a corresponding decrease in the gross profit margin from 33.9% in 2021 to 30.6% in 2022. The decline in both gross profit and gross profit margin was primarily due to the negative impact of the COVID-19 recurrence in 2022, as a result of which, we had to continue incur relevant fixed costs and expenses, while experiencing temporary closures of certain service outlets in affected regions. The decrease in both gross profit and gross profit margin was also attributed to a combination of factors including increased staff costs and depreciation charges resulting from the rise in the number of equipment we managed and business expansion, as well as the decrease utilization rates due to negative impact of the COVID-19 pandemic.

Maintenance and Repair Services

The gross profit from maintenance and repair services increased from RMB52.4 million in 2021 to RMB57.7 million in 2022, primarily due to business expansion. Despite the negative impact of COVID-19, our full maintenance plan continued to steadily grow in 2022. Gross profit margin of maintenance and repair services remained relatively stable at 40.8% in 2021 and 40.9% million in 2022, respectively.

Sales of Equipment and Parts

Gross profit from sales of equipment and parts increased from RMB71.1 million in 2021 to RMB77.9 million in 2022; gross profit margin of sales of equipment and parts increased from 23.4% in 2021 to 24.7% in 2022. The increase in both gross profit and gross profit margin was mainly due to the expansion of our business scale as well as our effective supply chain management. Through our centralized procurement strategy and effective supply chain management, we were able to optimize our procurement costs, which resulted in higher profit margins.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB84.0 million in 2021 to RMB86.1 million in 2022, mainly due to higher staff costs to support our increasing sales and marketing activities. This increase was partially offset by lower depreciation charges and rental expenses achieved through the reorganization and streamlining of our branch and headquarter operations.

Administrative Expenses

Our administrative expenses increased from RMB143.2 million in 2021 to RMB156.9 million in 2022. The increase was primarily due to (i) higher depreciation charges and rental expenses associated with the commissioning of our headquarter building and (ii) an increase in research and development expenses. However, this increase was partially offset by a decrease in staff costs resulting from the impact of the COVID-19 pandemic, which led to lower performance-based salaries for some of our management personnel.

Other Income and Gains/(Expenses)

Our other income and gains/(expenses) decreased from RMB3.8 million in 2021 to RMB3.5 million in 2022, primarily due to a net foreign exchange loss resulting from fluctuations in exchange rates. However, this decrease was partially offset by a gain on disposal of an associate as well as fair value gains of financial assets at fair value through profit or loss.

Finance Costs

Our finance costs increased from RMB81.8 million in 2021 to RMB83.6 million in 2022, primarily due to an increase in interests on bank loans.

Income tax Expenses

Our income tax expenses decreased from RMB4.3 million in 2021 to RMB20 thousand in 2022, mainly due to the preferential tax treatment we received and a decrease in our profit before income tax resulting from the negative impact of the COVID-19 recurrence in 2022.

Profit for the Year and Total Comprehensive Income for the Year

As a result of the above, our profit for the year and total comprehensive income for the year decreased from RMB55.2 million in 2021 to RMB35.4 million in 2022.

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

Revenue

Our total revenue increased by 19.5% from RMB980.6 million in 2020 to RMB1,172.2 million in 2021 primarily due to our business expansion through all three business segments. In particular, our KA customer increased from 87 for the year ended December 31, 2020 to 122 for the year ended December 31, 2021.

Intralogistics Equipment Subscription Services

Revenue generated from intralogistics equipment subscription services increased by 15.6% from RMB639.7 million in 2020 to RMB739.2 million in 2021, primarily due to the growth in our business scale and the increase in the size of the equipment fleet. For instance, our equipment subscription volume increased from 325,590 for the year ended December 31, 2020 to 347,659 for the year ended December 31, 2021.

Maintenance and Repair Services

Revenue generated from maintenance and repair services increased by 15.3% from RMB111.5 million in 2020 to RMB128.5 million in 2021, primarily due to the expansion of our business scale, which led to an increase in the number of customers for our maintenance and repair services.

Sales of Equipment and Parts

In 2021, revenue generated from sales of equipment and parts increased by 32.7% to RMB304.5 million, primarily driven by our overall business expansion. In particular, our equipment and parts procurement solution has better met the diverse needs of our customers, contributing to this significant growth.

Cost of Sales

Our cost of sales increased from RMB650.5 million in 2020 to RMB798.0 million in 2021. This increase was primarily due to (i) an increase in costs of machinery and parts due to the rise in the number of intralogistics equipment under our management as well as the growth of sales of equipment and parts; (ii) an increase in depreciation charges and rental expenses resulting from the expansion of our equipment fleet; and (iii) an increase in staff costs resulting from salary increments and an increase in employee headcount for service network expansion.

Gross Profit and Gross Profit Margin

Our overall gross profit increased from RMB330.2 million in 2020 to RMB374.2 million in 2021, while our overall gross profit margin decreased from 33.7% in 2020 to 31.9% in 2021. The increase in overall gross profit was primarily due to our expanded business scale. However, the decrease in overall gross profit margin was primarily due to lower utilization rates that resulted from the negative impact of COVID-19.

Intralogistics Equipment Subscription Services

Gross profit from intralogistics equipment subscription services increased from RMB228.2 million in 2020 to RMB250.7 million in 2021, primarily due to business growth. However, the gross profit margin of intralogistics equipment subscription services decreased from 35.7% in 2020 to 33.9% in 2021. This decrease can be attributed to (i) lower utilization rates caused by the negative impact of COVID-19 and (ii) an increase in staff costs due to the hiring of more employees in line with our business expansion.

Maintenance and Repair Services

Gross profit from maintenance and repair services increased from RMB45.6 million in 2020 to RMB52.4 million in 2021, primarily in line with our business growth. In particular, the demands for one-off repair services increased steadily during the corresponding period. The gross profit margin of maintenance and repair services remained relatively stable at 40.9% in 2020 and 40.8% in 2021, respectively.

Sales of Equipment and Parts

Gross profit from sales of equipment and parts increased from RMB56.4 million in 2020 to RMB71.1 million in 2021 primarily in line with our business growth. Gross profit margin of sales of equipment and parts decreased from 24.6% in 2020 to 23.4% in 2021 primarily due to fluctuations in export exchange rates.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB72.3 million in 2020 to RMB84.0 million in 2021, primarily due to (i) an increase in staff costs to support our increasing sales and marketing activities and (ii) an increase in depreciation charges and rental expenses in line with the expansion our service network as we continued to expand into new markets.

Administrative Expenses

Our administrative expenses increased from RMB120.7 million in 2020 to RMB143.2 million in 2021, primarily due to the increased staff costs and depreciation charges and rental expenses resulting from the expansion of our administrative employee headcount to support our business growth. Additionally, our research and development expenses increased from RMB29.3 million to RMB35.7 million in order to continue our efforts to improve the efficiency of our business operations.

Other Income and Gains/(Expenses)

Our other income and gains/(expenses) decreased from RMB4.7 million in 2020 to RMB3.8 million in 2021, primarily due to a decrease in government grants, which were occasional events and were varied from period to period.

Finance Costs

Our finance costs increased from RMB73.6 million in 2020 to RMB81.8 million in 2021, primarily due to an increase in interests on bank loans and lease liabilities.

Income tax Expenses

Our income tax expenses decreased from RMB7.0 million in 2020 to RMB4.3 million in 2021, primarily due to the preferential tax treatment we received.

Profit for the Year and Total Comprehensive Income for the Year

As a result of the above, our profit for the year and total comprehensive income for the year increased from RMB54.2 million in 2020 to RMB55.2 million in 2021.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	692,098	808,689	856,533
Right-of-use assets	876,146	977,324	1,049,320
Intangible assets	3,854	3,862	8,684
Investment in associates	18,177	8,869	10,561
Deposits	78,989	86,174	96,507
Deferred tax assets	5,179	4,306	4,831
Total non-current assets	1,674,443	1,889,224	2,026,436
Current assets			
Inventories	56,619	69,174	84,502
Trade and bills receivables	239,870	269,610	294,037
Prepayments, deposits, and other receivables	89,087	98,201	106,027
Restricted deposits	31,462	44,762	30,850
Cash and cash equivalents	83,611	188,162	120,638
Total current assets	500,649	669,909	636,054
Current liabilities			
Trade and bills payables	193,201	235,451	262,560
Other payables and accruals	92,387	103,199	112,853
Interest-bearing bank loans and other borrowings	511,644	479,187	528,022
Tax payable	4,687	757	–
Total current liabilities	801,919	818,594	903,435
Net current liabilities	(301,270)	(148,685)	(267,381)

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Total assets less current liabilities	1,373,173	1,740,539	1,759,055
Non-current liabilities			
Interest-bearing bank loans and other borrowings	662,426	850,607	839,165
Other payables and accruals	27,186	25,872	19,777
Deferred tax liabilities	–	–	652
Total non-current liabilities	689,612	876,479	859,594
Net assets	683,561	864,060	899,461
EQUITY			
Equity attributable to owners of the Company:			
Share capital	80,484	83,972	83,972
Reserves	603,077	780,088	815,489
Total equity	683,561	864,060	899,461

Property, Plant and Equipment

Our property, plant and equipment primarily consist of intralogistics equipment, construction in progress, office equipment, motor vehicles, and lease improvements. The value of our property, plant, and equipment increased from RMB692.1 million as of December 31, 2020, to RMB808.7 million as of December 31, 2021, mainly due to the addition of assets related to the construction of the Hefei factory and headquarter building. The value of our property, plant, and equipment further increased to RMB856.5 million as of December 31, 2022, primarily due to the addition of new intralogistics equipment in line with our business expansion.

Right-of-Use Assets

Our right-of-use assets represent leases of intralogistics equipment, office premises and leasehold land. As of the lease commencement date, we recognize right-of-use assets and the corresponding lease liabilities, except for short-term leases that have a lease term of 12 months or less. Our right-of-use assets increased from RMB876.1 million as of December 31, 2020, to RMB977.3 million as of December 31, 2021, and further to RMB1,049.3 million as of December 31, 2022. This increase was primarily due to the new contracts we entered into with financial institutions to expand our equipment fleet in line with our business expansion.

Investment in Associates

Investment in associates are stated in the consolidated statement of financial position at our share of net assets under the equity method of accounting, less any impairment losses. During the Track Record Period, our investment in associates was driven by our strategy to diversify our business and expand our offerings within intralogistics equipment lifecycle management solution industry. By investing in our associates, we were able to expand our product and service offerings that may effectively complement our core business offerings.

Our Directors confirm that the consideration for these acquisitions was determined after arms-length negotiations between the parties. During such negotiations, we primarily considered the business synergy and the appraised value of these associates. As of December 31, 2020, 2021, and 2022, we recorded investments in associates of RMB18.2 million, RMB8.9 million, and RMB10.6 million, respectively. These amounts primarily reflect the initial investment costs in these associates adjusted by sharing the profit or loss of the investees after the date of acquisition.

Prepayments, Deposits, and Other Receivables

During the track record period, our prepayments, deposits, and other receivables primarily consisted of (i) current portion of deposits, mainly represented deposits for our leased properties and intralogistics equipment, and non-current portion of deposits mainly represented deposits for finance leases of intralogistics equipment; (ii) prepayments, mainly represented prepayments for rental expenses related to the lease of our branch office and procurements of parts and other supplies in relation to our operation; and (iii) tax recoverable, mainly represented our prepaid value-added tax and corporate income tax. The following table sets forth the details of our prepayments, deposits, and other receivables as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayments	13,115	10,623	13,261
Deposits	11,795	7,630	8,500
Other receivables	1,028	1,885	1,363
Tax recoverable	63,149	78,063	82,903
Subtotal	89,087	98,201	106,027
Non-current			
Deposits	78,989	86,174	96,507
Total	168,076	184,375	202,534

Our prepayments, deposits, and other receivables increased from RMB168.1 million as of December 31, 2020, to RMB184.4 million as of December 31, 2021, primarily due to (i) an increase in non-current deposits resulting from the rise in finance leases of intralogistics equipment and (ii) an increase in tax recoverable in line with our business expansion.

Our prepayments, deposits, and other receivables further increased to RMB202.5 million as of December 31, 2022 primarily due to (i) an increase in non-current deposits resulting from the rise in finance leases of intralogistics equipment and (ii) an increase in both tax recoverable and prepayments in line with our business expansion.

Inventories

Our inventories primarily consist of intralogistics equipment and parts. Our inventories increased from RMB56.6 million as of December 31, 2020, to RMB69.2 million as of December 31, 2021, and further increased to RMB84.5 million as of December 31, 2022. The continued increase during the Track Record Period was primarily due to the expansion of our equipment fleet and the business scale of our maintenance services in line with our business growth. This expansion resulted in a growing demand for relevant parts to support daily operations and maintenance needs. In addition, the increase in inventories in 2022 was also attributable to the fact that we experienced delayed delivery of certain orders to our overseas customers in 2022. These delays resulted from the city-wide lockdown in Guangzhou amid the COVID-19 pandemic.

The following table sets forth the number of our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
Inventory turnover days[1]	31.4	28.8	33.7

Note:

(1) Inventory turnover days was calculated based on the average of opening and closing inventory balance for the relevant year/period, divided by the cost of sales for the same year/period, and multiplied by 365 days for 2020, 2021 and 2022.

Our inventory turnover days decreased from 31.4 days in 2020 to 28.8 days primarily due to the improvement in inventory management with the assistance from our technologies. Our inventory turnover days increased from 28.8 days in 2021 to 33.7 days in 2022, primarily due to less inventory consumption during the COVID-19 recurrence in 2022. In particular, we experienced delayed delivery of certain orders to our overseas customers in 2022.

As of March 31, 2023, approximately RMB44.3 million, or 52.4%, of our inventories as of December 31, 2022 had been delivered or consumed.

Trade and Bills Receivables

Our trade and bills receivables primarily consist of (i) trade receivables, representing to the amount of money owed by customers for goods or services sold on credit terms and (ii) bills receivable, representing bank acceptance bills that have been received from our customers. The following table sets forth our trade and bills receivables as of the date indicated:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	242,311	258,830	287,434
Bills receivable	18,578	26,695	25,645
Less: Impairment	(21,019)	(15,915)	(19,042)
Total	239,870	269,610	294,037

Our trade and bills receivables increased from RMB239.9 million as of December 31, 2020 to RMB269.6 million as of December 31, 2021 primarily due to (i) an increase in trade receivables in line with the business expansion and (ii) an increase in bills receivable due to more customers opting to settle their invoices using bills, which have not reached their due date. As of December 31, 2022, our trade receivables increased to RMB294.0 million from RMB269.6 million as of December 31, 2021. This was primarily due to our decision to temporarily extend credit terms to certain customers to ease their financial burden during the COVID-19 lockdowns. In determining qualified customers, we take into account various factors, including their previous business track record with us, growth potential, and credit history. We have established a credit control department to minimize our credit risk and maintain control over our outstanding receivables. Our management regularly review the settlement situations of customers with relatively long credit periods. The following table sets forth an aging analysis of our trade and bills receivables as of the dates indicated presented based on invoice date:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within six months	230,362	257,478	279,468
Six to twelve months	7,148	3,115	7,320
Over one year	2,360	9,017	7,249
Total	239,870	269,610	294,037

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

	Year ended December 31,		
	2020	2021	2022
Trade receivables turnover days(1)	81.3	72.3	78.1

Note:

(1) Trade receivables turnover days was calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant year/period, divided by the revenue for the same year/period and multiplied by 365 days for 2020, 2021 and 2022.

Our trade receivables turnover days decreased from 81.3 days in 2020 to 72.3 days in 2021, mainly due to faster repayment from our customers resulting from the improvements in settlement efficiency. However, our trade receivables turnover days increased from 72.3 days in 2021 to 78.1 days in 2022, primarily due to the temporary extension of credit terms to certain customers to help them cope with the lockdowns imposed due to COVID-19.

As of March 31, 2023, approximately RMB161.8 million, or 60.3%, of our trade receivables as of December 31, 2022 had been settled.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash and bank balances. As of December 31, 2020, our cash and cash equivalents were RMB83.6 million. This amount increased to RMB188.2 million as of December 31, 2021, primarily due to our business growth, along with the equity financing we received. However, as of December 31, 2022, our cash and cash equivalents decreased to RMB120.6 million. This decrease was primarily due to payments made for fixed assets, including construction costs for our Hefei base.

Trade and Bills Payable

During the Track Record Period, our trade payables primarily consisted of (i) trade payables and (ii) bills payable, representing the amounts owed by us for bills of exchange that have been accepted but have not yet been paid. The following table sets forth the details of our trade and bills payable as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	107,210	138,866	159,876
Bills payable	85,991	96,585	102,684
Total	193,201	235,451	262,560

Our trade and bills payables increased from RMB193.2 million as of December 31, 2020 to RMB235.5 million as of December 31, 2021, and further to RMB262.6 million as of December 31, 2022. These increases were primarily due to certain suppliers granting us longer credit terms considering our long-term trustworthy business relationship.

Our trade payables' credit terms for customers typically range from 60 to 180 days. The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated based on the invoice date:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	159,441	194,392	212,550
3 months to 1 year	24,789	35,845	42,644
Over 1 year	8,971	5,214	7,366
Total	193,201	235,451	262,560

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

	Year ended December 31,		
	2020	**2021**	**2022**
Trade payables turnover days(1)	55.4	56.3	65.5

Note:

(1) Trade payables turnover days was calculated based on the average of opening and closing balance of trade payables for the relevant year/period, divided by the cost of sales for the same year/period, and multiplied by 365 days for 2020, 2021 and 2022.

Our trade payables turnover days increased from 55.4 days in 2020 to 56.3 days in 2021 and further to 65.5 days in 2022. These increases were mainly due to our suppliers granting us more favorable credit terms as a result of our long-standing and trustworthy business relationship with them.

As of March 31, 2023, approximately RMB90.0 million, or 56.3%, of our trade payables as of December 31, 2022 had been settled.

Other Payables and Accruals

During the Track Record Period, our other payables and accruals primarily consisted of (i) contract liabilities; (ii) other payables, which represent deposits received from our customers for intralogistics equipment subscription services as well as payables related to the acquisition of intralogistics equipment. Payment for these payables is typically settled based on an agreed installment schedule; (iii) endorsed bills receivable that have not been derecognized and not yet due, which represent bills or promissory notes that we have received and endorsed, but have not yet been paid and have not yet reached their maturity date; (iv) accruals, which represent accrued expenses for utilities and other operating expenses; (v) salary and welfare payables, which represent basic salary and year-end bonus; and (vi) other tax payables for value-added taxes. The following table sets forth the details of other payables and accruals as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Contract liabilities	7,242	8,972	14,559
Other payables	47,392	50,237	50,478
Endorsed bills receivable that have not been derecognized and not yet due	15,931	21,465	18,921
Salary and welfare payables	14,450	14,682	14,845
Accruals	3,580	1,743	4,489
Other tax payables	3,792	6,100	9,561
Subtotal	92,387	103,199	112,853
Non-current			
Other payables	27,186	25,872	19,777
Total	119,573	129,071	132,630

Our other payables and accruals increased from RMB119.6 million as of December 31, 2020 to RMB129.1 million as of December 31, 2021, primarily due to (i) an increase in endorsed bills receivable that have not been derecognized and not yet due; (ii) an increase in other tax payables, reflecting the increase in property related tax for our factory in Hefei; (iii) an increase in current other payables in line with business expansion; and (iv) an increase in contract liabilities due to an increase in sales to customers overseas. Such increase was partially offset by (i) a decrease in accruals related to rent due to office relocation and (ii) a decrease in non-current other payables due to consideration payable for the acquisition of intralogistics equipment, which were gradually settled according to the payment schedule.

Our other payables and accruals increased from RMB129.1 million as of December 31, 2021 to RMB132.6 million as of December 31, 2022, primarily due to (i) an increase in contract liabilities due to delivery delays caused by the recurrence of COVID-19 in 2022 and (ii) an increase in other tax payables, reflecting the increase in property tax for our headquarter buildings. Such increase was partially offset by (i) a decrease in non-current other payables due to the same reason above and (ii) a decease in endorsed bills receivable that have not been derecognized and not yet due.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal use of cash during the Track Record Period was for working capital purposes. Our main source of liquidity has been generated from cash flow from operation. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank facilities and net [**REDACTED**] from the [**REDACTED**]. As of December 31, 2022, we had cash and cash equivalents of RMB120.6 million. Taking into account the financial resources available to us, including cash flow from operating activities, unutilized bank facilities, and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash generated from operations before movements in working capital	449,806	530,266	540,429
Changes in working capital	8,058	(898)	(19,131)
Cash generated from operations	457,864	529,368	521,298
Interest received	1,443	1,651	1,945
Income tax paid	(7,724)	(3,388)	(1,051)
Net cash flows generated from operating activities	451,583	527,631	522,192
Net cash flows used in investing activities	(157,637)	(285,358)	(226,168)
Net cash flows used in financing activities	(328,375)	(137,722)	(363,548)
Net increase/(decrease) in cash and cash equivalents	(34,429)	104,551	(67,524)
Cash and cash equivalents at beginning of the year	118,040	83,611	188,162
Cash and cash equivalents at end of the year	83,611	188,162	120,638

Net Cash Generated From Operating Activities

In 2022, we generated RMB522.2 million in cash from operating activities. This was primarily due to a profit before tax of RMB35.4 million, adjusted for (i) finance costs of RMB83.6 million; and (ii) non-cash items, including (a) property, plant, and equipment depreciation of RMB211.2 million; (b) right-of-use asset depreciation of RMB209.5 million; and (c) impairment losses of financial assets of RMB4.2 million. Changes in working capital mainly included (i) an increase in inventories of RMB14.7 million due to delayed delivery of certain orders to our overseas customers in early 2022, as a result of the COVID-19 lockdown in Guangzhou; (ii) an increase in trade and bills receivables of RMB28.1 million due to our temporary extension of credit terms to some customers to ease their financial burden under the lockdown; (iii) an increase in prepayments, deposit and other receivables of RMB18.5 million mainly due to an increase in the deposits for intralogistics equipment purchased using borrowings from financial institutions, along with our business expansion; (iv) an increase in trade and bills payables and accruals of RMB27.1 million due to certain suppliers granting us longer credit terms considering our long-term trustworthy business relationship; and (v) an increase in other payables and accruals of RMB15.0 million due to delayed settlement of our contract liabilities as a result of the lockdown and increased deposits received from customers with our enlarged scales of intralogistics equipment.

In 2021, we generated RMB527.6 million in cash from operating activities, primarily due to a profit before tax of RMB59.4 million, adjusted for (i) finance costs of RMB81.8 million; and (ii) non-cash items, including (a) property, plant, and equipment depreciation of RMB181.4 million; (b) right-of-use asset depreciation of RMB198.8 million; and (c) impairment losses of financial assets of RMB4.5 million. Changes in working capital mainly included (i) an increase in inventories of RMB12.6 million due to an increase in inventories to cope with our enlarged business needs; (ii) an increase in trade and bills receivables of RMB24.6 million due to our deeper cooperation with our customers; (iii) an increase in prepayments, deposits, and other receivables of RMB16.3 million mainly due to an increase in the deposits for intralogistics equipment purchased using borrowings from financial institutions; (iv) an increase in trade and bills payables of RMB42.3 million due to longer credit terms granted to us by certain of our suppliers; and (v) an increase in other payables and accruals of RMB10.3 million due to an increase in deposits received from our customers with our enlarged scales of intralogistics equipment.

In 2020, we generated RMB451.6 million in cash from operating activities, primarily attributable to profit before tax of RMB61.2 million, adjusted primarily for (i) finance costs of RMB73.6 million; and (ii) non-cash items, which mainly included (a) depreciation of property, plant, and equipment of RMB155.6 million: (b) depreciation of right-of-use assets of RMB153.4 million; and (c) impairment losses of financial assets of RMB6.8 million. Changes in working capital mainly included (i) an increase in inventories of RMB1.2 million, which was in line with the increase in our overseas sales of parts; (ii) an increase in trade and bills receivables of RMB15.7 million along with our business expansion; (iii) an increase in prepayments, deposits, and other receivables of RMB4.8 million mainly due to an increase in deposits for intralogistics equipment purchased using borrowings from financial institutions; (iv) an increase in trade and bills payables of RMB19.3 million for procurement of parts to cope with future growing business needs; and (v) an increase in other payables and accruals of RMB10.5 million due to an increase in salary and welfare payable and contract liabilities along with our business expansion.

Net Cash Used in Investing Activities

In 2022, we used net cash of RMB226.2 million in investing activities, primarily due to (i) the purchase of property, plant, and equipment amounting to RMB198.9 million, including the purpose for our headquarter office and Heifei factory to meet our growing business demands; (ii) additions to right-of-use assets, mainly representing acquisition of a leasehold land of RMB21.9 million; and (iii) a cash consideration payment of RMB4.2 million in connection with the acquisition of an associate to a subsidiary.

In 2021, our net cash used in investing activities was RMB285.4 million, mainly due to the purchase of property, plant, and equipment and intangible assets amounting to RMB285.2 million, including the purpose for our headquarter office and Hefei factory, to cope with our business expansion.

In 2020, we used net cash of RMB157.6 million in investing activities, primarily due to the purchase of property, plant, and equipment and intangible assets amounting to RMB157.9 million to meet our business needs.

Net Cash Used in Financing Activities

Our net cash used in financing activities was RMB363.5 million in 2022, primarily due to new bank loans and other borrowings of RMB246.1 million, offset by (a) repayment of bank loans and other borrowings of RMB213.4 million; (b) payments of the principle portion of lease liabilities of RMB307.2 million; and (c) payments of interests of RMB89.0 million.

In 2021, our net cash used in financing activities was RMB137.7 million, mainly due to (i) new bank loans and other borrowings of RMB317.8 million and (ii) issue of ordinary shares of RMB130.0 million, offset by (a) repayment of bank loans and other borrowings of RMB177.3 million; (b) payments of the principle portion of lease liabilities of RMB319.4 million; and (c) payments of interests of RMB88.8 million.

In 2020, our net cash used in financing activities was RMB328.4 million, primarily due to new bank loans and other borrowings of RMB188.5 million, offset by (a) repayment of bank loans and other borrowing of RMB158.4 million; (b) payments of the principle portion of lease liabilities of RMB281.8 million; and (c) payments of interests of RMB76.7 million.

Net Current Liabilities

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	56,619	69,174	84,502	105,807
Trade and bills receivables	239,870	269,610	294,037	283,366
Prepayments, deposits, and other receivables	89,087	98,201	106,027	116,331
Restricted deposits	31,462	44,762	30,850	31,805
Cash and cash equivalents	83,611	188,162	120,638	150,556
Total current assets	500,649	669,909	636,054	687,865
Current liabilities				
Trade and bills payables	193,201	235,451	262,560	273,849
Other payables and accruals	92,387	103,199	112,853	100,181
Interest-bearing bank loans and other borrowings	511,644	479,187	528,022	536,200
Tax payable	4,687	757	–	–
Total current liabilities	801,919	818,594	903,435	910,230
Net current liabilities	(301,270)	(148,685)	(267,381)	(223,365)

We recorded net current liabilities as of December 31, 2020, 2021, and 2022, as well as March 31, 2023, due to our substantial investments in capital expenditures, including property, plant, equipment, and right-of-use assets, such as intralogistics equipment, in line with our business development strategy. These investments, while critical to our long-term success, were classified as non-current assets, leading to a net current liability position. However, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document, taking into account our financial resources, including internally generated funds, the [**REDACTED**] from the [**REDACTED**], and available facilities from bank and other borrowings. We base this confidence on the following factors:

- **Cash flow generated from operations**: Our net cash generated from operating activities was RMB451.6 million, RMB527.6 million, and RMB522.2 million for the years ended December 31, 2020, 2021, and 2022, respectively. This steady cash flow is a testament to our strong technology and execution capabilities, as well as the industry recognition we have received. It also reflects our ability to effectively manage our resources, improve our operational efficiency, and deliver value to our customers. We expect to continue to generate a steady inflow of cash from operations, thanks to our leading market position and our ability to optimize our service offerings and cost structure.

- **Bank and other borrowings**: As of December 31, 2022, we had unutilized facilities for bank and other borrowings of RMB868.7 million, providing us with additional financial resources. Historically, we have been able to obtain bank and other borrowings when needed, and we believe that our long-term and healthy relationships with banks and financial institutions will continue to support our borrowing needs in the future. Going forward, we plan to negotiate better terms and interest rates to support our business development, while maintaining a cautious approach to obtaining bank and other borrowings. We are dedicated to managing our indebtedness proactively and maintaining a healthy financial position. We believe that our commitment to financial prudence will enable us to navigate any economic uncertainties that may arise while seizing growth opportunities.

- [**REDACTED**] **from the** [**REDACTED**]: We expect to receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees, and estimated expenses payable by us in connection with the [**REDACTED**]. These [**REDACTED**] will further strengthen our financial position and support our business development initiatives.

- **Stringent cash management**: We closely monitor and manage our cash position and requirements to ensure that we have sufficient working capital for our operations. Our finance department is responsible for managing our working capital and the collection of our receivables settlement. During the Track Record Period, our trade receivable turnover days remained relatively stable around 80 days, and as of March 31, 2023, approximately RMB161.8 million, or 60.3%, of our trade receivables as of December 31, 2022, had been settled. We review our cash position and requirements on a weekly basis to determine the usage and allocation of cash in our operations, optimize our capital structure, and meet our working capital needs.

INDEBTEDNESS

Our indebtedness mainly included interest-bearing bank loans and other borrowings during the Track Record Period. Except as disclosed in the table below, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of March 31, 2023. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since March 31, 2023 and up to the Latest Practicable Date. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current				
Interest-bearing bank loans and other borrowings	511,644	479,187	528,022	536,200
Non-current				
Interest-bearing bank loans and other borrowings	662,426	850,607	839,165	872,245
Total	1,174,070	1,329,794	1,367,187	1,408,445

Our bank loans and other borrowings during the Track Record Period were primarily used for business operations. Our bank loans and other borrowings bore interest at rate equivalents ranging from approximately 4.0% to 9.9% per year. For more details of these borrowings, see Note 23 to the Accountant's Report in Appendix I to this document.

Our Directors confirm that we have not defaulted in the repayment of the bank loans and other borrowings during the Track Record Period. Our Directors have confirmed that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank loans.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to expand our equipment fleet, upgrade our service network, and increase our operating efficiency. Our capital expenditures represented payments for acquisition of items of property, plant and equipment and right-of-use assets during the Track Record Period. In 2020, 2021 and 2022, we incurred capital expenditure of RMB156.7 million, RMB284.2 million, and RMB220.8 million, respectively.

CAPITAL COMMITMENTS

As of December 31, 2020, 2021 and 2022, we had capital commitments of RMB6.4 million, RMB49.5 million, and RMB37.7 million, respectively, primarily in connection with the construction of Hefei Factory and our headquarter building.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, we did not have any material contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
Current ratio[1]	0.6	0.8	0.7
Gearing ratio[2]	171.8%	153.9%	152.0%

Notes:

(1) Equals current assets divided by current liabilities as of the same date.

(2) Equals bank loans and other borrowings divided by total equity as of the same date.

Our current ratio remained relatively stable during the Track Record Period. In 2021, our current ratio increased to 0.8 primarily due to an increase in cash and cash equivalents resulting from our business operations.

Our gearing ratio decreased from 171.8% as of December 31, 2020 to 153.9% as of December 31, 2021, and further decreased to 152.0% as of December 31, 2022. This was primarily due to an increase in equity, partially offset by an increase in bank loans and other borrowings.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we engaged in certain related party transactions. For details, please see Note 31 to the Accountant's Report in Appendix I to this document. These transactions mainly involved (i) selling products to Guangdong Santouliubi Information Technology Co., Ltd. and (ii) purchasing products from and selling products to our associates, with total amounts of RMB2.2 million, RMB4.5 million, and RMB2.3 million in 2020, 2021, and 2022, respectively. The outstanding balances with related parties amounted to RMB0.4 million, RMB0.8 million and, nil as of December 31, 2020, 2021, and 2022, respectively, and were all trade-related for sales of intralogistics equipment and parts.

Our Directors confirm that all material related party transactions during the Track Record Period were conducted at arm's length and would not distort our results of operations or make our historical results over the Track Record Period not reflective of our expectations for future performance. Additionally, our Directors confirm that as of the date of this document, we have no outstanding balances with related parties that are non-trade in nature.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

We are exposed to a variety of financial risks, including interest rate risks, credit risks and liquidity risks. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For more details, see Note 34 to the Accountant's Report in Appendix I to this document.

Interest Rate Risks

Our exposure to the risk of changes in market interest rates primarily relates to our bank borrowings with a floating interest rate, and any changes in interest rates may affect our profits.

Credit Risks

We conduct business only with reputable and financially stable third-party entities. Our policy mandates that all customers seeking to transact on credit terms undergo credit verification procedures. Moreover, we continuously monitor our receivable balances to ensure our exposure to bad debts remains insignificant.

Liquidity Risks

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.

DIVIDENDS

No dividend has been paid or declared by us during the Track Record Period. After completion of the [**REDACTED**], our shareholders will be entitled to receive dividends declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

As confirmed by our PRC Legal Advisers, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, if any, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital requirements and other factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting.

DISTRIBUTABLE RESERVES

As of December 31, 2022, we had distributable reserves of RMB230.1 million.

[**REDACTED**]

[**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] (HK$[**REDACTED**]) (including [**REDACTED**]), at the [**REDACTED**] of HK$[**REDACTED**] per Share, and assuming the [**REDACTED**] is not exercised. As of December 31, 2022, we incurred [**REDACTED**]. We estimate that additional [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) (including [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]) will be incurred by our Company, approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB [**REDACTED**] (HK$[**REDACTED**]) of which is expected to be capitalized. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following [**REDACTED**] adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited is for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 as if the [**REDACTED**] had taken place on December 31, 2022. The [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets of our Group had the [**REDACTED**] been completed as of December 31, 2022 or as of any future dates.

	Consolidated net tangible assets attributable to owners of our Company as of December 31, 2022	Estimated net [REDACTED] from the [REDACTED]	[REDACTED] adjusted consolidated net tangible assets attributable to owners of our Company as of December 31, 2022	[REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share as of December 31, 2022	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2 and 4)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	890,777	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	890,777	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	890,777	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2022 was equal to the audited net assets attributable to owners of our Company as of December 31, 2022 of RMB899,461,000 after deducting of intangible assets of RMB8,684,000 as of December 31, 2022 set out in the Accountants' Report in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] or HK$[**REDACTED**] per Share, after deduction of the [**REDACTED**] and other related expenses payable by the Company and do not take into account any shares which may be issued upon exercise of the [**REDACTED**].

(3) The [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares are in issue assuming the [**REDACTED**] has been completed as of December 31, 2022.

(4) For the purpose of this [**REDACTED**] adjusted consolidated net tangible assets, the estimated net [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into RMB at an exchange rate of HK$1.00 to RMB[0.8971] and the [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company per Share is converted from RMB into Hong Kong dollars at the same exchange rate. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, other than as disclosed under the "Recent Developments – No Material Adverse Change" in the "Summary" section in this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2022, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rule.