[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FOLANGSI CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Folangsi Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-[79], which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-[79] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] 2023 (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[date] 2023

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	980,643	1,172,182	1,194,209
Cost of sales		(650,463)	(798,015)	(832,545)
Gross profit		330,180	374,167	361,664
Other income and gains	*5*	4,853	4,022	6,276
Selling and distribution expenses		(72,270)	(84,018)	(86,072)
Administrative expenses		(120,746)	(143,199)	(156,858)
Impairment loss on financial assets		(6,808)	(4,498)	(4,178)
Other expenses		(197)	(262)	(2,750)
Finance costs	*6*	(73,604)	(81,838)	(83,609)
Share of profits/(losses) of associates	*16*	(228)	(4,929)	948
PROFIT BEFORE TAX	*7*	61,180	59,445	35,421
Income tax expense	*10*	(6,970)	(4,267)	(20)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,210	55,178	35,401
Attributable to:				
Owners of the Company		54,210	55,178	35,401
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted	*12*	RMB0.67	RMB0.67	RMB0.42

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	692,098	808,689	856,533
Right-of-use assets	*14(a)*	876,146	977,324	1,049,320
Intangible assets	*15*	3,854	3,862	8,684
Investments in associates	*16*	18,177	8,869	10,561
Deposits	*19*	78,989	86,174	96,507
Deferred tax assets	*24*	5,179	4,306	4,831
Total non-current assets		1,674,443	1,889,224	2,026,436
CURRENT ASSETS				
Inventories	*17*	56,619	69,174	84,502
Trade and bills receivables	*18*	239,870	269,610	294,037
Prepayments, deposits and other receivables	*19*	89,087	98,201	106,027
Restricted deposits	*20*	31,462	44,762	30,850
Cash and cash equivalents	*20*	83,611	188,162	120,638
Total current assets		500,649	669,909	636,054
CURRENT LIABILITIES				
Trade and bills payables	*21*	193,201	235,451	262,560
Other payables and accruals	*22*	92,387	103,199	112,853
Interest-bearing bank loans and other borrowings	*23*	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)
TOTAL ASSETS LESS NET CURRENT LIABILITIES		1,373,173	1,740,539	1,759,055

	Notes	**As at 31 December** **2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	*23*	662,426	850,607	839,165
Other payables and accruals	*22*	27,186	25,872	19,777
Deferred tax liabilities	*24*	–	–	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	*25*	80,484	83,972	83,972
Reserves	*26*	603,077	780,088	815,489
Total equity		683,561	864,060	899,461

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26)*	*(note 26)*	*(note 26)*		
At 1 January 2020	80,484	418,762	5,191	12,448	112,466	629,351
Profit and total comprehensive income for the year	–	–	–	–	54,210	54,210
Transfer to statutory surplus reserve	–	–	–	6,097	(6,097)	–
At 31 December 2020	80,484	418,762	5,191	18,545	160,579	683,561
At 1 January 2021	80,484	418,762	5,191	18,545	160,579	683,561
Profit and total comprehensive income for the year	–	–	–	–	55,178	55,178
Transfer to statutory surplus reserve	–	–	–	4,835	(4,835)	–
Issue of ordinary shares *(note 25)*	3,488	126,512	–	–	–	130,000
Share of an equity movement arising on a equity transaction of an associate	–	–	511	–	–	511
Disposal of an associate	–	–	(5,190)	–	–	(5,190)
At 31 December 2021	83,972	545,274	512	23,380	210,922	864,060
At 1 January 2022	83,972	545,274	512	23,380	210,922	864,060
Profit and total comprehensive income for the year	–	–	–	–	35,401	35,401
Transfer to statutory surplus reserve	–	–	–	2,400	(2,400)	–
At 31 December 2022	83,972	545,274	512	25,780	243,923	899,461

* These reserve accounts comprise the consolidated reserves of RMB603,077,000, RMB780,088,000 and RMB815,489,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		61,180	59,445	35,421
Adjustments for:				
Finance costs	*6*	73,604	81,838	83,609
Interest income	*5*	(1,443)	(1,651)	(1,945)
Share of losses/(profits) from associates	*16*	228	4,929	(948)
Fair value gain of financial assets at fair value through profit or loss	*5*	–	–	(892)
Gain on disposal of property, plant and equipment	*7*	(44)	(16)	(118)
Amortisation of intangible assets	*7*	539	1,001	1,888
Depreciation of property, plant and equipment	*7*	155,570	181,375	211,155
Depreciation of right-of-use assets	*7*	153,364	198,847	209,516
Impairment of trade receivables	*7*	6,808	4,498	4,178
Gain on remeasurement of an associate to acquisition-date fair value	*5*	–	–	(1,435)
		449,806	530,266	540,429
Increase in inventories		(1,189)	(12,555)	(14,676)
Increase in trade and bills receivables		(15,676)	(24,636)	(28,083)
Increase in prepayments, deposits and other receivables		(4,825)	(16,299)	(18,472)
Increase in trade and bills payables		19,289	42,250	27,109
Increase in other payables and accruals		10,459	10,342	14,991
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 from operating activities		451,583	527,631	522,192

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of items of property, plant and equipment		(134,797)	(284,230)	(220,767)
Additions to right-of-use assets		(21,899)	–	–
Proceeds from disposal of items of property, plant and equipment		262	181	320
Additions to intangible assets		(1,203)	(1,009)	(1,304)
Purchase of financial assets at fair value through profit or loss		–	–	(650,000)
Proceeds of disposal of financial assets at fair value through profit or loss		–	–	650,892
Capital injection in associates		–	–	(1,109)
Acquisition of a subsidiary	*27*	–	–	(4,200)
Purchase of additional interests in an associate from an independent third party		–	(300)	–
Net cash flows used in investing activities		(157,637)	(285,358)	(226,168)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of ordinary shares	*25*	–	130,000	–
New bank loans and other borrowings		188,516	317,817	246,101
Repayment of bank loans and other borrowings		(158,413)	(177,334)	(213,430)
Principal portion of lease payments		(281,784)	(319,415)	(307,245)
Interest paid		(76,694)	(88,790)	(88,974)
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	*20*	83,611	188,162	120,638
Analysis into:				
Cash and bank balances as stated in the consolidated statements of financial position and the consolidated statements of cash flows		83,611	188,162	120,638

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	671,374	730,763	701,759
Right-of-use assets	*14(a)*	854,503	955,917	1,027,876
Intangible assets	*15*	3,854	3,862	3,683
Investments in subsidiaries	*1*	9,920	67,420	71,985
Investments in associates	*16*	18,177	8,869	10,561
Deposits	*19*	78,899	86,174	96,507
Deferred tax assets	*24*	2,896	2,102	2,627
Total non-current assets		1,639,623	1,855,107	1,914,998
CURRENT ASSETS				
Inventories	*17*	55,933	61,548	75,737
Trade and bills receivables	*18*	277,496	257,338	266,573
Prepayments, deposits and other receivables	*19*	82,911	82,284	89,847
Restricted deposits	*20*	31,462	44,762	30,850
Cash and cash equivalents	*20*	81,183	129,167	106,541
Total current assets		528,985	575,099	569,548
CURRENT LIABILITIES				
Trade and bills payables	*21*	207,764	251,116	250,460
Other payables and accruals	*22*	74,501	82,427	86,310
Interest-bearing bank loans and other borrowings	*23*	511,556	458,983	497,138
Tax payable		4,384	519	–
Total current liabilities		798,205	793,045	833,908
NET CURRENT LIABILITIES		(269,220)	(217,946)	(264,360)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,370,403	1,637,161	1,650,638
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	*23*	656,204	750,608	745,268
Other payables and accruals	*22*	27,186	25,872	19,777
Total non-current liabilities		683,390	776,480	765,045
NET ASSETS		687,013	860,681	885,593
EQUITY				
Share capital	*25*	80,484	83,972	83,972
Reserves	*26*	606,529	776,709	801,621
Total equity		687,013	860,681	885,593

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Folangsi Co., Ltd. (the "Company") is a company established in the People's Republic of China ("PRC") with limited liability. The registered office of the Company is located at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of intralogistics equipment subscription services (including leases of equipment), provision of maintenance and repair services and sales of intralogistics equipment and parts.

At the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place and date of registration and place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhongshan TCM Forklift Sales Co., Ltd. ("中山梯西埃姆叉車銷售有限公司")	PRC/Mainland China, 19 March 2003	RMB500,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Zhuhai TCM Forklift Co., Ltd. ("珠海梯西埃姆叉車有限公司")	PRC/Mainland China, 12 October 2004	RMB2,000,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Foshan Folangsi Forklift Co., Ltd. ("佛山市佛朗斯叉車有限公司")	PRC/Mainland China, 3 August 2006	RMB520,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts

Company name	Place and date of registration and place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Folangsi Forklift Co., Ltd. ("廣州佛琅斯叉車有限公司")	PRC/Mainland China, 9 May 2007	RMB500,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Dongguan Folangsi Machinery Co., Ltd. ("東莞佛朗斯工程機械有限公司")	PRC/Mainland China, 17 July 2007	RMB500,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Guangzhou Xinze Forklift Leasing Co., Ltd. ("廣州新澤叉車租賃有限公司")	PRC/Mainland China, 7 June 2010	RMB2,000,000	100%	–	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Guangzhou Pengze Machinery Equipment Co., Ltd. ("廣州鵬澤機械設備有限公司")	PRC/Mainland China, 19 March 2010	RMB500,000	100%	–	Overseas trading of parts of intralogistics equipment
Anhui Folangsi Machinery Co., Ltd. ("Anhui Folangsi", "安徽佛朗斯機械有限公司")	PRC/Mainland China, 17 August 2018	RMB60,000,000	100%	–	Installation, transformation and repair of special equipment;
Hefei Langyun IOT Technology Co., Ltd. ("合肥朗雲物聯科技有限公司")	PRC/Mainland China, 19 February 2019	RMB10,000,000	100%	–	Software development and internet of things ("IOT") technical services

Company name	Place and date of registration and place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hefei Langhui New Energy Technology Co., Ltd. ("合肥朗慧新能源科技有限公司")	PRC/Mainland China, 27 July 2022	RMB20,000,000	100%	–	Research and development of emerging energy technologies and manufacture and sale of battery and parts
Shenyang Tianshun Toyota Forklift Sales Co., Ltd. ("瀋陽天順豐田叉車銷售有限公司")	PRC/Mainland China, 26 November 2010	RMB5,000,000	–	100%	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Shanghai Yingji Forklift Co., Ltd. ("上海英吉叉車有限公司")	PRC/Mainland China, 6 June 2001	RMB1,000,000	–	100%	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts
Qingdao Taizhengxin Trading Co., Ltd. ("青島台正新貿易有限公司")	PRC/Mainland China, 1 June 2001	RMB1,000,000	–	100%	Provision of intralogistics equipment subscription services and maintenance and repair service, as well as sale of intralogistics equipment and parts

Notes:

(a) No statutory financial statements have been prepared for all subsidiaries for the years ended 31 December 2020, 2021 and 2022.

(b) The English names of the above subsidiaries represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they have not been registered with any official English names.

The Company

The carrying amounts of the Company's investments in subsidiaries:

	At 31 December 2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	9,920	67,420	71,985

2.1 BASIS OF PRESENTATION

Going concern basis

As at 31 December 2022, the Group had net current liabilities of approximately RMB267.4 million. The directors of the Company (the "Directors") consider that the Group will have sufficient working capital to finance its operation and meets its financial obligations as and when they all due in the foreseeable future after taking into account, inter alia, the historical operating performance and the unutilised borrowing facilities of the Group for the next twelve months from the date of this report amounting to RMB868.7 million.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Historical Financial Information of the Group for the Relevant Periods on a going concern basis.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making a detailed assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in certain accounting policies and are unlikely to have a significant impact on the Group's financial performance and financial position in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented.

Investments in subsidiaries

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The investments in associates are stated in both the consolidated statements of financial position and separate statements of financial position of the Company at the Group’s and the Company’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s and the Company’s share of the post-acquisition results and other comprehensive income of associates is included in the respective statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group/Company recognises its share of any changes, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group/Company and its associates are eliminated to the extent of the Group’s/Company’s investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s/Company’s investments in associates. Dividend from associates is recognised as a reduction from the carrying amount of the investment.

Upon loss of significant influence over associates, the Group/Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarter building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

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 capitalised in the carrying amount of the asset as a replacement. 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% to 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and intralogistics equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Technical know-how

Purchased technology know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is determined by the expected usage period after considering the technical obsolescence and estimates of useful lives of similar assets.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years, which is determined by the expected usage period after considering the technical obsolescence and estimates of useful lives of similar assets.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group/Company as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date of the underlying assets is available for use). Right-of-use assets are 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 recognised, 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 the Group is 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, the right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

When the Group obtains 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.

(b) Lease liabilities

Lease liabilities are recognised 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 the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses 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 asset.

The Group's lease liabilities are included in interest-bearing bank loans and other borrowings.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and intralogistics equipment (that is those leases that have 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 recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does 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, the Group allocates the consideration in the contract to each component on a stand-alone selling price basis. 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 recognised over the lease term on the same basis as revenue from operating leases. Contingent rents or variable lease payments are recognised 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 the Group is 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 the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group generally considers a financial asset in default when contractual payments are one year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank loans and other borrowings.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects 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 the Group 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 recognised 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 the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised 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.

(a) Intralogistics equipment subscription services

Intralogistics equipment subscription services represented one-stop services for a full-cycle management on intralogistics equipment, covering the entire life-cycle of equipment from procurement, utilisation, maintenance and repair.

The Group provides one-stop services bundled together with the lease of intralogistics equipment to the customers. The intralogistics equipment subscription services are comprised of two performance obligations: 1) the operating lease of intralogistics equipment, which is accounted for in accordance with the policies set out for "Leases" above under HKFRS 16; and 2) the stand-ready comprehensive services package (the "Comprehensive Service"), including equipment management, vehicle route planning, quick vehicle dispatch, maintenance arrangement, as well as real-time equipment status supervision. The stand-alone selling price of operating lease and the Comprehensive Service underlying, which are capable of being distinct and separately identifiable, is determined at contract inception. The Group estimates the stand-alone selling price regarding Comprehensive Service using adjusted market assessment approach. In the absence of the directly-observable market data for stand-alone selling price regarding the operating lease, hence, the Group estimates the stand-alone selling price of operating lease as the difference between the total transaction price and the stand-alone selling prices of the Comprehensive Service.

The nature of the Group's 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 Comprehensive Service is recognised evenly over the contract period.

(b) Maintenance and repair services

Maintenance and repair services mainly include one-off repair services and a service plan for a fixed service period. The Group issue invoices either on project basis for one-off repair services, or on monthly basis for service plans with valid contract periods covering equipment specified in relevant agreements.

Revenue from stand ready maintenance and repair services is recognised evenly over the contract period.

Except for revenue from stand maintenance and repair services, the Group recognises revenue from maintenance and repair services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group creates and enhances an asset that the customer controls as the Group performs. The Directors have assessed the stage of completion based on the proportion of the costs incurred for the maintenance and repair services (i.e., direct labour costs incurred, 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.

(c) Sales of intralogistics equipment and parts

Revenue from the sale of intralogistics equipment and parts is recognised at the point in time when control of the asset is transferred to the customers, generally on receipt of the industrial products by 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 recognised over the lease term on the same basis as revenue from operating lease. Contingent rents or variable lease payments are recognised as revenue in the period in which they are earned.

Other income

Interest income is recognised, 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 asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee retirement benefits

As stipulated by the rules and regulations of the PRC, the Group are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions. The contributions made by the Group are charged to profit or loss as they became payable in accordance with the rule of the retirement plan.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders of the Company in a general meeting.

Foreign currencies

This Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Allocation of the transaction price to operating lease and the Comprehensive Service for intralogistics equipment subscription services

The Group has entered 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. The Group estimates the stand-alone selling price regarding Comprehensive Service using adjusted market assessment approach. In the absence of the directly-observable market data for stand-alone selling price regarding the operating lease, hence, the Group estimates the stand-alone selling price of operating lease as the difference between the total transaction price and the stand-alone selling prices of the Comprehensive Service. The Group applies significant judgement to determine the appropriateness of such method given the specific circumstances, based on, inter alia, the availability of information and historical transaction/pricing history and observable market data.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimated useful life and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and also consider technical or commercial obsolescence of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write off or write down obsolete or non-strategic assets that have been abandoned. Changes in these estimations may have a material impact on the results of the Group.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix, or other applicable approaches, to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type) and initially based on the Group's historical observed default rates, supplemented by relevant external information as appropriate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the specific group of customers, the corresponding historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the Historical Financial Information.

Impairment of long term non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for long term non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indications 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. The calculation of the fair value less costs of disposal is 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 value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group 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 the Group "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). The Group estimates 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).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment.

The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
China	886,216	1,061,670	1,061,721
Overseas*	94,427	110,512	132,488
	980,643	1,172,182	1,194,209

The revenue information above is based on the locations of the customers.

* The Group exported its products to approximately 95 overseas countries in Asia, Europe, North and South America and Australia.

(b) Non-current assets

All non-current assets of the Group are located in China (other than Hong Kong) as at the end of each of the Relevant Periods.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Intralogistics equipment subscription services	639,701	739,176	738,001
Maintenance and repair services	111,463	128,484	140,987
Sales of intralogistics equipment and parts	229,479	304,522	315,221
Total	980,643	1,172,182	1,194,209
Analysis into:			
Revenue from contracts with customers	457,775	588,116	619,482
Revenue from operating leases (included in intralogistics equipment subscription services)	522,868	584,066	574,727
	980,643	1,172,182	1,194,209

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Intralogistics equipment subscription services (excluding operating lease)	116,833	155,110	163,274
Maintenance and repair services	111,463	128,484	140,987
Sales of intralogistics equipment and parts	229,479	304,522	315,221
Total revenue from contracts with customers	457,775	588,116	619,482
Geographical markets			
China	363,348	477,604	486,994
Overseas*	94,427	110,512	132,488
Total revenue from contracts with customers	457,775	588,116	619,482

* The Group exported its products to approximately 95 overseas countries in Asia, Europe, North and South America and Australia.

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Services transferred over time	228,296	283,594	304,261
Goods transferred at a point in time	229,479	304,522	315,221
Total	457,775	588,116	619,482

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Sales of intralogistics equipment and parts	7,287	7,242	8,972

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Intralogistics equipment subscription services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The services under intralogistics equipment subscription services are mainly for periods of one to four years, and were billed periodically. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months.

The amounts of the transaction prices allocated to remaining obligations (unsatisfied or partially satisfied) as at 31 December are as follows:

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	82,583	100,469	98,829
One to two years	35,169	40,880	36,399
Two to three years	11,838	12,337	13,653
Three to four years	2,785	3,448	4,915
	132,375	157,134	153,796

Maintenance and repair services

The performance obligation is satisfied over time as services are rendered and payment is generally due within one to three months upon the completion of services.

Sales of intralogistics equipment and parts

The performance obligation is satisfied upon the receipts of the intralogistics equipment and parts and payment is generally due with one months, extending up to three months for key customers, after the receipts of the intralogistics equipment and parts.

Other income and gains

	Year ended 31 December		
	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 *(note 16)*	–	–	1,435
Fair value gain of financial assets at fair value through profit or loss	–	–	892
Government grants*	2,751	1,481	1,547
Foreign exchange differences, net	587	577	–
Others	72	313	457
	4,853	4,022	6,276

* There are no unfulfilled conditions or contingencies related to these government grants.

6. FINANCE COSTS

		Year ended 31 December		
		2020	**2021**	**2022**
	Note	*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	*14(b)*	51,845	62,157	61,927
		76,694	88,790	88,974
Less: Interest capitalised		(3,090)	(6,952)	(5,365)
		73,604	81,838	83,609

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold		265,270	343,300	348,919
Depreciation of property, plant and equipment*	*13*	155,570	181,375	211,155
Depreciation of right-of-use assets*	*14(a)*	153,364	198,847	209,516
Lease payments not included in the measurement of lease liabilities	*14(c)*	49,211	27,321	7,707
Amortisation of intangible assets	*15*	539	1,001	1,888
Research and development costs**		29,296	35,668	39,652
Employee benefit expenses (excluding directors' and supervisors' remunerations in note 8):				
Wages and salaries		141,562	179,441	193,156
Pension scheme contributions (defined contribution schemes)		8,046	18,112	21,990
		149,608	197,553	215,146
Foreign exchange differences, net***		(587)	(577)	2,377
Impairment of trade receivables	*18*	6,808	4,498	4,178
Gains on disposal of property, plant and equipment****		(44)	(16)	(118)

* The depreciation of property, plant and equipment and right-of-use assets is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in profit or loss, respectively.

** The amounts are included in "Administrative expenses" in profit or loss.

*** The net foreign exchange gain and foreign exchange loss are included in "other income" and "other expense" in profit or loss, respectively.

**** The amounts are included in "Other income" in profit or loss.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

The remuneration of each of these directors and supervisors as recorded in the financial statements of the subsidiaries and the Company is set out below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Salaries, allowances and benefits in kind	3,060	4,243	3,577
Pension scheme contributions	90	152	184
	3,150	4,395	3,761

(a) Non-executive directors and independent non-executive directors

There were no emoluments payable to the non-executive directors and independent non-executive directors during each of the Relevant Periods.

Ms. Zhang Jie and Mr. Song Xiaoning have retired as independent non-executive directors on 3 April 2023.

Mr. Chiang Edward and Mr. Wang Chuanbang were appointed as independent non-executive directors of the Company on 3 April 2023.

(b) Executive directors

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Executive directors:			
Mr. Hou Zekuan	680	12	692
Mr. Hou Zebin (Chief executive)	655	12	667
Mr. Qian Xiaoxuan	611	18	629
Ms. Ma Li	342	16	358
	2,288	58	2,346
Year ended 31 December 2021			
Executive directors:			
Mr. Hou Zekuan	1,094	31	1,125
Mr. Hou Zebin (Chief executive)	1,048	31	1,079
Mr. Qian Xiaoxuan	873	26	899
Ms. Ma Li	488	26	514
	3,503	114	3,617
Year ended 31 December 2022			
Executive directors:			
Mr. Hou Zekuan	900	34	934
Mr. Hou Zebin (Chief executive)	876	34	910
Mr. Qian Xiaoxuan	646	34	680
Ms. Ma Li	459	34	493
	2,881	136	3,017

(c) Supervisors

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Ms. Li Xiaolan	299	16	315
Mr. He Xiaocheng	473	16	489
	772	32	804
Year ended 31 December 2021			
Ms. Li Xiaolan	329	19	348
Mr. He Xiaocheng	411	19	430
	740	38	778
Year ended 31 December 2022			
Ms. Li Xiaolan	307	24	331
Mr. He Xiaocheng	389	24	413
	696	48	744

During the Relevant Periods, no remuneration was paid or payable by the Group to the executive directors, a chief executive and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director, a chief executive or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during years ended 31 December 2020, 2021 and 2022 included one, two and two directors, respectively, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the Relevant Periods of the remaining four highest paid employees, who are neither a director, a chief executive nor a supervisor of the Company, are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	5,404	4,792	5,295
Pension scheme contributions	57	137	172
	5,461	4,929	5,467

The number of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
Nil to HK$1,000,000	1	–	–
HK$1,000,001 to HK$1,500,000	2	2	2
HK$3,000,001 to HK$3,500,000	1	1	–
HK$3,500,001 to HK$4,000,000	–	–	1
	4	3	3

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration.

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the Company and the subsidiaries which operates in Mainland China is subject to corporate income tax at a rate of 25% on the taxable income unless those are subject to tax exemption set out below.

The Company is qualified as an "High and New Technology Enterprise" and therefore was entitled to a preferential income tax rate of 15% for the Relevant Periods.

Except for Anhui Folangsi, other subsidiaries of the Group in the PRC are qualified as "Small and Micro Enterprises" and therefore was entitled to a preferential income tax rate of 5% to 10% for the Relevant Periods.

The income tax expenses for the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current	7,724	3,394	598
Deferred *(note 24)*	(754)	873	(578)
	6,970	4,267	20

A reconciliation of the income tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	61,180	59,445	35,421
Tax at the statutory tax rate	15,295	14,861	8,855
Lower tax rate for specific provinces or enacted by local authority	(5,153)	(6,933)	(3,846)
Additional tax deduction for qualified research and development expenses	(3,296)	(4,013)	(4,833)
Income not subject to tax	–	–	(357)
Expenses not deductible for tax	275	352	367
Tax losses utilised from previous periods	(151)	–	(166)
Tax charge at the Group's effective rate	6,970	4,267	20

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the each of the Relevant Periods attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 80,484,000, 81,937,000, 83,972,000 in issue during the years ended 31 December 2020, 2021 and 2022, respectively.

No adjustment has been made to the basic earnings per share amounts presented for each of the Relevant Periods for a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculation of basic and diluted earnings per share is based on:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Earnings:			
Profit attributable to ordinary equity holders of the Company	54,210	55,178	35,401

	Number of shares		
	Year ended 31 December		
	2020	**2021**	**2022**
	'000	*'000*	*'000*
Shares:			
Weighted average number of ordinary shares in issue during the year	80,484	81,937	83,972

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
At 1 January 2020:							
Cost	–	905,344	7,433	17,448	10,933	58,404	999,562
Accumulated depreciation	–	(309,484)	(2,804)	(11,156)	(6,776)	–	(330,220)
Net carrying amount	–	595,860	4,629	6,292	4,157	58,404	669,342
At 1 January 2020, net of accumulated depreciation	–	595,860	4,629	6,292	4,157	58,404	669,342
Additions	–	92,606	1,580	2,584	2,624	44,766	144,160
Disposal	–	–	–	(149)	(69)	–	(218)
Exercise of purchase options of leased intralogistics equipment *(note 14(a))*	–	52,603	–	–	–	–	52,603
Transfer to inventories	–	(18,219)	–	–	–	–	(18,219)
Depreciation provided during the year	–	(149,714)	(2,436)	(1,871)	(1,549)	–	(155,570)
At 31 December 2020, net of accumulated depreciation	–	573,136	3,773	6,856	5,163	103,170	692,098
At 31 December 2020							
Cost	–	998,063	9,013	19,186	13,417	103,170	1,142,849
Accumulated depreciation	–	(424,927)	(5,240)	(12,330)	(8,254)	–	(450,751)
Net carrying amount	–	573,136	3,773	6,856	5,163	103,170	692,098

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	–	998,063	9,013	19,186	13,417	103,170	1,142,849
Accumulated depreciation	–	(424,927)	(5,240)	(12,330)	(8,254)	–	(450,751)
Net carrying amount	–	573,136	3,773	6,856	5,163	103,170	692,098
At 1 January 2021, net of accumulated depreciation	–	573,136	3,773	6,856	5,163	103,170	692,098
Additions	–	181,371	2,792	4,549	3,054	97,794	289,560
Disposal	–	–	–	(103)	(62)	–	(165)
Exercise of purchase options of leased intralogistics equipment *(notes 14(a))*	–	34,631	–	–	–	–	34,631
Transfer to inventories	–	(26,060)	–	–	–	–	(26,060)
Transfer to construction in progress	–	(3,293)	–	–	–	3,293	–
Transfer from construction in progress	130,766	2,470	–	–	–	(133,236)	–
Depreciation provided during the year	–	(174,883)	(2,696)	(2,140)	(1,656)	–	(181,375)
At 31 December 2021, net of accumulated depreciation	130,766	587,372	3,869	9,162	6,499	71,021	808,689
At 31 December 2021							
Cost	130,766	1,142,532	11,805	21,906	15,898	71,021	1,393,928
Accumulated depreciation	–	(555,160)	(7,936)	(12,744)	(9,399)	–	(585,239)
Net carrying amount	130,766	587,372	3,869	9,162	6,499	71,021	808,689

	Buildings	**Intralogistics equipment**	**Leasehold improvements**	**Motor vehicles**	**Furniture, fixtures and equipment**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	130,766	1,142,532	11,805	21,906	15,898	71,021	1,393,928
Accumulated depreciation	–	(555,160)	(7,936)	(12,744)	(9,399)	–	(585,239)
Net carrying amount	130,766	587,372	3,869	9,162	6,499	71,021	808,689
At 1 January 2022, net of accumulated depreciation	130,766	587,372	3,869	9,162	6,499	71,021	808,689
Additions	4,369	177,085	2,365	3,584	7,862	73,623	268,888
Disposal	–	–	–	(170)	(32)	–	(202)
Exercise of purchase options of leased intralogistics equipment *(notes 14(a))*	–	30,455	–	–	–	–	30,455
Transfer to inventories	–	(40,142)	–	–	–	–	(40,142)
Transfer to construction in progress	–	(10,113)	–	–	–	10,113	–
Transfer from construction in progress	105,904	8,911	–	–	–	(114,815)	–
Depreciation provided during the year	(4,569)	(198,582)	(2,747)	(2,608)	(2,649)	–	(211,155)
At 31 December 2022, net of accumulated depreciation	236,470	554,986	3,487	9,968	11,680	39,942	856,533
At 31 December 2022							
Cost	241,039	1,220,494	14,170	23,177	23,445	39,942	1,562,267
Accumulated depreciation	(4,569)	(665,508)	(10,683)	(13,209)	(11,765)	–	(705,734)
Net carrying amount	236,470	554,986	3,487	9,968	11,680	39,942	856,533

Company

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
At 1 January 2020:							
Cost	–	879,158	5,696	14,276	9,084	58,196	966,410
Accumulated depreciation	–	(290,834)	(2,330)	(9,378)	(5,956)	–	(308,498)
Net carrying amount	–	588,324	3,366	4,898	3,128	58,196	657,912
At 1 January 2020, net of accumulated depreciation	–	588,324	3,366	4,898	3,128	58,196	657,912
Additions	–	86,189	1,420	2,150	1,984	36,023	127,766
Disposal	–	–	–	(148)	(62)	–	(210)
Exercise of purchase options of leased intralogistics equipment *(notes 14(a))*	–	52,603	–	–	–	–	52,603
Transfer to inventories	–	(17,269)	–	–	–	–	(17,269)
Depreciation provided during the year	–	(144,552)	(1,903)	(1,644)	(1,329)	–	(149,428)
At 31 December 2020, net of accumulated depreciation	–	565,295	2,883	5,256	3,721	94,219	671,374
At 31 December 2020							
Cost	–	969,833	7,116	15,788	10,948	94,219	1,097,904
Accumulated depreciation	–	(404,538)	(4,233)	(10,532)	(7,227)	–	(426,530)
Net carrying amount	–	565,295	2,883	5,256	3,721	94,219	671,374

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	–	969,833	7,116	15,788	10,948	94,219	1,097,904
Accumulated depreciation	–	(404,538)	(4,233)	(10,532)	(7,227)	–	(426,530)
Net carrying amount	–	565,295	2,883	5,256	3,721	94,219	671,374
At 1 January 2021, net of accumulated depreciation	–	565,295	2,883	5,256	3,721	94,219	671,374
Additions	–	180,262	2,530	4,071	1,234	36,547	224,644
Disposal	–	–	–	(70)	(51)	–	(121)
Exercise of purchase options of leased intralogistics equipment *(notes 14(a))*	–	34,631	–	–	–	–	34,631
Transfer to inventories	–	(20,316)	–	–	–	–	(20,316)
Transfer to construction in progress	–	(3,293)	–	–	–	3,293	–
Transfer from construction in progress	130,766	2,470	–	–	–	(133,236)	–
Depreciation provided during the year	–	(174,146)	(2,031)	(1,885)	(1,387)	–	(179,449)
At 31 December 2021, net of accumulated depreciation	130,766	584,903	3,382	7,372	3,517	823	730,763
At 31 December 2021							
Cost	130,766	1,115,262	9,646	18,644	11,828	823	1,286,969
Accumulated depreciation	–	(530,359)	(6,264)	(11,272)	(8,311)	–	(556,206)
Net carrying amount	130,766	584,903	3,382	7,372	3,517	823	730,763

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	130,766	1,115,262	9,646	18,644	11,828	823	1,286,969
Accumulated depreciation	–	(530,359)	(6,264)	(11,272)	(8,311)	–	(556,206)
Net carrying amount	130,766	584,903	3,382	7,372	3,517	823	730,763
At 1 January 2022, net of accumulated depreciation	130,766	584,903	3,382	7,372	3,517	823	730,763
Additions	4,369	173,857	2,333	3,445	4,477	–	188,481
Disposal	–	–	–	(153)	(30)	–	(183)
Exercise of purchase options of leased intralogistics equipment *(notes 14(a))*	–	30,455	–	–	–	–	30,455
Transfer to inventories	–	(39,892)	–	–	–	–	(39,892)
Transfer to construction in progress	–	(10,113)	–	–	–	10,113	–
Transfer from construction in progress	–	8,911	–	–	–	(8,911)	–
Depreciation provided during the year	(2,905)	(198,074)	(2,470)	(2,336)	(2,080)	–	(207,865)
At 31 December 2022, net of accumulated depreciation	132,230	550,047	3,245	8,328	5,884	2,025	701,759
At 31 December 2022							
Cost	135,135	1,184,889	11,979	20,124	16,020	2,025	1,370,172
Accumulated depreciation	(2,905)	(634,842)	(8,734)	(11,796)	(10,136)	–	(668,413)
Net carrying amount	132,230	550,047	3,245	8,328	5,884	2,025	701,759

Notes:

(a) As at 31 December 2020, 2021 and 2022, certain of the Group's and the Company's intralogistics equipment with net carrying amounts of approximately RMB160,108,000, RMB253,408,000 and RMB281,782,000 were pledged to secure bank loans and other borrowings granted to the Group (note 23 (ii)).

(b) As at 31 December 2020, 2021 and 2022, the fully-depreciated property, plant and equipment with the gross carrying amount of RMB4,191,000, RMB16,777,000 and RMB27,712,000 were still in use.

(c) As at 31 December 2020, 2021 and 2022, the Group had not obtained ownership certificates of certain buildings with net carrying amounts of nil, RMB130,766,000 and RMB104,240,000, respectively.

As at 31 December 2020, 2021 and 2022, the Company had not obtained ownership certificates of certain buildings with net carrying amounts of nil, RMB130,766,000 and nil, respectively.

14. LEASES

The Group/Company as a lessee

The Group has lease contracts for various office premises and intralogistics equipment used in its operations. Lump sum payments were made upfront to acquire the leasehold land with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms between 1.5 and 7 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's and the Company's right-of-use assets and the movements during the Relevant Periods are as follows:

Group

	Office premises	**Intralogistics equipment**	**Leasehold land**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	4,778	612,091	15,144	632,013
Additions	8,090	420,111	21,899	450,100
Transfer to property, plant and equipment *(note 13)*	–	(52,603)	–	(52,603)
Depreciation charge	(2,696)	(150,099)	(569)	(153,364)
As at 31 December 2020 and 1 January 2021	10,172	829,500	36,474	876,146
Additions	11,460	323,196	–	334,656
Transfer to property, plant and equipment *(note 13)*	–	(34,631)	–	(34,631)
Depreciation charge	(6,321)	(191,775)	(751)	(198,847)
As at 31 December 2021 and 1 January 2022	15,311	926,290	35,723	977,324
Additions	30,519	281,448	–	311,967
Transfer to property, plant and equipment *(note 13)*	–	(30,455)	–	(30,455)
Depreciation charge	(13,002)	(195,763)	(751)	(209,516)
As at 31 December 2022	32,828	981,520	34,972	1,049,320

Company

	Office premises	Intralogistics equipment	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	4,778	612,091	15,144	632,013
Additions	8,090	420,111	–	428,201
Transfer to property, plant and equipment *(note 13)*	–	(52,603)	–	(52,603)
Depreciation charge	(2,696)	(150,099)	(313)	(153,108)
As at 31 December 2020 and 1 January 2021	10,172	829,500	14,831	854,503
Additions	10,856	323,196	–	334,052
Transfer to property, plant and equipment *(note 13)*	–	(34,631)	–	(34,631)
Depreciation charge	(5,919)	(191,775)	(313)	(198,007)
As at 31 December 2021 and 1 January 2022	15,109	926,290	14,518	955,917
Additions	29,774	281,448	–	311,222
Transfer to property, plant and equipment *(note 13)*	–	(30,455)	–	(30,455)
Depreciation charge	(12,732)	(195,763)	(313)	(208,808)
As at 31 December 2022	32,151	981,520	14,205	1,027,876

Note:

As at 31 December 2020, 2021 and 2022, all of the leasehold lands of the Group and the Company were pledged to secure bank loans and other borrowings granted to the Group and the Company (note 23(ii)).

(b) Lease liabilities

The carrying amount of the Group's and the Company's lease liabilities (included under interest-bearing bank loans and other borrowings) and the movements during the Relevant Periods are as follows:

Group

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	619,722	766,139	781,380
New leases	428,201	334,656	311,967
Accretion of interest recognised during the year	51,845	62,157	61,927
Payments	(333,629)	(381,572)	(369,172)
Carrying amount at 31 December	766,139	781,380	786,102

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Current portion	343,523	321,779	353,908
Non-current portion	422,616	459,601	432,194
	766,139	781,380	786,102

Company

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	619,722	766,139	781,178
New leases	428,201	330,323	308,659
Accretion of interest recognised during the year	51,845	62,140	61,901
Payments	(333,629)	(377,424)	(366,354)
Carrying amount at 31 December	766,139	781,178	785,384
Analysed into:			
Current portion	343,523	321,575	353,426
Non-current portion	422,616	459,603	431,958
	766,139	781,178	785,384

The maturity analysis of lease liabilities is disclosed in note 35 to the Historical Financial Information.

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

Group

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	51,845	62,157	61,927
Depreciation charge of right-of-use assets	153,364	198,847	209,516
Expense relating to short-term leases	49,211	27,321	7,707
Total amount recognised in profit or loss	254,420	288,325	279,150

The Group/Company as a lessor

All intralogistics equipment included in property, plant and equipment are available for lease. The Group leases represented the operating lease in its service contracts under intralogistics equipment subscription services, which is allocated based on the residual method to estimate the stand-alone selling price for the operating lease after deducting the total revenue derived from the intralogistics equipment subscription services by the allocated revenue in Comprehensive Service, details of which are disclosed in note 2.4 to Historical Financial Information. Revenue from the operating lease of intralogistics equipment, which was recognised by the Group evenly over the lease period during years ended 31 December 2020, 2021 and 2022, were RMB522,868,000, RMB584,066,000 and RMB574,727,000, respectively.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group and the Company in future periods under non-cancellable operating leases with its tenants are as follows:

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	369,587	378,378	347,879
After one year but within two years	157,392	153,934	128,124
After two years but within three years	52,978	46,454	48,058
After three years but within four years	12,463	12,983	17,300
	592,420	591,749	541,361

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	367,185	376,235	346,607
After one year but within two years	156,536	153,099	127,919
After two years but within three years	52,400	46,287	48,053
After three years but within four years	12,440	12,983	17,300
	588,561	588,604	539,879

15. INTANGIBLE ASSETS

Group and Company

	Software
	RMB'000
31 December 2020	
At 1 January 2020:	
Cost	4,404
Accumulated amortisation	(1,214)
Net carrying amount	3,190
At 1 January 2020, net of accumulated amortisation	3,190
Additions	1,203
Amortisation provided during the year	(539)
At 31 December 2020, net of accumulated amortisation	3,854
At 31 December 2020:	
Cost	5,607
Accumulated amortisation	(1,753)
Net carrying amount	3,854

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	5,607
Accumulated amortisation	(1,753)
Net carrying amount	3,854
At 1 January 2021, net of accumulated amortisation	3,854
Additions	1,009
Amortisation provided during the year	(1,001)
At 31 December 2021, net of accumulated amortisation	3,862
At 31 December 2021	
Cost	6,616
Accumulated amortisation	(2,754)
Net carrying amount	3,862

	Software	Technical know-how	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Group			
At 1 January 2022			
Cost	6,616	–	6,616
Accumulated amortisation	(2,754)	–	(2,754)
Net carrying amount	3,862	–	3,862
At 1 January 2022, net of accumulated amortisation	3,862	–	3,862
Acquisition of a subsidiary (note 27)	–	5,406	5,406
Additions	1,304	–	1,304
Amortisation provided during the year	(1,483)	(405)	(1,888)
At 31 December 2022, net of accumulated amortisation	3,683	5,001	8,684
At 31 December 2022			
Cost	7,920	5,406	13,326
Accumulated amortisation	(4,237)	(405)	(4,642)
Net carrying amount	3,683	5,001	8,684
Company			
At 1 January 2022			
Cost	6,616	–	6,616
Accumulated amortisation	(2,754)	–	(2,754)
Net carrying amount	3,862	–	3,862

	Software	Technical know-how	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022, net of accumulated amortisation	3,862	–	3,862
Additions	1,304	–	1,304
Amortisation provided during the year	(1,483)	–	(1,483)
At 31 December 2022, net of accumulated amortisation	3,683	–	3,683
At 31 December 2022			
Cost	7,920	–	7,920
Accumulated amortisation	(4,237)	–	(4,237)
Net carrying amount	3,683	–	3,683

16. INVESTMENTS IN ASSOCIATES

Group and Company

	At 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	18,177	8,869	10,561

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest to the Group	Principal activity
Hefei Kejin Automation Technology Co., Ltd. ("Hefei Kejin", "合肥柯金自動化科技股份有限公司") *(note (a))*	Ordinary shares	Hefei, PRC	27.74%	Manufacture and sale of intralogistics equipment
Ferretto Intelligent Equipment (Shanghai) Co., Ltd. ("弗蘭度智能設備(上海)有限公司")	Ordinary shares	Shanghai, PRC	28.50%	Manufacture and sale of intralogistics equipment
Hefei Langyun IOT Technology Co., Ltd. ("Hefei Langyun", "合肥朗雲物聯科技有限公司") *(note (b))*	Ordinary shares	Hefei, PRC	30.00%	Development, manufacture and sale of IOT devices
Hefei Langxun Intelligent Equipment Co., Ltd. ("Hefei Langxun", "合肥朗迅智能設備有限公司") *(note (c))*	Ordinary shares	Hefei, PRC	27.74%	Manufacture and sale of intelligent equipment

The associates are all directly held by the Company.

Notes:

(a) During the year ended 31 December 2021, the Company disposed of all shares of Hefei Kejin at nil consideration.

(b) During the year ended 31 December 2022, the Company acquired additional 70% of the equity shares of Hefei Langyun, at a cash consideration of RMB4,200,000 from an independent third party. After the acquisition, Hefei Langyun then became a wholly-owned subsidiary of the Group. The Group recognised a gain of RMB1,435,000 related to the remeasurement of the pre-existing 30% equity interest to the fair value on the acquisition date in profit or loss. The details of the acquisition are disclosed in note 27 to the Historical Financial Information.

(c) During the year ended 31 December 2022, the Group invested RMB1,100,000 in Hefei Langxun approximately 28% equity interest in Hefei Langxun, with a significant influence over it. As at 31 December 2022, the Group has paid all considerations.

In the opinion of the Directors, the Group's associates were not individually material at end of each of the Relevant Periods.

17. INVENTORIES

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	56,619	69,174	84,502

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	55,933	61,548	75,737

18. TRADE AND BILLS RECEIVABLES

Group

	At 31 December		
	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
	260,889	285,525	313,079
Less: Impairment	(21,019)	(15,915)	(19,042)
	239,870	269,610	294,037

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors	211,136	228,025	263,120
Bills receivable	18,270	24,146	20,965
Amounts due from subsidiaries	67,398	19,182	–
	296,804	271,353	284,085
Less: Impairment	(19,308)	(14,015)	(17,512)
	277,496	257,338	266,573

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The trade balances due from subsidiaries are unsecured, interest-free and are to be settled semi-annually.

Included in the trade and bills receivables were balances due from associates of the Company of RMB107,000, RMB32,000 and nil, as well as the balances due from companies significantly influenced by key management of RMB266,000, RMB26,000 and nil, as at 31 December 2020, 2021 and 2022, respectively.

The fair values of trade and bills receivables as at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

Group

	At 31 December		
	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
	239,870	269,610	294,037

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within six months	270,382	245,998	253,208
Six to twelve months	5,344	2,543	8,206
Over one year	1,770	8,797	5,159
	277,496	257,338	266,573

The movements in the loss allowance for impairment of trade receivables are as follows:

Group

	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	15,160	21,019	15,915
Impairment losses *(note 7)*	6,808	4,498	4,178
Amount written off as uncollectible	(949)	(9,602)	(1,051)
At end of the year	21,019	15,915	19,042

Company

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	13,410	19,308	14,015
Impairment losses	6,583	2,228	3,497
Amount written off as uncollectible	(685)	(7,521)	–
At end of the year	19,308	14,015	17,512

Group and Company

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The Group/Company classifies its customers into categories A, B, C and D based on their business models. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

Impairment on bills receivable is measured as 12-month expected credit losses. The expected credit losses for bills receivable are not material since the settlement are made from creditworthy banks with no recent history of default as at 31 December 2020, 2021 and 2022.

Group

Set out below is the information about the credit risk exposure on the Group's trade receivables using provision matrixes:

At 31 December 2020

Category A

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.5	2.1	100.0	0.5
Gross carrying amount (RMB'000)	57,238	242	–	57,480
Expected credit losses (RMB'000)	280	5	–	285

Category B

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	3.2	12.7	100.0	12.0
Gross carrying amount (RMB'000)	141,313	10,641	14,067	166,021
Expected credit losses (RMB'000)	4,488	1,349	14,067	19,904

Category C

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.9	3.7	100.0	4.4
Gross carrying amount (RMB'000)	15,231	2,995	584	18,810
Expected credit losses (RMB'000)	136	110	584	830

Total

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	2.3	10.5	100.0	8.7
Gross carrying amount (RMB'000)	213,782	13,878	14,651	242,311
Expected credit losses (RMB'000)	4,904	1,464	14,651	21,019

At 31 December 2021

Category A

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.5	2.1	100.0	0.5
Gross carrying amount (RMB'000)	63,189	284	–	63,473
Expected credit losses (RMB'000)	311	6	–	317

Category B

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	3.6	12.2	100.0	8.6
Gross carrying amount (RMB'000)	155,125	15,594	7,818	178,537
Expected credit losses (RMB'000)	5,598	1,910	7,818	15,326

Category C

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.1	4.0	100.0	1.6
Gross carrying amount (RMB'000)	14,913	1,717	190	16,820
Expected credit losses (RMB'000)	14	68	190	272

Total

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	2.5	11.3	100.0	6.1
Gross carrying amount (RMB'000)	233,227	17,595	8,008	258,830
Expected credit losses (RMB'000)	5,923	1,984	8,008	15,915

At 31 December 2022

Category A

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.6	2.5	100.0	0.6
Gross carrying amount (RMB'000)	63,438	610	–	64,048
Expected credit losses (RMB'000)	401	15	–	416

Category B

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	3.5	12.4	100.0	8.6
Gross carrying amount (RMB'000)	183,605	21,732	9,138	214,475
Expected credit losses (RMB'000)	6,516	2,689	9,138	18,343

Category C

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.2	3.0	100.0	3.2
Gross carrying amount (RMB'000)	7,675	1,001	235	8,911
Expected credit losses (RMB'000)	18	30	235	283

Total

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	2.7	11.7	100.0	6.6
Gross carrying amount (RMB'000)	254,718	23,343	9,373	287,434
Expected credit losses (RMB'000)	6,935	2,734	9,373	19,042

Company

Set out below is the information about the credit risk exposure on the Company's trade receivables using provision matrixes:

At 31 December 2020

Category A

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate (%)	0.5	2.1	100.0	0.5
Gross carrying amount (RMB'000)	57,238	242	–	57,480
Expected credit losses (RMB'000)	267	5	–	272

Category B

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate (%)	3.2	12.2	100.0	12.7
Gross carrying amount (RMB'000)	124,891	10,110	13,678	148,679
Expected credit losses (RMB'000)	3,982	1,238	13,678	18,898

Category C

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate (%)	1.3	3.5	100.0	2.8
Gross carrying amount (RMB'000)	3,704	1,225	48	4,977
Expected credit losses (RMB'000)	47	43	48	138

Category D

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate (%)	–	–	100.0	–
Gross carrying amount (RMB'000)	67,398	–	–	67,398
Expected credit losses (RMB'000)	–	–	–	–

Total

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate (%)	1.7	11.1	100.0	6.9
Gross carrying amount (RMB'000)	253,231	11,577	13,726	278,534
Expected credit losses (RMB'000)	4,296	1,286	13,726	19,308

At 31 December 2021

Category A

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.5	2.1	100.0	0.6
Gross carrying amount (RMB'000)	62,122	284	–	62,406
Expected credit losses (RMB'000)	341	6	–	347

Category B

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	3.3	12.2	100.0	8.5
Gross carrying amount (RMB'000)	136,071	15,495	7,255	158,821
Expected credit losses (RMB'000)	4,424	1,894	7,255	13,573

Category C

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.2	2.6	100.0	1.4
Gross carrying amount (RMB'000)	6,569	151	78	6,798
Expected credit losses (RMB'000)	13	4	78	95

Category D

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	–	–	100.0	–
Gross carrying amount (RMB'000)	19,182	–	–	19,182
Expected credit losses (RMB'000)	–	–	–	–

Total

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	2.1	12.0	100.0	5.7
Gross carrying amount (RMB'000)	223,944	15,930	7,333	247,207
Expected credit losses (RMB'000)	4,778	1,904	7,333	14,015

At 31 December 2022

Category A

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.6	2.5	100.0	0.6
Gross carrying amount (RMB'000)	63,438	610	–	64,048
Expected credit losses (RMB'000)	401	15	–	416

Category B

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	3.2	12.5	100.0	8.7
Gross carrying amount (RMB'000)	166,026	20,091	9,135	195,252
Expected credit losses (RMB'000)	5,350	2,512	9,135	16,997

Category C

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	0.1	3.5	100.0	2.6
Gross carrying amount (RMB'000)	3,258	483	79	3,820
Expected credit losses (RMB'000)	3	17	79	99

Total

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate (%)	2.5	12.0	100.0	6.7
Gross carrying amount (RMB'000)	232,722	21,184	9,214	263,120
Expected credit losses (RMB'000)	5,754	2,544	9,214	17,512

The Group and the Company endorsed certain notes receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts in aggregate of RMB30,408,000, RMB35,581,000 and RMB40,700,000 as at 31 December 2020, 2021 and 2022, respectively (the "Endorsement"). The Endorsed Notes had a maturity from one to six months as at the end of each of the Relevant Periods. In accordance with the Negotiable Instruments Law of the People's Republic of China ("中華人民共和國票據法") and relevant discounting arrangements with certain banks in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group and the Company if the PRC banks default (the "Continuing Involvement").

In the opinion of the Directors, the Group and the Company has transferred substantially all risks and rewards relating to certain Endorsed Notes with amounts of RMB14,477,000, RMB14,116,000 and RMB21,779,000 as at 31 December 2020, 2021 and 2022, respectively. Accordingly, the Company has derecognised the full carrying amounts of the derecognised notes receivable. The maximum exposure to loss from the Group's and the Company's Continuing Involvement in the derecognised notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's and the Company's Continuing Involvement in the derecognised notes are not significant.

For the rest of the Endorsed Notes, the Directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Notes. Subsequent to the Endorsement, the Group and the Company did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 31 December 2020, 2021 and 2022, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were RMB15,931,000, RMB21,465,000 and RMB18,921,000.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	13,115	10,623	13,261
Deposits	90,784	93,804	105,007
Other receivables	1,028	1,885	1,363
Tax recoverable	63,149	78,063	82,903
	168,076	184,375	202,534
Less: Current portion	(89,087)	(98,201)	(106,027)
Non-current portion	78,989	86,174	96,507

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	12,229	8,898	12,312
Deposits	90,050	93,672	104,464
Other receivables	927	1,632	1,268
Tax recoverable	58,604	64,256	68,310
	161,810	168,458	186,354
Less: Current portion	(82,911)	(82,284)	(89,847)
Non-current portion	78,899	86,174	96,507

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance of the Group was assessed to be minimal.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	115,073	232,924	151,488
Less: Restricted deposits for bills payable	(31,462)	(44,762)	(30,850)
Cash and cash equivalents	83,611	188,162	120,638

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	112,645	173,929	137,391
Less: Restricted deposits for bills payable	(31,462)	(44,762)	(30,850)
Cash and cash equivalents	81,183	129,167	106,541

At the end of each Relevant Periods, all cash and bank balances of the Group and the Company denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

Group

	At 31 December		
	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
	193,201	235,451	262,560

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade creditors	99,892	130,594	135,422
Bills payable	85,991	96,585	102,684
Amounts due to subsidiaries	21,881	23,937	12,354
	207,764	251,116	250,460

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

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

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	174,133	210,178	200,582
Three months to one year	24,660	35,724	42,512
Over one year	8,971	5,214	7,366
	207,764	251,116	250,460

Trade payables to both third parties and subsidiaries of the Company are non-interest-bearing. The trade payables to third parties are normally settled on the credit terms of one to three months after the invoice date. Amounts due to subsidiaries of the Company are normally settled on demand.

Included in the trade and bills payables were balances due to associates of the Company of nil, RMB709,000 and nil, as well as the balances due to companies significantly influenced by key management of nil, RMB50,000 and nil, as at 31 December 2020, 2021 and 2022, respectively. Such trading balances were settled on terms of one to two months.

The fair values of trade and bills payables as at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

22. OTHER PAYABLES AND ACCRUALS

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities *(note (i))*	7,242	8,972	14,559
Other payables *(note (ii))*	74,578	76,109	70,255
Endorsed bills receivable that have not been derecognised and not yet due *(note 18)*	15,931	21,465	18,921
Accruals	3,580	1,743	4,489
Salary and welfare payable	14,450	14,682	14,845
Other tax payable	3,792	6,100	9,561
	119,573	129,071	132,630
Less: Current portion	(92,387)	(103,199)	(112,853)
Non-current portion	27,186	25,872	19,777

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities *(note (i))*	2,528	3,660	3,532
Other payables *(note (ii))*	68,908	69,352	63,403
Endorsed bills receivable that have not been derecognised and not yet due	15,759	18,917	14,369
Accruals	3,120	1,156	4,363
Salary and welfare payable	9,689	10,178	12,312
Other tax payable	1,683	5,036	8,108
	101,687	108,299	106,087
Less: Current portion	(74,501)	(82,427)	(86,310)
Non-current portion	27,186	25,872	19,777

Notes:

(i) The balance of contract liabilities of the Group and the Company as at 1 January 2020 were RMB7,287,000 and RMB2,762,000, respectively. The balances of contract liabilities as at the end of each of the Relevant Periods represented the advance received from customers for sale of parts of intralogistics equipment.

(ii) Other payables are non-interest-bearing and would be settled in a period ranging from three months to five years.

23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group

	At 31 December								
	2020			2021			2022		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current									
Bank loans – secured	4.35	2021	2,401	–	–	–	–	–	–
Current portion of long term bank loans – secured	4.65-6.18	2021	27,717	4.65-6.18	2022	47,338	4.00-6.18	2023	60,003
Other borrowings – secured	4.90-9.93	2021	138,003	4.37-9.93	2022	110,070	4.30-9.43	2023	114,111
Lease liabilities *(note 14(b))*	4.90-9.93	2021	343,523	4.37-9.93	2022	321,779	4.30-9.43	2023	353,908
			511,644			479,187			528,022
Non-current									
Bank loans – secured	4.65-6.18	2022-2029	120,473	4.65-6.18	2023-2029	292,849	4.00-6.18	2024-2029	278,054
Other borrowings – secured	4.90-9.93	2022-2024	119,337	4.37-9.93	2023-2024	98,157	4.30-9.43	2024-2025	128,917
Lease liabilities *(note 14(b))*	4.90-9.93	2022-2025	422,616	4.37-9.93	2023-2026	459,601	4.30-9.43	2024-2029	432,194
			662,426			850,607			839,165
			1,174,070			1,329,794			1,367,187

	2020 RMB'000	2021 RMB'000	2022 RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	30,118	47,338	60,003
In the second year	25,428	55,793	60,387
In the third year to fifth years, inclusive	58,001	152,180	165,667
Beyond five years	37,044	84,876	52,000
	150,591	340,187	338,057
Other borrowings repayable:			
Within one year or on demand	138,003	110,070	114,111
In the second year	55,213	60,950	86,022
In the third year to fifth years, inclusive	64,124	37,207	42,895
	257,340	208,227	243,028
Lease liabilities repayable:			
Within one year or on demand	343,523	321,779	353,908
In the second year	238,753	236,231	241,657
In the third year to fifth years, inclusive	183,863	223,370	190,121
Beyond five years	–	–	416
	766,139	781,380	786,102
	1,174,070	1,329,794	1,367,187

Company

	At 31 December								
	2020			2021			2022		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current									
Bank loans – secured	4.35	2021	2,401	–	–	–	–	–	–
Current portion of long term bank loans – secured	4.90-6.18	2021	27,717	4.40-6.18	2022	27,337	4.00-6.18	2023	29,601
Other borrowings – secured	4.90-9.93	2021	137,915	4.37-9.93	2022	110,070	4.30-9.43	2023	114,111
Lease liabilities *(note 14(b))*	4.90-9.93	2021	343,523	4.37-9.93	2022	321,576	4.30-9.43	2023	353,426
			511,556			458,983			497,138
Non-current									
Bank loans – secured	4.65-6.18	2022-2029	114,251	4.40-6.18	2023-2029	192,850	4.00-6.18	2024-2029	184,393
Other borrowings – secured	4.90-9.93	2022-2024	119,337	4.37-9.93	2023-2024	98,157	4.30-9.43	2024-2025	128,917
Lease liabilities *(note 14(b))*	4.90-9.93	2022-2025	422,616	4.37-9.93	2023-2026	459,601	4.30-9.43	2024-2029	431,958
			656,204			750,608			745,268
			1,167,760			1,209,591			1,242,406
Analysed into:									
Bank loans repayable:									
Within one year or on demand			30,118			27,338			29,601
In the second year			24,390			25,792			26,375
In the third year to fifth years, inclusive			52,817			82,181			106,018
Beyond five years			37,044			84,876			52,000
			144,369			220,187			213,994
Other borrowings repayable:									
Within one year or on demand			137,915			110,070			114,111
In the second year			55,213			60,950			86,022
In the third year to fifth years, inclusive			64,124			37,207			42,895
			257,252			208,227			243,028
Lease liabilities repayable:									
Within one year or on demand			343,523			321,576			353,426
In the second year			238,753			236,231			241,421
In the third year to fifth years, inclusive			183,863			223,370			190,121
Beyond five years			–			–			416
			766,139			781,177			785,384
			1,167,760			1,209,591			1,242,406

Notes:

(i) All interest-bearing bank loans and other borrowings are denominated in RMB.

(ii) The following assets were pledged as securities for interest-bearing bank loans and other borrowings:

Group

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold land	36,474	35,723	34,972
Property, plant and equipment	160,108	253,408	281,782
	196,582	289,131	316,754

Company

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold land	14,831	14,518	14,205
Property, plant and equipment	160,108	253,408	281,782
	174,939	267,926	295,987

(iii) The Group's total facilities for bank and other borrowings amounted to RMB1,998,649,000, RMB2,173,068,000 and RMB2,235,911,000, of which RMB1,174,070,000, RMB1,329,794,000 and RMB1,367,187,000 had been utilised as at 31 December 2020, 2021 and 2022, respectively.

(iv) All interest-bearing bank loans and other borrowings bear interest at the floating interest rate of Loan Prime Rate ("LPR") plus margin.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment provision
	RMB'000
Group	
At 1 January 2020	4,425
Deferred tax credited to profit or loss during the year *(note 10)*	754
At 31 December 2020 and 1 January 2021	5,179
Deferred tax charged to profit or loss during the year *(note 10)*	(873)
At 31 December 2021 and 1 January 2022	4,306

	Impairment provision
	RMB'000
Deferred tax credited to profit or loss during the year *(note 10)*	525
At 31 December 2022	4,831
Company	
At 1 January 2020	2,011
Deferred tax credited to profit or loss during the year *(note 10)*	885
At 31 December 2020 and 1 January 2021	2,896
Deferred tax charged to profit or loss during the year *(note 10)*	(794)
At 31 December 2021 and 1 January 2022	2,102
Deferred tax credited to profit or loss during the year *(note 10)*	525
At 31 December 2022	2,627

Deferred tax liabilities

	Fair value adjustments arising from acquisition of the subsidiary
	RMB'000
Group	
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, and 1 January 2022	–
Acquisition of a subsidiary *(note 27)*	705
Deferred tax credited to profit or loss during the year *(note 10)*	(53)
At 31 December 2022	652

At Group level, deferred tax assets have not been recognised in respect of the losses of RMB664,000, RMB664,000, and nil in the consolidated statement of financial position as at 31 December 2020, 2021 and 2022, respectively, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Authorised and issued and fully paid:			
Ordinary shares with par value of RMB1.00 each	80,484	83,972	83,972

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	80,484,062	80,484	418,762	499,246
Issue of ordinary shares *(note)*	3,487,642	3,488	126,512	130,000
At 31 December 2021, 1 January 2022, and 31 December 2022	83,971,704	83,972	545,274	629,246

Note: On 8 November 2021, 3,487,642 ordinary shares were issued and allotted by the Company to institutional investors at a subscription price of RMB37.27 per share, for a total consideration of RMB130,000,000.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of the par value of the shares issued.

Capital reserve

The capital reserve of the Group represents the share of capital contributions of the Group's associates.

Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of the Company and subsidiaries provided that the reserve balance after such conversion is not less than 25% of the registered capital of the Company and subsidiaries. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Company

	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	418,762	5,191	12,448	109,202	545,603
Profit and total comprehensive income for the year	–	–	–	60,926	60,926
Transfer to statutory surplus reserve	–	–	6,097	(6,097)	–
At 31 December 2020	418,762	5,191	18,545	164,031	606,529
At 1 January 2021	418,762	5,191	18,545	164,031	606,529
Profit and total comprehensive income for the year	–	–	–	48,347	48,347
Transfer to statutory surplus reserve	–	–	4,835	(4,835)	–
Share of an equity movement arising on an equity transaction of an associate	–	511	–	–	511
Disposal of an associate	–	(5,190)	–	–	(5,190)
Issue of ordinary shares *(note 25)*	126,512	–	–	–	126,512
At 31 December 2021	545,274	512	23,380	207,543	776,709
At 1 January 2022	545,274	512	23,380	207,543	776,709
Profit and total comprehensive income for the year	–	–	–	24,912	24,912
Transfer to statutory surplus reserve	–	–	2,400	(2,400)	–
At 31 December 2022	545,274	512	25,780	230,055	801,621

27. BUSINESS COMBINATION

In March 2022, the Group acquired 70% of the equity interest in Hefei Langyun at a consideration of RMB4,200,000 from an independent third party. After the aforesaid acquisition, Hefei Langyun, which was an associate company of the Group, became a wholly-owned subsidiary of the Group. Hefei Langyun is a software and information services company established in the PRC with limited liability. The fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	*13*	44
Technical know-how	*15*	5,406
Inventories		652
Trade receivables		529
Prepayments, deposits and other receivables		314
Other payables and accruals		(240)
Deferred tax liabilities	*24*	(705)
Total identifiable net assets at acquisition date		6,000
Fair value of consideration which is satisfied by:		
Cash		4,200
Fair value of 30% equity interest in Hefei Langyun		1,800
Total consideration		6,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Net outflow of cash and cash equivalents included in cash flows used in investing activities	4,200

Since the acquisition, Hefei Langyun contributed RMB1,433,000 to the Group's revenue and a net profit of RMB505,000 to the consolidated profit or loss for the year ended 31 December 2022. Had the combination taken place at 1 January 2022, the revenue and profit of the Group would have been RMB1,196,079,000 and RMB36,080,000, respectively.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to right-of-use assets of RMB428,201,000, RMB334,656,000 and RMB311,967,000, respectively, with the responding same amounts of lease liabilities, respectively, in respect of lease arrangements for office premises and intralogistics equipment.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans and other borrowing
	RMB'000
At 1 January 2020	997,550
Changes from financing cash flows	(328,375)
Interest expenses	76,694
New leases	428,201
At 31 December 2020 and 1 January 2021	1,174,070
Changes from financing cash flows	(267,722)
Interest expenses	88,790
New leases	334,656
At 31 December 2021 and 1 January 2022	1,329,794
Changes from financing cash flows	(363,548)
Interest expenses	88,974
New leases	311,967
At 31 December 2022	1,367,187

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
With operating activities	49,211	27,321	7,707
With financing activities	333,629	381,572	369,172
	382,840	408,893	376,879

29. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, there was not any material contingent liablities.

30. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank loans and other borrowings, which are secured by the assets of the Group, are included in note 23 to the Historical Financial Information.

31. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	At 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for construction in progress	6,367	49,465	37,697

32. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship of related parties

Name	Relationship
Mr. Hou Zekuan	An executive director of the Company
Mr. Hou Zebin	An executive director of the Company
Mr. Qian Xiaoxuan	An executive director of the Company
Ms. Ma Li	An executive director of the Company
Mr. Zhu Ying Chun	A non-executive director of the Company
Mr. Shu Xiaowu	A non-executive director of the Company
Mr. Zhou Limin	Key management personnel of the Group
Mr. Yang Qingyuan	Key management personnel of the Group
Mr. Pan Fei	Key management personnel of the Group
Guangdong Santouliubi Information Technology Co., Ltd.	Company significantly influenced by Mr. Zhu Ying Chun, a non-executive director of the Company
Hefei Kejin	Associate of the Company
Ferretto Intelligent	Associate of the Company
Hefei Langyun	Associate of the Company*
Hefei Langxun	Associate of the Company

* Hefei Langyun became a wholly-owned subsidiary after the Group's acquisition of 70% of its equity shares in March 2022, the details of which are disclosed in note 27 to the Historical Financial Information.

(b) Significant related party transactions during the Relevant Periods were as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Associates:			
Sales of intralogistics equipment and parts	86	491	16
Purchases of intralogistics equipment and parts	–	1,187	72
	86	1,678	88
Companies significantly influenced by key management:			
Provision of intralogistics equipment subscription services and sales of intralogistics equipment and parts	2,106	2,823	2,225

The Directors consider that the purchases and sales of intralogistics equipment and parts and provision of intralogistics equipment subscription services with related parties were made according to the prices and conditions similar to those offered to the other customers or those offered by the other suppliers of the Group.

(c) Outstanding balances with related parties

The outstanding balance with related parties as at the end of each of the Relevant Periods only included the trade receivables and payables with the Group's associates, details of which are disclosed in notes 18 and 21 to the Historical Financial Information.

The balances with related parties were unsecured, interest-free and settled on terms of one to two months.

(d) Compensation of key management personnel of the Group

Details of the compensation of key management personnel of the Group are disclosed as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	3,876	5,288	4,511
Pension scheme contributions	106	168	205
	3,982	5,456	4,716

33. FINANCIAL INSTRUMENTS BY CATEGORY

Both the financial assets and liabilities of the Group as at the end of each Relevant Periods were measured at amortised cost and their carrying amounts are as follows:

Financial assets

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Group			
Financial assets at amortised cost			
Trade and bills receivables	239,870	269,610	294,037
Financial assets included in prepayments, deposits and other receivables	91,812	95,689	106,370
Restricted deposits	31,462	44,762	30,850
Cash and cash equivalents	83,611	188,162	120,638
	446,755	598,223	551,895
Company			
Financial assets at amortised cost			
Trade and bills receivables	277,496	257,338	266,573
Financial assets included in prepayments, deposits and other receivables	90,977	95,304	105,732
Restricted deposits	31,462	44,762	30,850
Cash and cash equivalents	81,183	129,167	106,541
	481,118	526,571	509,696

Financial liabilities

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Group			
Financial liabilities at amortised cost			
Trade and bills payables	193,201	235,451	262,560
Financial liabilities included in other payables and accruals	94,089	99,317	93,665
Interest-bearing bank loans and other borrowings	1,174,070	1,329,794	1,367,187
	1,461,360	1,664,562	1,723,412
Company			
Financial liabilities at amortised cost			
Trade and bills payables	207,764	251,116	250,460
Financial liabilities included in other payables and accruals	87,787	89,425	82,135
Interest-bearing bank loans and other borrowings	1,167,760	1,209,591	1,242,406
	1,463,311	1,550,132	1,575,001

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group/Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts			Fair value		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets						
Deposits (non-current)	78,989	86,174	96,507	67,473	73,442	83,566
Financial liabilities						
Interest-bearing bank loans and other borrowing (other than lease liabilities) (non-current)	239,810	391,006	406,971	239,810	391,006	406,971
Other payable and accruals (non-current)	27,186	25,872	19,777	23,191	21,061	15,857
	266,996	416,878	426,748	263,001	412,067	422,828

Company

	Carrying amounts			Fair value		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets						
Deposits (non-current)	78,899	86,174	96,507	67,393	73,442	83,566
Financial liabilities						
Interest-bearing bank loans and other borrowing (other than lease liabilities) (non-current)	233,588	291,005	313,310	233,588	291,005	313,310
Other payable and accruals (non-current)	27,186	25,872	19,777	23,191	21,061	15,857
	260,774	316,877	333,087	256,779	312,066	329,167

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables (current), trade payables, financial liabilities included in other payables and accruals (current), interest-bearing bank loans and other borrowings (current), approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial assets included in prepayments, deposits and other receivables (non-current), financial liabilities included in other payables and accruals (non-current) and the interest-bearing bank loans and other borrowings (non-current) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for financial assets included in prepayments, deposits and other receivables (non-current), and interest-bearing bank loans and other borrowings (non-current) as at 31 December 2020, 2021 and 2022 were assessed to be insignificant.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors of the Company. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and other borrowings, restricted deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate, with all other variables held constant, of the Group and the Company's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis point	(Decrease)/increase in the Group's profit before tax	(Decrease)/increase in the Company's profit before tax
		RMB'000	*RMB'000*
Year ended 31 December 2020			
RMB	100	(11,741)	(11,678)
RMB	(100)	11,741	11,678
Year ended 31 December 2021			
RMB	100	(13,298)	(12,096)
RMB	(100)	13,298	12,096
Year ended 31 December 2022			
RMB	100	(13,672)	(12,424)
RMB	(100)	13,672	12,424

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2020			
Group			
Trade receivables*	–	242,311	242,311
Bills receivable	18,578	–	18,578
Financial assets included in prepayments, deposits and other receivables			
– Normal**	91,812	–	91,812
Restricted deposits			
– Not yet past due	31,462	–	31,462
Cash and cash equivalents			
– Not yet past due	83,611	–	83,611
	225,463	242,311	467,774
Company			
Trade receivables*	–	278,534	278,534
Bills receivable	18,270	–	18,270
Financial assets included in prepayments, deposits and other receivables			
– Normal**	90,977	–	90,977
Restricted deposits			
– Not yet past due	31,462	–	31,462
Cash and cash equivalents			
– Not yet past due	81,183	–	81,183
	221,892	278,534	500,426

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2021			
Group			
Trade receivables*	–	258,830	258,830
Bills receivable	26,695	–	26,695
Financial assets included in prepayments, deposits and other receivables			
– Normal**	95,689	–	95,689
Restricted deposits			
– Not yet past due	44,762	–	44,762
Cash and cash equivalents			
– Not yet past due	188,162	–	188,162
	355,308	258,830	614,138

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*
Company			
Trade receivables*	–	247,207	247,207
Bills receivable	24,146	–	24,146
Financial assets included in prepayments, deposits and other receivables			
– Normal**	95,304	–	95,304
Restricted deposits			
– Not yet past due	44,762	–	44,762
Cash and cash equivalents			
– Not yet past due	129,167	–	129,167
	293,379	247,207	540,586

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2022			
Group			
Trade receivables*	–	287,434	287,434
Bills receivable	25,645	–	25,645
Financial assets included in prepayments, deposits and other receivables			
– Normal**	106,370	–	106,370
Restricted deposits			
– Not yet past due	30,850	–	30,850
Cash and cash equivalents			
– Not yet past due	120,638	–	120,638
	283,503	287,434	570,937
Company			
Trade receivables*	–	263,120	263,120
Bills receivable	20,965	–	20,965
Financial assets included in prepayments, deposits and other receivables			
– Normal**	105,732	–	105,732
Restricted deposits			
– Not yet past due	30,850	–	30,850
Cash and cash equivalents			
– Not yet past due	106,541	–	106,541
	264,088	263,120	527,208

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 December 2020

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group							
Trade and bills payables	14,312	178,889	–	–	–	–	193,201
Financial liabilities included in other payables and accruals	–	66,903	14,566	8,360	4,260	–	94,089
Lease liabilities	–	425,540	294,311	178,302	48,063	–	946,216
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	190,885	93,785	61,769	72,048	39,955	458,442
	14,312	862,217	402,662	248,431	124,371	39,955	1,691,948
Company							
Trade and bills payables	36,193	171,571	–	–	–	–	207,764
Financial liabilities included in other payables and accruals	–	60,601	14,566	8,360	4,260	–	87,787
Lease liabilities	–	425,540	294,311	178,302	48,063	–	946,216
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	190,502	92,466	59,984	68,191	39,955	451,098
	36,193	848,214	401,343	246,646	120,514	39,955	1,692,865

31 December 2021

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group							
Trade and bills payables	13,211	222,240	–	–	–	–	235,451
Financial liabilities included in other payables and accruals	–	73,445	6,749	5,587	13,536	–	99,317
Lease liabilities	–	411,351	296,114	181,898	86,741	–	976,104
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	184,424	135,437	92,806	128,347	89,656	630,670
	13,211	891,460	438,300	280,291	228,624	89,656	1,941,542
Company							
Trade and bills payables	37,148	213,968	–	–	–	–	251,116
Financial liabilities included in other payables and accruals	–	63,553	6,749	5,587	13,536	–	89,425
Lease liabilities	–	411,351	295,910	181,898	86,741	–	975,900
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	159,469	100,482	57,837	84,016	89,656	491,460
	37,148	848,341	403,141	245,322	184,293	89,656	1,807,901

31 December 2022

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group							
Trade and bills payables	23,080	239,480	–	–	–	–	262,560
Financial liabilities included in other payables and accruals	–	73,888	5,963	3,650	10,164	–	93,665
Lease liabilities	–	440,766	297,507	165,206	61,395	434	965,308
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	204,968	166,989	122,507	107,950	53,904	656,318
	23,080	959,102	470,459	291,363	179,509	54,338	1,977,851
Company							
Trade and bills payables	35,434	215,026	–	–	–	–	250,460
Financial liabilities included in other payables and accruals	–	62,358	5,963	3,650	10,164	–	82,135
Lease liabilities	–	440,267	297,239	165,206	61,395	434	964,541
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	169,254	129,143	74,499	93,620	53,904	520,420
	35,434	886,905	432,345	243,355	165,179	54,338	1,817,556

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. In the opinion of the Directors, the Group had operation profits and unutilised facilities of RMB868.7 million as at 31 December 2022. Capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of Group.

36. EVENTS AFTER THE RELEVANT PERIODS

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Relevant Periods.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2022.