Application Proof of

Folangsi Co., Ltd.
廣州佛朗斯股份有限公司

(the "Company")

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

WARNING

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IMPORTANT

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Folangsi Co., Ltd.
廣州佛朗斯股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB[0.25] per H Share**
[REDACTED]	**:**	**[●]**

***Sole Sponsor,* [REDACTED], [REDACTED] *and* [REDACTED]**

海通國際 HAITONG

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The [**REDACTED**] is expected to be determined by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and our Company on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**] (Hong Kong time) and, in any event, not later than [**REDACTED**] (Hong Kong time). The [**REDACTED**] will not be more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**] unless otherwise announced. If, for any reason, the [**REDACTED**] is not agreed by [**REDACTED**] (Hong Kong time) between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and our Company, the [**REDACTED**] will not proceed and will lapse.

The [**REDACTED**], for itself and on behalf of the [**REDACTED**], may, where considered appropriate and with the consent of our Company, reduce the number of [**REDACTED**] and/or the indicative [**REDACTED**] range below that is stated in this document (being HK$[**REDACTED**] per [**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) at any time prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such case, notices of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published on the website of our Company at **www.fls123.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [**REDACTED**]. For further details, please see the sections headed "Structure of the [**REDACTED**]" and "How to Apply for [**REDACTED**]" in this document.

We are incorporated, and a substantial majority of our businesses operation are located, in the PRC. Potential [**REDACTED**] should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the fact that there are different risk factors relating to [**REDACTED**] in PRC-incorporated companies. Potential [**REDACTED**] should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Regulatory Overview" and "Appendix V – Summary of Articles of Association" in this document.

The obligations of the [**REDACTED**] under the [**REDACTED**] are subject to termination by the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) if certain events occur prior to 8:00 a.m. on the [**REDACTED**]. Please see the section headed "[**REDACTED**]" in this document.

The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The [**REDACTED**] may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[**REDACTED**]

CONTENTS

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Page

CONTENTS

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

There are risks associated with any [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set forth in "Risk Factors" of this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OUR MISSION

Facilitating intelligent logistics and promoting efficiency optimization.

OUR VISION

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

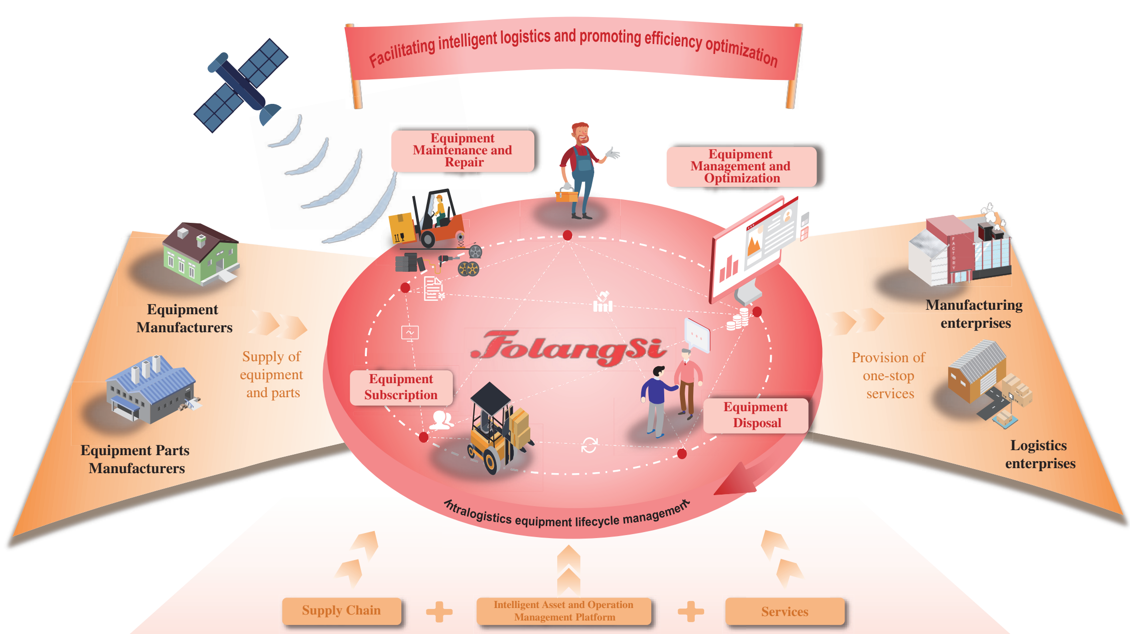
OVERVIEW

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

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

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

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



OUR BUSINESS MODEL

Leveraging our strong technology capability, and inception on unserved and underserved market needs in relation to equipment procurement, maintenance, and management, we invested in developing and improving our intralogistics equipment lifecycle management solutions, covering equipment subscription, repair and maintenance, and disposal. During the Track Record Period, we primarily generated revenue from business segments as follows:

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

- **Maintenance and Repair Services**: Customers' demand for maintenance and repair services can vary significantly due to distinctive nature of their business operations and specific warehouse layouts, including fleet size, frequency of use, weight loading and operating routes of intralogistics equipment caused by relevant factors. Capitalizing on our experienced technical team, as well as extensive service network, we offer customers wide array of choices under our maintenance and repair services business segment, where they may enjoy customized plan that can fit into their particular need, including one-off repair services and maintenance and repair service plans.

- **Sales of Intralogistics Equipment and Parts**: Complementing the aforementioned two business segments, our sales of intralogistics equipment and parts business segment allows us to effectively serve customers' diverse needs, while also managing to access first-hand knowledge on evolving market demands for the different equipment and components. This has resulted in enhanced relationships with reputable suppliers, expanded customer subscription channels, and the promotion of cross-selling opportunities for our intralogistics equipment subscription services and repair and maintenance services.

For details, see "Business – Our Business" in this document.

OUR INTELLIGENT ASSET AND OPERATION MANAGEMENT PLATFORM

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

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

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

OUR STRENGTHS

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

- pioneer and leading provider of intralogistics equipment lifecycle management solutions in China

- continuous improvement of intralogistics equipment operational efficiency benefited from highly synergistic service portfolio

- intelligent asset and operation management platform with IoT integration for efficient management

- comprehensive supply chain management that effectively connects upstream and downstream enterprises along the industry value chain

- comprehensive "online + offline" service network for diverse industries and large customer coverage

- visionary management team with profound industry experience

OUR STRATEGIES

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

- to keep improving customer coverage and expanding the categories of intralogistics equipment

- to continue improving intralogistics equipment supply chain management capability

- to continually enhance our technological capabilities

- to explore strategic collaboration with various industry participants

OPERATIONAL PERFORMANCE

- During the Track Record Period, we achieved significant growth, with the number of intralogistics equipment managed by us increased from 31,213 units as of December 31, 2020 to 36,257 units as of December 31, 2021, and further increased to 39,145 units as of December 31, 2022, representing a CAGR of 12.0% from 2020 to 2022.

- Our customer base has also grown steadily, with an increase from 7,477 for the year ended December 31, 2020 to 7,929 for the year ended December 31, 2021, and further to 8,170 for the year ended December 31, 2022. In particular, a significant portion of our customer base comprises of manufacturing and logistics enterprises, and we have observed substantial growth in the number of companies from these industries.

- During the Track Record Period, we have experienced a steady growth in the number of KA customers under our intralogistics equipment subscription service business segment. For the years ended December 31, 2020, 2021, and 2022, we had 87, 122, and 123 KA customers, respectively. Additionally, we have maintained a KA customer retention rate of 87%, 99% and 98% for the years ended December 31, 2020, 2021 and 2022, respectively, and net dollar retention rate of KA customers at 98%, 99% and 97% for the years ended December 31, 2020, 2021 and 2022, respectively.

For details, see "Business – Our Equipment Fleet", "Business – Our Customers and Suppliers – Our Customers" and "Business – Our Business – Intralogistics Equipment Subscription Services" in this document.

OUR EQUIPMENT FLEET

As of December 31, 2022, we managed a fleet of 39,145 units of intralogistics equipment, which were mostly forklifts. A forklift is an industrial equipment with a metal fork platform attached to its front that can be used to lift heavy loads by inserting the fork platform under cargo, pallets, or machines for moving them or placing them in warehouses, production sites, distribution centers and other scenarios. During the Track Record Period, we mainly procured intralogistics equipment manufactured by internationally and nationally renowned intralogistics equipment manufacturers. The major types of intralogistics equipment in our equipment fleet include counterbalanced forklifts, reach trucks, and walkie stackers. For more information, please see "Business – Our Equipment Fleet" in this document.

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

In October 2021, the State Council of China set the target to optimize energy consumption structure, boost low-carbon transformation in use of energy, and increase the consumption ratio of non-fossil energy to 25% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》), which is the national climate policy, aiming at achieving "peak CO_2 emissions" by 2030 and "carbon neutrality" by 2060. Over years, we have been committed to promoting the green economies. As part of our commitment to environmental responsibility and sustainable intralogistics equipment solutions, we have significantly increased the proportion of electric forklifts in our equipment fleet during the Track Record Period, which increased from approximately 88.6% in 2020 to approximately 90.0% in 2021 and further increased to approximately 91.1% in 2022.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Hou was entitled to exercise voting rights attached to the 13,230,171 Shares directly held by him representing approximately [15.76%] of the total issued share capital of our Company. Mr. Hou Zebing (侯澤兵), brother of Mr. Hou, was entitled to exercise voting rights attached to the Shares representing approximately [24.39%] of the total issued share capital of our Company through (i) 12,702,820 Shares directly held by him, representing approximately [15.13%] of the total issued share capital of our Company, and (ii) 7,775,054 Shares held by Guangzhou Daze of which he is a general partner, representing approximately [9.26%] of the total issued share capital of our Company. Upon completion of the Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Hou will be entitled to exercise voting rights attached to the [**REDACTED**] Shares directly held by him representing approximately [**REDACTED**]% of the total issued share capital of our Company and Mr. Hou Zebing was entitled to exercise voting rights attached to the Shares representing approximately [**REDACTED**]% of the total issued share capital of our Company through (i) [**REDACTED**] Shares directly held by him, representing approximately [**REDACTED**]% of the total issued share capital of our Company, and (ii) [**REDACTED**] Shares held by Guangzhou Daze of which he is a general partner, representing approximately [**REDACTED**]% of the total issued share capital of our Company.

Mr. Hou and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou and Mr. Hou Zebing should defer to Mr. Hou's view and decision should there be different views between them on any matter considered at board meetings and general meetings of our Company.

Therefore, Mr. Hou, Mr. Hou Zebing and Guangzhou Daze collectively are able to exercise approximately 30.11% voting rights in our Company and will be considered as the Controlling Shareholders of our Company upon [**REDACTED**].

PRE-[REDACTED] INVESTMENTS

Throughout the development of our Group, we have entered into several rounds of financing agreements with our Pre-[**REDACTED**] Investors. For further details of the identity and background of the Pre-[**REDACTED**] Investors, see "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" in this document.

SUMMARY HISTORICAL FINANCIAL INFORMATION

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following tables set forth summary financial data from our consolidated statements of profit or loss and other comprehensive income for the periods indicated, derived from the Accountants' Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with HKFRS.

	Year ended December 31,					
	2020		**2021**		**2022**	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	980,643	100.0	1,172,182	100.0	1,194,209	100.0
Cost of sales	(650,463)	(66.3)	(798,015)	(68.1)	(832,545)	(69.7)
Gross profit	330,180	33.7	374,167	31.9	361,664	30.3
Other income and gains	4,853	0.5	4,022	0.3	6,276	0.5
Selling and distribution expenses	(72,270)	(7.4)	(84,018)	(7.2)	(86,072)	(7.2)
Administrative expenses	(120,746)	(12.3)	(143,199)	(12.2)	(156,858)	(13.1)
Impairment loss on financial assets	(6,808)	(0.7)	(4,498)	(0.4)	(4,178)	(0.3)

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Other expenses	(197)	–*	(262)	–*	(2,750)	(0.2)
Finance costs	(73,604)	(7.5)	(81,838)	(7.0)	(83,609)	(7.0)
Share of profits/(losses) of associates	(228)	–*	(4,929)	(0.4)	948	0.1
Profit before tax	61,180	6.2	59,445	5.1	35,421	3.0
Income tax expenses	(6,970)	(0.7)	(4,267)	(0.4)	(20)	–*
Profit and total comprehensive income for the year	54,210	5.5	55,178	4.7	35,401	3.0
Attributable to:						
Owners of the Company	54,210	5.5	55,178	4.7	35,401	3.0

Note:

* Less than 0.1%.

Selected Items of Our Consolidated Statements of Financial Position

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

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	1,674,443	1,889,224	2,026,436
Total current assets	500,649	669,909	636,054
Total current liabilities	(801,919)	(818,594)	(903,435)
Net current liabilities	(301,270)	(148,685)	(267,381)
Total non-current liabilities	(689,612)	(876,479)	(859,594)
Net assets	683,561	864,060	899,461
Share capital	80,484	83,972	83,972
Reserves	603,077	780,088	815,489
Total equity	683,561	864,060	899,461

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

Summary Consolidated Statements of Cash Flows

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows generated from operating activities	451,583	527,631	522,192
Net cash flows used in investing activities	(157,637)	(285,358)	(226,168)
Net cash flows used in financing activities	(328,375)	(137,722)	(363,548)
Cash and cash equivalents at end of the year	83,611	188,162	120,638

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

OUR MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the Track Record Period, almost all of our customers were corporate entities, which comprised of manufacturers, logistics companies, and trading companies. For the years ended December 31, 2020, 2021 and 2022, revenue generated from our five largest customers amounted to RMB166.3 million, RMB184.7 million and RMB166.2 million, respectively, representing 17.0%, 15.8% and 13.9% of our total revenue, respectively. For the years ended December 31, 2020, 2021 and 2022, revenue generated from our largest customer amounted to RMB60.2 million, RMB75.8 million and RMB69.2 million, respectively, representing 6.1%, 6.5% and 5.8% of our total revenue, respectively. For more information, please see "Business – Our Customers and Suppliers – Our Customers" in this document.

During the Track Record Period, we primarily procured intralogistic equipment and parts. Our suppliers primarily consisted of intralogistics equipment and parts manufacturers. For the years ended December 31, 2020, 2021 and 2022, procurement from our five largest suppliers amounted to RMB395.0 million, RMB420.0 million and RMB379.5 million respectively, representing 50.7%, 49.0% and 46.7% of our total purchases, respectively; and procurement from our largest supplier amounted to RMB161.4 million, RMB151.5 million and RMB179.8 million respectively, representing 20.7%, 17.7% and 22.1% of our total purchases, respectively. For more information, please see "Business – Our Customers and Suppliers – Our Suppliers" in this document.

Due to the nature of our business, certain of our five largest suppliers was also our customer, which is an industry norm in the intralogistics equipment lifecycle management solution industry, as advised by CIC. Our Directors confirmed that the transactions with the overlapping customer and supplier were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. For details, please see "Business – Our Customers and Suppliers" in this document.

COMPETITIVE LANDSCAPE

We are the largest intralogistics equipment lifecycle management solution provider in China, with total revenue from intralogistics equipment lifecycle management solutions of RMB0.9 billion in 2022, accounting for 7.7% of the total market. The intralogistics equipment lifecycle management solution market in China has experienced significant growth, increasing from RMB6.9 billion in 2018 to RMB11.4 billion in 2022, representing a CAGR of 13.6% from 2018 to 2022. Driven by the increasing demand and adoption of technology-enabled solutions for optimizing operations and increasing efficiency, accordingly to CIC, the market size of intralogistics equipment lifecycle management solutions in China is expected to reach RMB34.4 billion by 2027, representing a CAGR of 24.6% from 2022 to 2027.

For details, please see "Industry Overview – Intralogistics Equipment Lifecycle Management Solution Market in China – Competitive Landscape of the Intralogistics Equipment Lifecycle Management Solution Market in China" in this document.

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

Based on the facts and circumstances and the assessment made by our International Sanctions Legal Adviser, our International Sanctions Legal Adviser has advised us that there is a reasonable likelihood that OFAC may close this matter by issuing a cautionary letter to our Company without imposing any monetary penalty. Alternatively, we may be required to pay an administrative penalty for such Iran USD Sales and Syria USD Sales. If OFAC was to impose a monetary penalty, the base monetary penalty for the violation would be approximately USD735,000, taking into consideration that a VSD has been filed to OFAC and that the matter is likely not "egregious" in nature. Such penalty amount is likely to be reduced by OFAC from the likely base penalty amount of approximately USD735,000 to a lower amount during a negotiated settlement process by taking into account of mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC. Our International Sanctions Legal Adviser has advised us that the submission of a VSD has materially reduced the legal and reputational risks to the Company arising from the Iran USD Sales and Syria USD Sales.

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

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

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

For further information, please see "Business – Business Activities with Customers in Relation to Countries Subject to International Sanctions" in this document.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [**REDACTED**] our Shares. Some of the major risks that we face include: (i) our business, growth and prospects are significantly affected by the demand of our services in China; (ii) any economic slowdown or decrease in general economic activities may adversely affect our business, results of operations, financial condition, and prospects; (iii) significant fluctuations in the price for our intralogistics equipment subscription services may adversely affect our business, results of operations, financial condition, and prospects; (iv) our historical results may not be indicative of our future prospects and results of operations; (v) the approval of, or filing with, CSRC or other regulatory authorities may be required in connection with the [**REDACTED**] and future [**REDACTED**] activities, and we cannot predict whether we will be able to obtain all necessary approval or complete such filing; and (vi) adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

RECENT DEVELOPMENTS

Equipment Management

As of the Latest Practicable Date, we managed over 41,800 units of intralogistics equipment.

No Material Adverse Change

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

DIVIDENDS

No dividend has been paid or declared by us during the Track Record Period. After completion of the [**REDACTED**], our shareholders will be entitled to receive dividends declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends. For details, see "Financial Information – Dividends" in this document.

[**REDACTED**]

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK$[REDACTED]	Based on the [REDACTED] of HK$[REDACTED]
[**REDACTED**] of our Shares *(approximation)*[2]	HK$[REDACTED]	HK$[REDACTED]
[**REDACTED**] adjusted net tangible assets per Share[3]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] are not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in [**REDACTED**] immediately after completion of the Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(3) The [**REDACTED**] adjusted net tangible assets per Share is calculated after making the adjustments referred to in "Financial Information – [**REDACTED**] Statement of Adjusted Consolidated Net Tangible Assets" in this document.

[REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] being not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes: (i) [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be used to enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment; (ii) [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be used to expand and upgrade our supply chain infrastructure. This includes both improving our existing supply chain facilities and constructing new supply chain bases according to our strategies; (iii) [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be used to strengthen our technology capabilities and infrastructure; (iv) [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be used to conduct strategic mergers and acquisitions that align with our regional coverage, industry focus, and business priorities; and (v) [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be used for our general working capital and general corporate purposes.

[**REDACTED**]

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

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Anhui Folangsi"	Anhui Folangsi Machinery Co., Ltd. (安徽佛朗斯機械有限公司), a limited liability company incorporated in the PRC on August 17, 2018 and one of our subsidiaries
"Articles" or "Articles of Association"	the articles of association to be adopted by our Company with effect upon [**REDACTED**] (as amended from time to time), a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate

[**REDACTED**]

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this document, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Folangsi Co., Ltd. (廣州佛朗斯股份有限公司) (formerly known as Guangzhou Folangsi Machinery Co., Ltd. (廣州佛朗斯機械有限公司)), a limited liability company incorporated in the PRC on December 5, 2007 which was converted into a joint stock company with limited liability on November 25, 2016
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou, Mr. Hou Zebing (侯澤兵) and Guangzhou Daze for further details of which, please see the section headed "Relationship with Our Controlling Shareholders" in this document
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB[0.25] each after Subdivision, which are not [**REDACTED**] on any [**REDACTED**]
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》)
"Employee Incentive Platform"	Guangzhou Daze
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Ferretto Intelligent"	Ferretto Intelligent Equipment (Shanghai) Co., Ltd. (弗蘭度智能設備(上海)有限公司) (formerly known as Shanghai Audiofly Warehousing Equipment Co., Ltd. (上海音訊飛倉儲設備有限公司)), a limited liability company incorporated in the PRC on January 15, 2013 and is directly held as to 28.5% by our Company

"Foshan Folangsi"	Foshan Folangsi Forklift Co., Ltd. (佛山市佛朗斯叉車有限公司), a limited liability company incorporated in the PRC on August 3, 2006 and one of our subsidiaries

[**REDACTED**]

"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require
"Guangzhou Daze"	Guangzhou Daze Investment Partnership (Limited Partnership) (廣州達澤投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 16, 2011 and one of our Controlling Shareholders upon [**REDACTED**]
"Guangzhou Pengze"	Guangzhou Pengze Machinery Equipment Co., Ltd. (廣州鵬澤機械設備有限公司), a limited liability company incorporated in the PRC on March 19, 2010 and one of our subsidiaries
"Guangzhou Xinze"	Guangzhou Xinze Forklift Leasing Co., Ltd. (廣州新澤叉車租賃有限公司), a limited liability company incorporated in the PRC on June 7, 2010 and one of our subsidiaries
"H Share(s)"	overseas [**REDACTED**] foreign ordinary share(s) in the share capital of our Company with a nominal value of RMB[0.25] each, which are to be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars and to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"Hefei Langyun"	Hefei Langyun Intelligent Equipment Co., Ltd. (合肥朗雲物聯科技有限公司), a limited liability company incorporated in the PRC on February 19, 2019 and one of our subsidiaries

"Hefei Xunyun"	Hefei Xunyun Intelligent Equipment Co., Ltd. (合肥訊雲智能裝備有限公司), a limited liability company incorporated in the PRC on August 1, 2019 and is wholly owned by Forretto Intelligent, which in turn is held as to 28.5% by our Company
"HKFRS"	Hong Kong Financial Reporting Standard

[**REDACTED**]

"HKSCC"	the Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

[**REDACTED**]

"IFRS"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

"International Sanctions"	any measures enacted by jurisdictions as trade or economic sanctions against foreign countries, governments, entities or persons by restricting the enacting jurisdictions' nationals from making assets or services available, directly or indirectly, to them, dealing with their assets or otherwise conducting commercial transactions with them

DEFINITIONS

"International Sanctions Legal Adviser" or "DLA Piper"	DLA Piper Singapore Pte. Ltd., our legal adviser as to International Sanctions laws in connection with the [**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	May 22, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

[**REDACTED**]

"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Hou"	Hou Zekuan (侯澤寬), our executive Director and one of our Controlling Shareholders upon [**REDACTED**]
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)

DEFINITIONS

"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng and Zhong Lun Law Firm

[**REDACTED**]

"Pre-[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investors pursuant to the respective equity transfer agreement(s) and/or capital increase agreement(s), details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Pre-[**REDACTED**] Investor(s)"	the investor(s) from whom our Company obtained several rounds of investments, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Primary Sanctioned Activity"	any activity in a Sanctioned Country or (1) with; or (2) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a [**REDACTED**] applicant, such as the Company, incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Jurisdiction"	any jurisdiction that is relevant to a [**REDACTED**] applicant, such as the Company, and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise [**REDACTED**] in assets of certain countries, governments, persons, or entities targeted by such law or regulation
"Relevant Persons"	the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], [**REDACTED**], [**REDACTED**] and [**REDACTED**] of its shares, including the Exchange and related group companies
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國市場監督管理總局), formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sanctioned Activity"	Primary Sanctioned Activity and Secondary Sanctionable Activity
"Sanctioned Country"	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction
"Sanctioned Target"	any person or entity: (1) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (2) that is, or is owned or controlled by, a government of a Sanctioned Country; or (3) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (1) or (2)

"Secondary Sanctionable Activity"	certain activity by a [**REDACTED**] applicant that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the [**REDACTED**] applicant is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB[0.25] each after Subdivision, including both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenyang Tianshun"	Shenyang Tianshun Toyota Forklift Sales Co., Ltd. (瀋陽天順豐田叉車銷售有限公司), a limited liability company incorporated in the PRC on November 26, 2010 and one of our subsidiaries

[**REDACTED**]

"Sole Sponsor"	Haitong International Capital Limited

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Subdivision"	the subdivision of each authorized [**REDACTED**] and [**REDACTED**] Share of a par value of RMB1.00 each in the Company into four Shares of a par value of RMB0.25 each pursuant to the resolutions passed by our Shareholders on April 21, 2023, the details of which are set out in "History, Development and Corporate Structure – Subdivision of Our Shares"
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buybacks published by the SFC (as amended, supplemented or otherwise modified from time to time)
"Track Record Period"	the financial years ended December 31, 2020, 2021 and 2022

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States

"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
"Zhongshan TCM"	Zhongshan TCM Forklift Sales Co., Ltd. (中山梯西埃姆叉車銷售有限公司), a limited liability company incorporated in the PRC on March 19, 2003 and one of our subsidiaries
"Zhuhai TCM"	Zhuhai TCM Forklift Co., Ltd. (珠海梯西埃姆叉車有限公司), a limited liability company incorporated in the PRC on October 12, 2004 and one of our subsidiaries
"%"	percent

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"AI"	artificial intelligence
"average equipment service capacity per employee"	the number of units that one employee can supervise at the same time
"Controller Area Network" or "CAN bus"	a vehicle bus standard designed to allow microcontrollers and devices to communicate with each other's applications without a host computer
"counterbalanced forklifts"	Counterbalanced forklifts are one of the most common forms of forklifts and come in three and four wheel models. The forks of a counterbalance forklift stick out from the front of the equipment with legs or arms for stabilization. The name of a counterbalance forklift comes from the counterweight at the rear of the equipment behind the motor. It is positioned such that it compensates for heavy loads.
"e-commerce"	electronic commerce, a transaction of online buying or selling which draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange, inventory management systems, and automated data collection systems
"Electronic Control Units" or "ECUs"	an embedded system in automotive electronics that controls one or more of the electrical systems or subsystems in a car or other motor vehicle
"ESG"	environmental, social and governance
"forklift"	an industrial equipment with a metal fork platform attached to its front that can be used to lift heavy loads by inserting the fork platform under cargo, pallets, or machines for moving them or placing them in warehouses, production sites, distribution centers and other scenarios

GLOSSARY OF TECHNICAL TERMS

"GFA"	gross floor area
"ICE-powered forklift"	forklifts fueled by diesel, gasoline or liquefied petroleum gas
"intralogistics equipment"	Intralogistics equipment is an industrial machinery used to replace intensive labor in mechanical work, such as carrying, moving, sorting, and stacking of cargo and heavy loads, in manufacturing plants, logistics parks, warehouses, airports, ports, and other similar worksites
"IoT"	internet of things, the network of physical objects that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet
"IT"	information technology
"KA customer(s)"	customer who (i) subscribed 50 units or more in that particular year, or (ii) subscribed 50 units or more in the preceding year and continued to subscribed intralogistics equipment (one unit or more) from us in that particular year under our intralogistics equipment subscription service business segment
"KA customer retention rate"	the number of KA customers carving out new KA customers in that given year divided by the number of KA customers as of January 1 of that given year, multiplied by 100%

"Net dollar retention rate"	net dollar retention rate, a metric used to measure a company's capability to generate revenue from intralogistics equipment subscription returning customers by comparing the amount of revenue that a company brings in a given period from the previous period's intralogistics equipment subscription customers. We calculate net dollar retention rate in a given 12-month period by starting with the revenue from all intralogistics equipment subscription customers in the prior 12-months period. We then calculate the revenue from these same intralogistics equipment subscription customers in the given 12-month period, which includes the revenue from new intralogistics equipment subscription customers in the prior 12-month period who may contribute to our revenue for only several months in the prior 12-month period. We then divide the given 12-month period revenue by the prior 12-month period revenue contributed by the intralogistics equipment subscription customers to arrive at our net dollar retention rate
"Pearl River Delta"	the southern-central part of Guangdong Province with dynamic activities in manufacturing, trade and tertiary services
"reach truck"	Reach trucks are a form of narrow aisle forklifts used in warehouses and have two outer legs to distribute the load with a set of wheels in the back located below the operator. They have a long horizontal platform behind the mast that allows the forklift to pick up bulky and heavy items in high places.
"sensor"	a device that detects and responds to some type of input from the physical environment. The input can be light, heat, motion, moisture, pressure or any number of other environmental phenomena
"Series F IoT Smart Device"	a self-developed device utilizing CAN bus, or Controller Area Network, which serves as nerve system in the intralogistics equipment that allows communication among various Electronic Control Units (ECUs) and other parts, as well as central measurement of the equipment dynamics, such as working time, speed, brake condition, oil pressure, etc.

"sq.m."	square meter(s)
"walkie stacker"	Walkie stackers are a form of walk behind pallet trucks with a mast for lifting pallets to heights. Walkie Stackers can be either powered or manual. They are most commonly used for transporting & lifting pallets where a forklift is not necessary; such as in store rooms, small warehouses and specialized warehousing sections.
"Yangtze River Delta Region"	the metropolis of Shanghai and the provinces of Zhejiang, Jiangsu and Anhui

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to our plans, objectives, beliefs, expectations, predictions and intentions, which are not historical facts and may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks, uncertainties and other factors facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our future business development, financial condition and results of operations;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- the actions and developments of our competitors; and
- all other risk and uncertainties described in the section headed "Risk Factors" in this document.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the "Business" and "Financial Information" sections of this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

The forward-looking statements are based on our current plans and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking statements in this document. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

An [**REDACTED**] *in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled "Forward-Looking Statements" of this document.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the [**REDACTED**]. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business, growth and prospects are significantly affected by the demand of our services in China.

According to CIC, intralogistics equipment lifecycle management solution industry in China is still at an early stage in its development. Despite the growing demand for intralogistics equipment lifecycle management solutions in China, the penetration rate of intralogistics equipment lifecycle management solutions in China remained low compared with developed countries and regions, such as the United States. The estimated penetration rate of intralogistics equipment lifecycle management solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment lifecycle management solutions in China was approximately 3.7% in the same year, indicating huge growth potential for the intralogistics equipment lifecycle management solution market in China. The acceptance of our services by potential customers largely depends on their awareness and the widespread use of intralogistics equipment lifecycle management solutions. We cannot assure you that the trend of adopting our services by enterprises will continue to grow in the future. In addition, the future growth of our business depends on several factors, including general economic conditions in China and our ability to maintain our abundant supply chain resources, improve our innovative digital capacities, and expand our extensive service network. As a result, we cannot predict with certainty the demand for our services or the future growth rate and size of the market we operate in. Our business, growth and prospects will be materially and adversely affected, if there is a reduction in demand for such services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing solutions or services or otherwise.

Any economic slowdown or decrease in general economic activities may adversely affect our business, results of operations, financial condition, and prospects.

Our services are primarily utilized by customers in manufacturing, logistics, and trading industries. As a result, the demand of our services is strongly connected to these industries, which experience cyclical fluctuations and can be affected by macroeconomic conditions to varying degrees. The nature, timing and extent of changes in industry-wide conditions are unpredictable. Any economic slowdown or decrease in general economic activities may result in a decline in logistics, manufacturing and trading activities, which may in turn result in a downturn in activities in our industry. In the event of an industry downturn, unfavorable economic and market conditions may lead to a decline in the demand for our services, and an increase in the possibility of our customers' default, which may, in turn, materially and adversely affect our business, financial condition, and results of operations.

The following factors during an economic downturn, among others, may result in weakness in our end markets, either temporarily or in the long term, which could in turn materially and adversely affect our results of operations:

- a decrease in the demand of our customers for our services;
- an increase in the repair and maintenance costs of our equipment;
- suspension of some of our ongoing contracts;
- an increase in default risks of our customers or counterparties;
- a decline in manufacturing, logistics, and trading industries;
- excess fleet in intralogistics equipment production;
- a lack of availability of credit facilities to us from financial institutions;
- volatility in interest rates of our credit facilities;
- inability to effectively execute our business plans and strategies; and
- public health crises and epidemics.

In addition, our business, financial condition and results of operations are subject to the evolving macroeconomic policies in China, including monetary and industry policies. If we fail to promptly respond to such policy changes, our business, results of operations, financial condition, and prospects may be adversely affected.

Significant fluctuations in the price for our intralogistics equipment subscription services may adversely affect our business, results of operations, financial condition, and prospects.

During the Track Record Period, we derived a large portion of revenue from our intralogistics equipment subscription services, which accounted for 65.2%, 63.0%, and 61.8% of our total revenue in 2020, 2021, and 2022, respectively, amounting to RMB639.7 million, RMB739.2 million, and RMB738.0 million. We offer a wide variety of intralogistics equipment brands and models to customers through our intralogistics equipment subscription services. We charge customers based on the duration they use the subscribed equipment as well as the utilization rate. As a result, the price for our intralogistics equipment subscription services is affected by, among others, overall purchase price, the fee rate we set for relevant equipment based on its status, and market demand of our equipment. Although the average monthly equipment subscription price (excluding VAT) remained relatively stable during the Track Record Period, which was RMB1,965 per unit in 2020, RMB2,126 per unit in 2021, RMB2,085 per unit in 2022, there is no assurance that our equipment subscription price will not experience significant fluctuations due to factors beyond our control, including, among others, general economic condition in China, competition and technology development, the occurrence of which may adversely affect our business, results of operations, financial condition, and prospects.

Our historical results may not be indicative of our future prospects and results of operations.

We recorded revenue of RMB980.6 million, RMB1,172.2 million and RMB1,194.2 million in 2020, 2021 and 2022, respectively. Although we experienced steady revenue growth during the Track Record Period, we cannot assure you that we can always achieve such growth in the future. For instance, due to the resurgence of COVID-19 in multiple provinces in 2022 that resulted in suspension or substantial reduction of our operations in relevant local markets, our profit and total comprehensive income decreased from RMB55.2 million in 2021 to RMB35.4 million in 2022. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands, or get affected by factors beyond our control, such as supply shortages due to economic conditions or increases in raw material prices, and industry competition for equipment or qualified personnel. In addition, we may continue to devote resources to expanding our equipment fleet and developing our technologies. Such initiatives may negatively impact our short-term profitability. If our efforts in these initiatives prove ineffective, and we fail to increase revenue, or if our costs and operating expenses grow faster than our revenue growth, our business, results of operations, and financial condition may be negatively affected.

The intralogistics equipment lifecycle management solution industry in the PRC is competitive and we may not be able to compete successfully against existing and new competitors.

According to the CIC, in 2022, the top five market players in China's intralogistics equipment lifecycle management solution market hold a combined market share of 18.2%. A large number of small-scale to medium-scale service providers exist in the market, each of which usually operates and manages less than 100 devices. See "Industry Overview" in this document. Competition may intensify as our competitors expand their equipment fleet or service offerings, or as new competitors enter our existing or new markets. We believe that we compete with our competitors based on a number of factors, primarily including service quality, brand recognition, business scale, price and financial resources. Our competitors may have longer track records, greater financial, technical, sales, marketing and other resources, stronger brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale and support of their services. In addition, we may face competition from emerging companies that enter our existing or new markets. These emerging companies may have stronger capital resources, greater expertise in management and human resources, greater financial, technical and public relations resources, and stronger relationships with local governments than we do. Competition pressures could adversely affect our revenues and operating results by, among other things, adversely affecting market demand for our services, depressing the prices that we can charge or increasing our costs to hire and retain employees.

We believe our success can be partially attributed to our comprehensive service model, service quality, flexible equipment offering and nationwide service network. We plan to expand our service network, increase our equipment volume, improve the quality of our equipment and services, and further enhance our capabilities in providing one-stop intralogistics equipment lifecycle management solutions. Our competitors may emulate our business model, and we may lose competitive advantages that distinguish ourselves from our competitors. As a result, we may fail to compete successfully against existing and new competitors, which may have a material adverse impact on our business, results of operations, and financial condition.

Maintaining or increasing the utilization rate of our intralogistics equipment is crucial for the success of our business.

During the Track Record Period, our intralogistics equipment had maintained a consistent level of utilization, with rates of 78.9%, 78.5% and 73.1% for 2020, 2021, and 2022, respectively. These rates equal the subscribed equipment volume in a period divided by the available equipment volume in the same period. For details, please see "Business – Our Equipment Fleet" in this document. Our ability to maintain or increase the utilization rate of our intralogistics equipment depends on the overall development trend in the intralogistics equipment lifecycle management solution industry, as well as general economic conditions that may further affect business operations of our customers. In addition, the maintenance, damage, and operating history of relevant equipment can impact customers' decision on whether to engage relevant equipment, resulting in changes of our overall utilization rate. Any fluctuations in market demand may also affect our ability to maintain or increase equipment utilization. Failure to maintain or increase our utilization rate could have an adverse effect on our operations and profitability.

We could be adversely affected as a result of any sales we made to customers in certain countries that are, or become subject to, sanctions administered by the U.S., the EU, the UN, Australia and other relevant sanctions authorities.

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

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

To the best knowledge of our Directors, in 2020, 2021 and 2022, our revenue generated from transactions related to Iran was approximately RMB3.8 million, RMB7.2 million, and RMB6.9 million, respectively, representing approximately 0.4%, 0.6% and 0.6% of our total revenue for the same periods, respectively. In addition, in 2020, 2021 and 2022, our revenue generated from transactions related to Syria was approximately RMB127,000, RMB122,000, and RMB108,000, respectively, representing approximately 0.01%, 0.01% and 0.01% of our total revenue for the same periods, respectively. Similarly, in 2020, 2021 and 2022, our total revenue generated from sales to customers in Belarus, Russia, and Venezuela was RMB10.0 million, RMB11.7 million, and RMB17.0 million, respectively, representing approximately 1.0%, 1.0%, and 1.4% of our total revenues for the same periods, respectively.

As advised by our International Sanctions Legal Advisors, we received payments dominated in USD for certain sales to Iran ("**Iran USD Sales**") including 62 distinct transactions to twelve distinct Iran customers with delivery dates between December 19, 2019 and November 19, 2022, in an aggregate amount of approximately USD1.5 million, and payments dominated in USD for certain sales to Syria ("**Syria USD Sales**") including three distinct transactions to one customer in Syria with delivery dates between January 8, 2022 and August 3, 2022 in an aggregate amount of approximately USD15,000. These payments appear to be potential violations of U.S. sanctions regulations that are applicable to transactions with Iran and Syria. In order to address our potential violation, we had made an initial notification of voluntary self-disclosure ("**VSD**") to OFAC on May 23, 2023 and plan to submit a full VSD report regarding these transactions to OFAC subsequently.

Based on the facts and circumstances and the assessment made by our International Sanctions Legal Adviser, our International Sanctions Legal Adviser has advised us that there is a reasonable likelihood that OFAC may close this matter by issuing a cautionary letter to our Company without imposing any monetary penalty. Alternatively, we may be required to pay an administrative penalty for such Iran USD Sales and Syria USD Sales. If OFAC were to impose a monetary penalty, the base monetary penalty for the violation would be approximately USD735,000, taking into consideration that a VSD is filed to OFAC and that the matter is likely not "egregious" in nature. Such penalty amount is likely to be reduced by OFAC from the likely base penalty amount of approximately USD735,000 to a lower amount during a negotiated settlement process by taking into account mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC. Our International Sanctions Legal Adviser has advised that submission of a VSD has materially reduced the legal and reputational risks to the Company arising from the Iran USD Sales and Syria USD Sales. We have ceased all sales involving the Iran and Syria since May 20, 2023. For further details and our potential risk exposure, please see "Business – Business Activities With Customers in Relation to Countries Subject to International Sanctions" in this Document.

We have undertaken to the Stock Exchange that we will not use the [**REDACTED**] from the [**REDACTED**], as well as any other [**REDACTED**] through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is specifically identified on the SDN List maintained by OFAC or other restricted parties lists maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia. Further, we have undertaken not to use the [**REDACTED**] from the [**REDACTED**] to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of international sanctions laws by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports (i) details of any new activities in Sanctioned Countries or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in Sanctioned Countries and with Sanctioned Persons. If we were in breach of such [**REDACTED**] to the Stock Exchange, we would be subject to the risk of possible [**REDACTED**] of our Shares on the Stock Exchange.

While we have implemented internal control measures to minimize our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the UN, the U.K., the United Kingdom overseas territories Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. For more details of our business operations in the Sanctioned Countries and our [**REDACTED**] to the Stock Exchange and its related group companies, please see "Business – Business Activities With Customers in Relation to Countries Subject to International Sanctions" in this document.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled payments with us through third-party payment arrangements (the "Third-party Payment Arrangements"). Since May 20, 2023, we have ceased to allow our customers to settle payments through Third-Party Payers and all new orders thereafter can only be settled by our customers' own accounts. For further information, see "Business – Third-Party Payment Arrangement." We are subject to various risks relating to such Third-party Payment Arrangements, including possible claims from third-party payers for the return of funds as we have not entered into contractual relations with such payers, and possible claims from liquidators of third-party payers. In the event of any claims from third-party payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our results of operations and financial condition may as a result be adversely affected.

Improper management or use of our equipment may lead to a shortening of its useful life and/or a decline in market value, which could impact our business.

In addition to general economic conditions and daily use of our equipment by our customers, the useful life and market value of our equipment can also be influenced by the following non-exclusive factors:

- the history and documented records of equipment maintenance and operation;
- whether the equipment has experienced serious incidents;
- the load capacity and lift power of the equipment; and
- the costs and availability of equipment parts.

We believe that we can effectively extend the useful life of an intralogistics equipment through our predictive maintenance leveraging our extensive industry know-how, strong maintenance and repair capabilities, and powerful Intelligent Asset and Operation Management Platform. However, we cannot guarantee that our current equipment will not be replaced or superseded by more advanced equipment or technique as a result of continuous developments in science and technology. If we are required to replace our current equipment with more advanced ones, we may experience significant depreciation of our current equipment and may not be able to sell it at commercially acceptable prices, or at all.

The decrease in the market value of our equipment may reduce the proceeds we receive in disposing of such equipment, or impact the utilization rates of the equipment. Our business, results of operations, and financial condition may in turn be materially and adversely affected.

We may not be able to maintain, expand or optimize our nationwide service network.

As of December 31, 2022, we have established a nationwide service network consisting of 161 service outlets, covering 87 cities in China. Our service outlets enable us to quickly dispatch technicians and deploy equipment to customers nearby to ensure timeliness of service. For sustainable development, we may need to continue exploring regions with growth potential. Our efforts to expand our operations geographically depend on a number of factors beyond our control, including the macroeconomic conditions and policies implemented by the central and the local governments, the level of competition in the equipment operation service industry, changes in customer demand, prices of equipment and materials, and transportation costs. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have stronger financial resources, more established presence, stronger relationships with local governments and better understanding of customer requirements and preferences. As such, we may not be able to expand or optimize our nationwide service network within the timeframe or at satisfactory costs, which could adversely affect our operating results.

Our performance is subject to seasonality.

Our business experiences seasonality due to the nature of our intralogistics equipment subscription services and maintenance and repair services, which are primarily provided to customers in the manufacturing and logistics industries. We typically have a lower volume of business around the Chinese New Year holiday in the first quarter of each year as most of our customers take Chinese New Year holiday and stop production and operation or substantially lower production and operation during such period. Correspondingly, we generally observe a surge in business during peak seasons, such as periods around 618 Shopping Festival, Double 11 Shopping Festival, and Double 12 Shopping Festival as logistics companies have higher demand of handling, transferring, sorting, and stacking huge amount of good during such periods. As such, any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our financial condition and results of operations for future periods may continue to fluctuate, from time to time, due to seasonality.

We may experience failures in or disruptions to our comprehensive technology platform.

We have continuously devoted resources in developing and optimizing our advanced and comprehensive technology platform, namely Intelligent Asset and Operation Management Platform. For details, please see "Business – Our Technology" in this document. If we are unable to detect or promptly remedy any system malfunction or misconfiguration, we may experience system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays or other technical problems that make platform unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce our customers' willingness to use our platform and even incur losses to our customers who may bring legal proceedings against us. Moreover, failures of, or disruptions to, our information technology systems, loss or leakage of confidential information, or breach of network security could cause processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, results of operations, financial condition, and our reputation.

The cost of acquiring intralogistics equipment and parts may increase, which may increase our cost of operation, and we may not be able to procure equipment due to supplier constraints.

We procure intralogistics equipment and parts from suppliers to facilitate the sustainable development of our business, in line with our business strategies and market demand for our services. During the Track Record Period, we have established sound cooperative relationships with multiple suppliers. However, we cannot guarantee that our suppliers will continue to provide us with intralogistics equipment and parts at acceptable prices, or always ensure timely delivery. The cost of intralogistics equipment and parts could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased costs of raw materials. If the cost of intralogistics equipment and parts increases, we may not be able to transfer some or all of the increase in procurement costs to our customers. As a result, cost increases could materially adversely affect our business, financial condition and results of operations.

Various factors, such as trade disputes and government regulations, can affect the production of intralogistics equipment and parts. This could result in long lead times for certain types of equipment or parts, and we cannot guarantee that we will be able to acquire sufficient numbers of certain types of equipment and parts according to our expected schedule. As a result, we may not be able to obtain sufficient supplies of necessary replacement equipment or new equipment and parts from our suppliers in a timely manner, which could have a material adverse impact on our business, results of operations, and financial condition.

We incurred bank loans and other borrowings to invest in the expansion of our equipment fleet during the Track Record Period. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future to purchase equipment could have a material adverse impact on our business, results of operations and financial condition.

We incurred bank loans and other borrowings to invest in the expansion of our equipment fleet during the Track Record Period. As of December 31, 2020 and 2021 and 2022, we had current and non-current interest-bearing bank loans and other borrowings of RMB1,174.1 million, RMB1,329.8 million, and RMB1,367.2 million, respectively. Our bank loans and other borrowings bore interest at rate equivalents ranging from approximate 4.0% to 9.9% per year. For more details, please see "Financial Information –Indebtedness" in this document. As our business scale continues to grow at a rapid pace, we may require additional cash resources to finance our continuous growth or other future development plans. The amount and timing of such additional financing needs will vary depending on the growth of our business and the amount of internally generated funds from our operations. Also, the promptness and adequacy of the funding from banks and other financial institutions are subject to many external factors beyond our control, including the financial institutions' prolonged internal procedures. If we cannot obtain sufficient and prompt borrowings from bank and other financial institutions at satisfactory interest rates to fund our business, we may be forced to delay or abandon our growth plans, and our liquidity would be negatively affected, adversely affecting our financial condition, results of operations and growth prospects.

We rely on a number of key suppliers to supply our intralogistic equipment and parts.

In 2020, 2021 and 2022, our five largest suppliers accounted for 50.7%, 49.0%, and 46.7% of our total purchases, respectively. In particular, our largest supplier accounted for 20.7%, 17.7%, and 22.1% of our total purchases in 2020, 2021, and 2022, respectively. We may rely on our key suppliers to provide us with intralogistic equipment and parts. Loss of supply from some of our key suppliers, or a significant adverse change in the relationship with them, could cause interruptions to our business. Our failure to obtain the necessary equipment or parts in a timely manner could substantially limit our ability to meet our contractual obligations to deliver our equipment or parts to our customers or to efficiently deploy our equipment fleet. Any failure to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, and results of operations.

Any loss of or failure to obtain or renew the certificates, licenses, approvals and permits may materially and adversely affect our business, results of operations, and financial condition.

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. We are required to obtain and maintain certain certificates, licenses, approvals and permits in order to provide our comprehensive service offerings to customers. These operating certificates, licenses, approvals and permits are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organizations. As advised by our PRC Legal Advisers, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in material respects. For further information, see "Regulatory Overview" and "Business – Certificates, Licenses and Permits" in this document. However, these certificates, licenses, approvals and permits may only be valid for a limited period of time and may be subject to periodic review and renewal by government authorities or relevant organizations. In addition, the standards of compliance required in relation thereto may change from time to time. As advised by our PRC Legal Advisers, there may be substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations that expose us to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our certificates, licenses, approvals and permits, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and intralogistics equipment lifecycle management solution industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations.

We are subject to changing laws and regulations regarding regulatory matters that may have increased or will increase both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a [**REDACTED**], Hong Kong Stock Exchange and the Securities and Futures Commission, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

We may be subjected to litigations, legal or contractual disputes, government investigations or administrative proceedings.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with, or claims from, our suppliers, customers, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. For more information about the legal proceedings, please see "Business – Legal Proceedings and Compliance" in this document. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors, except for certain lawsuits arising from the ordinary course of business which would not, individually or in the aggregate, cause a material adverse effect on our business, financial condition, and results of operations. However, if any verdict or award is rendered against us, or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business activities. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products, which further materially and adversely affect our business.

We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of operating data and related information.

In the ordinary course of our business, we generally collect and process operating data of subscribed intralogistics equipment (such as, location, speed, working time), and service process of our technicians. Laws and regulations governing cybersecurity, information security, privacy and data protection are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties. On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law provides for data security protection obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. The PRC Data Security Law provides that "data" refers to any recording of information by electronic or other means. Data processing includes the collection, storage, use, processing, transmission, provision and public disclosure of data, etc.

Furthermore, on December 28, 2021, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022 and repeals the previous version promulgated on April 13, 2020. According to the Cybersecurity Review Measures, critical information infrastructure operators purchasing network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, shall conduct a cybersecurity review. Online platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. There remain substantial uncertainties with respect to the interpretation and applicability of the Cybersecurity Review Measures, especially the criteria for the determination of the risks that "affect or may affect national security." In addition, on November 14, 2021, the Cyberspace Administration of China issued the Regulations on Network Data Security Management (Draft for Comment) (the "Draft Regulations") (《網絡數據安全管理條例(徵求意見稿)》), which reiterate that a data processing operator which processes personal information of more than one million individuals seeking to be listed in foreign countries should apply for the cybersecurity review which differentiate "listing in a foreign country" with "listing in Hong Kong"; moreover, such Draft Regulations also specifically require that if the listing in Hong Kong by a data processing operator affects or may affect the national security, the data processing operator shall apply for cybersecurity review in accordance with the relevant provisions of the state. Due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether or not a [**REDACTED**] by a company like us in Hong Kong affects or may affect national security, the PRC government authorities may have wide discretion in the interpretation and enforcement of these measures and regulations once enacted. The above Draft Regulations were released for public comment only and their operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

We pay close attention to risk management relating to our IT system, as storage and protection of operating data and related information is critical to us. For details, please see "Business – Data Privacy and Information Security Risk Management" in this document. However, if the enacted version of the Draft Regulations mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design our IT systems, how we operate our business, and how we process data. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

Our success largely depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections with potential business partners and industry expertise, losing their services may have a material adverse effect on our business. Should any or all members of our senior management team join or form a competing business with their expertise, connections and knowledge of our business operations, we may not be able to estimate the extent of and mitigate such damage. If any of our key employees leaves and we are unable to promptly hire a qualified replacement, our business, results of operations, and financial condition may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all areas of our business. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, results of operations, and financial condition could be materially and adversely affected.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, agents, customers, suppliers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, agents, customers, suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, loss caused by misconduct of our technicians in the process of providing maintenance or repair services may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market. In addition, misconduct by the operator(s) of a customer in intralogistics equipment subscription services may cause malfunctions or damages to the subscribed equipment.

Our internal control procedures may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. There will therefore continue to be the risk that fraud and other misconduct may occur, resulting in financial loss, negative publicity or other negative outcomes, which may have an adverse effect on our business, reputation, financial condition, and results of operations.

We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities.

We recorded net current liabilities of RMB301.3 million, RMB148.7 million, and RMB267.4 million as of December 31, 2020, 2021 and 2022, respectively. As of December 31, 2020, 2021 and 2022, we recorded interest-bearing bank loans and other borrowings of RMB1,174.0 million, RMB1,329.8 million and RMB1,367.2 million, respectively. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Therefore, there is no assurance that we will not experience net current liabilities in the future. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. There is also no assurance that we will always have adequate funds to meet our repayment obligations, or that our historical net current liabilities will not impair our ability to obtain new borrowings to finance our operation or capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Failure to accurately forecast market demand may result in excessive or insufficient inventory levels, which could lead to increased costs or losses of sales opportunities.

Incorrect forecasting of demand in the future could result in us experiencing an excess or a shortage of inventories. The failure to manage the increase in our inventories or accurately forecast the demand of our customers may result in the obsolescence of our inventories and adversely affect the result of our business operations. Our inventories primarily consist of intralogistics equipment and parts. Our inventories increased from RMB56.6 million as of December 31, 2020 to RMB69.2 million as of December 31, 2021, and further increased to RMB84.5 million as of December 31, 2022. Therefore, maintaining optimal inventory levels is critical to our financial condition and results of operations. We are exposed to risks as a result of a variety of factors beyond our control, including changes in demand for relevant parts as a result of actual use, or incidents occurred during our customers' use of subscribed equipment and preferences and product generation replacement due to technological development. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. If orders do not match actual demand, we could have higher or lower anticipated stock levels and this could lead to higher interest charges or less interest income, price reductions, inventory obsolescence or write downs of slow moving or excessive stock resulting in lower profits.

We assess impairment to inventories at each period end during the Track Record Period, and may make provision to write down our inventories to the net realizable value if they become obsolete, out-of-season or are damaged or their prices went down and their net realizable value is lower than the costs. However, we cannot assure you that we will not experience material write-offs in the future. If we cannot manage our inventory level efficiently in the future, it could increase our costs or cause us to lose sales opportunities, and our liquidity and cash flow may be adversely affected.

We may not be able to obtain additional financing or generate sufficient cash from our operations to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may need to obtain financing to support our operations and expansion plans, the success of which depends on a number of factors, including but not limited to general economic and capital market conditions, credit availability from banks and other lenders, and investor confidence. In addition, our ability to generate sufficient cash from our operating activities depends on various factors beyond our control, including competition, general economic conditions in China and the business performance of our customers.

We cannot assure you that sufficient financing will be available to us. The level of our indebtedness and the amount of our interest payments could limit our ability to obtain additional financing or obtain favorable terms for the financing for future capital expenditures and working capital. Without sufficient funds, we will be forced to curtail our operations and expansion plans. Disruption, uncertainty or volatility in the capital markets or credit markets may limit our access to capital funds for our operations and expansion of our business, decrease our profitability, and significantly reduce our financial flexibility. Furthermore, our liquidity also depends on cash generated from operating activities and our cash and cash equivalents. The higher level of our indebtedness may require us to allocate more cash to repay our debts, thereby reducing the amount of general working capital that we can use for daily operations, capital expenditure and other general corporate purposes. As a result, our business, results of operations, and financial condition may be materially and adversely affected.

We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process.

We usually require our customers to pay service fees on a regular basis. Our customers may not be able to settle their payment with us in a timely manner or at all. As of December 31, 2020, 2021 and 2022, our trade and bills receivables amounted to RMB239.9 million, RMB269.6 million and RMB294.0 million, respectively. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.

Delays or defaults in payments from customers or delayed billing process may adversely affect our ability to satisfy working capital requirements, and in turn increase our working capital needs. We are subject to the credit risk of our customers and rely on the timelines of receipt of progress payment from our customers to meet our payment obligations to our suppliers or financial institutions. If there is any delay of payment from our customers, we would experience a cash flow mismatch when there is a significant timing difference between the making of payments to our suppliers and receiving payments from our customers. If any of our customers runs into financial difficulties or we have disputes with our customers which lead to the delay of payment by our customers to us, we may not be able to receive payments in full or at all. Our trade receivable turnover days decreased from 81.3 days in 2020 to 72.3 days in 2021, and increased to 78.1 days in 2022. As of December 31, 2020, 2021 and 2022, our impairment on trade receivables were RMB21.0 million, RMB15.9 million and RMB19.0 million, respectively. However, we cannot guarantee that such impairment will be sufficient in the future.

While we monitor material overdue payments closely, we cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. If we fail to collect such payments at the end of the agreed credit terms, we may take longer than our average turnover days of trade receivables to collect payments and our provisions for payments in arrears and losses may increase. Furthermore, restructuring payments for delinquent customers may result in lower revenue. Any material delay in payment or non-payment by our customers may materially and adversely affect our business, results of operations, and financial condition.

We may face risk regarding investment in associates, and the share of results of an associate may adversely affect our financial performance.

We recorded investment in associates of RMB18.2 million, RMB8.9 million and RMB10.6 million as of December 31, 2020, 2021 and 2022, primarily due to the initial investment costs in the associates adjusted by sharing the profit or loss of the investees after the date of acquisition. However, our investment in associates may not guarantee a share of profits, and any loss incurred by such associate shall be apportioned among our Group and other shareholders of the associate. If the associate does not perform as expected or does not generate sufficient revenue in any financial year, our return of investment in associates, financial performance and financial position, could be materially and adversely affected.

There can be no assurance that our investment in associates will achieve the results intended and we may be subject to liquidity risk. Our investments in an associate are not as liquid as other investment products as there is no cash flow until dividends are received even if such associate reported profits under the equity accounting. Furthermore, the possibility to promptly sell one or more of our interests in the associate in response to changing economic, financial and investment conditions is uncertain. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in such associate for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. Therefore, the illiquidity nature of our investment in associates may significantly limit our ability to respond to adverse changes in the performance of such associate. In addition, if there is no share of results or dividends from the associate, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

Going forward, from time to time, we may evaluate various investment opportunities, including investment in other associates or joint ventures in relation to associates. Any future investment in associates may entail numerous risks, such as increased cash requirements and additional indebtedness or contingent or unforeseen liabilities.

Any discontinuation, reduction or delay of any government grants, tax refund, or preferential tax treatments would have a material and adverse impact on our business.

During the Track Record Period, we received government grants of RMB2.8 million, RMB1.5 million, and RMB1.5 million in 2020, 2021 and 2022, respectively. In addition, we have benefited from preferential tax treatments from the PRC government during the Track Record Period. We cannot assure you that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines.

As of the Latest Practicable Date, we leased 77 properties in various locations with an aggregated GFA of approximately 68,079.5 sq.m. As of the Latest Practicable Date, we had not register 69 of our leased properties, with an aggregated GFA of approximately 52,673.2 sq.m., which were used as office buildings and warehouses. According to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. In the event that we are required by the competent authorities to register the property lease agreements, we may be subject to fines for the failure to register the property lease agreements, which could adversely affect our financial condition and results of operations.

We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties.

As of the Latest Practicable Date, the lessors of eight of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents to us, representing approximately 4.1% of the total GFA of our leased properties. As a result, we cannot continue to use such properties if the lessors' rights to lease such properties are successfully challenged by any third party. We primarily use these leased properties as offices or warehouses. See "Business – Properties – Leased Properties" in this document. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. If we fail to find suitable replacement properties on terms acceptable to us, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid title certificates or authorizations, such may adversely affect our business, financial position, results of operations and growth prospects.

We may not be able to renew our current leases or locate desirable alternatives for our offices and warehouses.

We lease properties as our offices and warehouses, and we may not be able to extend or renew such leases on commercially reasonable terms, or at all, as we will have to compete with other businesses for premises at desired locations. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices and warehouses. We may also face the risk of being included in the list of enterprises with abnormal business operations if we fail to extend such leases or relocate the registered address and file such leases with the local authorities. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects.

Any non-compliance with applicable anti-bribery and anti-corruption laws, economic sanctions and other forms of illegal acts and misconduct by our employees, customers or suppliers may materially and adversely affect our business operations.

We may be exposed to bribery, corruption, economic sanctions or other illegal acts and misconduct committed by our employees, customers, suppliers or any other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. While we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with anti-bribery and anti-corruption laws, regulations and policies, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant government authorities due to violations committed by our employees. If our employees are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face or be involved in fines, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our trade secrets, trademarks, patents, software copyrights, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, unfair competition laws and contractual rights, such as confidentiality agreements with our employees and third parties with whom we have relationships to protect our intellectual properties. However, these agreements may be inadequate or may be breached, either of which could potentially result in unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our crucial competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business. In addition, events beyond our control may pose threats to our intellectual property rights, as well as to our brand. Effective protection of our trademarks, patents, software copyrights, domain names, and other intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. Therefore, we cannot assure you that our protection efforts are effective or sufficient to guard against any potential infringement and misappropriation, which could result in our intellectual property rights being narrowed in scope or declared invalid or unenforceable.

We may be involved in intellectual property disputes and claims.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims are valid or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we may be exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our services. Any resulting liabilities or expenses or any changes to our services that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations and prospects.

We may not be able to successfully develop or adopt new technologies, which may limit our future growth.

The market for our business operations may change rapidly because of changes in customer requirements, technological innovations, new service offerings, prices, industry standards and domestic and international economic factors. New service offerings and technologies may render existing services or technology obsolete, excessively costly or otherwise unmarketable. If we are unable to introduce and integrate new technologies into our business operations in a timely and cost-effective manner, our competitive position will suffer and our prospects for growth will be impaired, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure or deterioration of our quality control system could result in defects in our services, which in turn may have a material adverse effect on our business and operations.

The quality of the services that we provide is one of the factors critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our business, particularly for our intralogistics equipment subscription services. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit ever-changing business needs, training programs as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services, which in turn may jeopardize our reputation, reduce demand for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately successful or not, may cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we may be required to pay for the claims, which could have a material adverse impact on our business, financial condition, and results of operations.

We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.

As advised by our PRC Legal Adviser, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. In addition, as advised by our PRC Legal Adviser, an employer that has failed to pay the housing provident fund on time or underpaid the housing provident fund in violation of relevant regulations, may be ordered to make the payment within a stipulated deadline. If the employer still fails to make the payment within the stipulated deadline, the employee may apply to the court for compulsory enforcement. During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for certain employees in strict compliance with relevant laws and regulations. As of the Latest Practicable Date, no material administrative action, fine or penalty had been taken or imposed by the relevant regulatory authorities against us with respect to our social security insurance contributions or housing provident fund, nor had we received any order or been informed to settle the under-contributions. Furthermore, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social security insurance and housing provident fund policy.

However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Labor shortage or increase in labor cost may affect our business growth and profitability.

Our services rely on recruiting and retaining qualified professionals and successful training of these professionals. According to the CIC, the aging population in China has led to the insufficient supply of labor in some industries, which has in turn led to an increase in labor costs. With the intensification of the aging problem of workforce in the PRC, professionals with health conditions suitable for the intralogistics equipment lifecycle management solutions industry may be in short supply. As a result, we may incur more costs to hire suitable professionals. If our recruitment and retention efforts are not successful, qualified professionals may not be integrated into our workforce in a timely manner to meet our business needs.

In 2020 and 2021 and 2022, our employee benefit expenses (excluding directors' and supervisors' remunerations) were RMB149.6 million, RMB197.6 million and RMB215.1 million, respectively, which constituted a significant portion of our cost of sales, administrative expenses, and distribution and selling expenses. For further details of our employee benefit expenses, please see Note 7 of the Accountants' Report set out in Appendix I to this document. It is expected that the labor cost in the PRC will continue to increase, and the PRC Government may promulgate additional laws and regulations on labor protection, such as increasing the statutory minimum wage. Such developments may place a heavier burden on us as an employer and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase our cost of sales. If we cannot transfer the increased cost to customers, our business, financial condition, and results of operations may be materially and adversely affected.

During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. However, we cannot guarantee that we will not experience shortage of skilled labor or the labor cost will not increase in the future or that our performance of contracts or profitability will not be adversely affected.

Accidents in our business or in relation to our intralogistics equipment subscription services may expose us to liability and reputational risk.

Accidents, such as work injuries, may occur during the course of our business. In particular, the operation, and maintenance of our equipment carry inherent occupational risk of accidents. As a result, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees. To the extent that we incur additional costs, we may suffer material adverse effects on our business, results of operations, financial condition and brand value. We may be held liable for the injuries of employees or others. In addition, accidents may also occur when third parties are using the equipment subscribed, which may be difficult to detect and prevent could also subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Such accidents may occur as a result of (i) the defective equipment which we purchased from our suppliers or (ii) third parties improper use of the equipment. With respect to the defective equipment, although we will conduct safety and quality checks of purchased equipment to make sure they meet our operation standards, there is no guarantee that we will be able to identify any defects of such equipment. In addition, we will provide training to our customers regarding the equipment we provided after the equipment is delivered to the requested sites according to requirements of our customers. However, we cannot guarantee that our customers will properly operate our equipment afterwards. We are generally not responsible for accidents that happen in relation to our equipment after such equipment is delivered to our customers unless the accident is caused by the defects in the equipment. However, we may incur significant time, efforts and costs to deal with such accidents upon occurrence of such accidents even without our fault. Furthermore, if such accidents are wrongly publicized, our reputation and reliability may be harmed, and our customers may end their cooperation with us.

In addition, we cannot guarantee that our insurance may fully cover the claims or costs arising from such accidents. See "– Our insurance coverage may not sufficiently cover the risks related to our business" in this section. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Moreover, such occurrences may also damage our reputation and brand in the intralogistics equipment lifecycle management solution industry. Furthermore, certain claims arising from accidents may be the result of defects in equipment purchased from third-party suppliers. Such third-party suppliers may not indemnify us for such defects or may only provide us with limited indemnification that is insufficient to cover our or clients' damages resulting from the product liability claim. Any of the foregoing could adversely affect our reputation, brand, business, results of operations, and financial condition.

Our business operations are subject to various environmental, health and safety laws and may be exposed to pertinent litigation or other liabilities.

We are subject to various occupational health and safety and environmental laws and regulations governing, among other things, the generation, storage, handling, use, transportation, presence of or exposure to hazardous materials and the emission and discharge of hazardous materials into the ground, air or water and the health and safety of our employees.

There is no assurance that the PRC government or the relevant government authorities in the PRC will not impose additional or more stringent laws, regulations or government policies in the future, which may subject us to more onerous duties and obligations. In the event that the PRC government imposes more stringent environmental, occupational health and safety laws, regulations and government policies, we may need to make significant capital or operating expenditures to comply with the new laws and regulations, and we may be unable to pass on these additional costs to our customers.

Any change or amendment to these laws, regulations or government policies may require us to introduce new preventive or remedial measures, purchase new pollution control equipment and update our compliance and monitoring systems in order to ensure compliance, which may have a material and adverse effect on our business, financial condition and results of operations.

Our current risk management and internal control system may not be sufficient to protect us against various risks.

Our business operation is exposed to various risks, primarily including credit risk, market risk, liquidity risk, operational risk and legal and compliance risk. To manage such risks, we have established, and will continue to improve, our risk management and internal control system. See "Business – Risk Management and Internal Control" in this document. However, we cannot assure you that such risk management and internal control system will be effective in identifying, monitoring and mitigating all types of risks.

Our risk management capability is limited by the information, tools and technologies available to us. As some of our risk management measures are based on our historical market data and management's judgment, they may not accurately predict the types of risks that may arise in the future. In addition, we have developed and continually updated our IT systems for risk management and internal control, but we cannot guarantee that such systems would achieve the expected results or will not experience disruptions from time to time. See "– We may experience failures in or disruptions to our comprehensive technology platform" in this section. We also rely on our employees to effectively implement our risk management and internal control system. However, we cannot guarantee that our employees will always comply with or properly implement the relevant internal policies and procedures. If we are unable to effectively improve our risk management and internal control system, or timely achieve the expected results, our business, financial condition, and results of operations may be materially and adversely affected.

Negative publicity about us, our Shareholders and affiliates, our brand and our management may have a material adverse effect on our business, reputation, and the [REDACTED] of our Shares.

Negative publicity about us, our Shareholders and affiliates, the equipment we provided, including possible defects of the equipment, even without our fault, our service quality, our brand, our management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms. In addition, our customers or suppliers may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. Negative publicity about our customers or suppliers, their business, results of operations and financial condition could adversely affect our reputation, business and [**REDACTED**]. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, our management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

Our business operations and reputation may be materially and adversely affected by delays in the delivery or poor handling of our equipment and parts by external logistics service providers.

During the Track Record Period, we engaged external logistic companies to deliver our equipment, relevant parts to our customers. The timely delivery of our equipment and parts depends highly on, among others, the external logistics service providers' ability to fulfil their obligations in accordance with the terms of respective service contracts, such as their responsiveness to our logistic orders and provide us the required logistic services. Any failure to provide on-time delivery may have a material adverse impact on our business operations and reputation, as well as expose us to potential contractual claims with our external logistics service providers or our customers. In such events, we may not be able to seek full indemnity from the external logistics service providers or enforce in full any favorable judgment obtained.

Further, we may also be obligated under the respective service contracts with our customers to compensate them for any loss or damage incurred due to failure to comply with the terms. Any contractual disputes about material breaches by our external logistics service providers, which may arise in the future, may severely affect our business operations and divert our management's attention and resources.

Our insurance coverage may not sufficiently cover the risks related to our business.

We maintain insurance policies against major risks and liabilities arising from our business operations. For details, see "Business – Insurance" in this document. We cannot assure you that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. In the event of a dispute with our insurers, we may be required to engage in protracted litigation or negotiations in order to obtain benefits for which we are legally due, and those efforts may be wholly or partly unsuccessful. If we are held responsible for any such damage, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, results of operations, and financial condition.

The potential loss of our contracts due to force majeure events or other reasons beyond our control could materially and adversely affect our business, results of operations, and financial condition.

In accordance with PRC laws, if any force majeure event or any event beyond our control happens, such as COVID-19 outbreak, our customers may terminate the contracts, and they may only be required to compensate the us after taking into consideration the depreciation of the equipment and shall not be obliged to make service payments in full in the event that the contracts have been terminated due to damage to or loss of the equipment as a result of force majeure or other reasons that are not caused our customers. If the equipment subscribed are damaged or lost due to the foregoing reasons which result in termination of the relevant contracts, we may be forced to assume losses to the extent our insurance coverage is inadequate. Any uninsured loss could materially and adversely affect our business, results of operations, and financial condition.

Changes and development in the regulatory environment over the industries in which our customers operate could negatively impact our own results of operations and financial condition.

We provide services primarily to customers in the manufacturing, logistics, and trading industries in China. See "Business – Our Customers and Suppliers – Our Customers" in this document. Our customers in these industries could be vulnerable to changes in the regulatory environment of the industry in which they operate.

We cannot guarantee that the regulatory environment over the industries in which our customers operate will remain favorable in the future. The government could reduce the amount of tax or policy incentives available to enterprises in these industries, and may even introduce laws and regulations that hinder their further development and expansion. Such material and adverse changes could lead to a significant revenue decline, or even the disappearance of certain industries. If any of the above happens to one or more of the industries in which our customers operate, our customers' business operations and expansions could be materially and adversely affected, leading to significant decline in their needs for intralogistics equipment lifecycle management solutions. As a result, our results of operations and financial condition could in turn be materially and adversely affected.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events in China, could severely disrupt our business operations.

Our business could be adversely affected by the effects of epidemics, such as COVID-19. In recent years, there have been breakouts of epidemics in China and globally. Starting in January 2020, the COVID-19 pandemic has spread around the world and adversely affected the global economy. In response, during the period from January 2020 to April 2020, China imposed various measures to contain the spread of the virus, which led to a decrease in demand for intralogistics equipment and affected our operations and financial conditions in the first quarter of 2020. As COVID-19 became gradually contained and business activities gradually recovered in China later in 2020 and 2021, our business operations across China and market demand for intralogistics gradually improved. However, a resurgence of the COVID-19 pandemic in multiple regions in China in 2022 also affected our business operations and financial performance. We have experienced temporary decrease in service demand for intralogistics equipment subscription services and maintenance and repair services, primarily due to our customers' closures and reduced business activities during COVID-19 resurgence. For details, please see "Business – Impact of COVID-19 on Our Operations" in this document. In December 2022, the Chinese government eased its dynamic zero-COVID policy and lifted most of its COVID-19 related restrictions. There was a rapid spread of COVID-19 in a relatively short period of time in China. The COVID-19 pandemic has had an adverse impact, and may continue to cause adverse impacts in the long term, on the economy and social conditions globally, and this may have an adverse impact on our business operations. There remains uncertainty as to the future impact of the virus. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments.

Our operations are also vulnerable to interruption and damage from natural disasters and other calamities. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes or extraordinary events were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services, and therefore adversely affect our operations and financial conditions.

We are subject to the risks of doing business in multiple jurisdictions.

We face risks associated with operating in multiple jurisdictions, especially in overseas markets where we sell intralogistics equipment, equipment parts. Our business and financial results in the future could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in laws and regulatory requirements in relevant jurisdictions;
- the occurrence of economic stagnation or downturn in certain jurisdictions, including those caused by inflation or political instability;
- the burden of complying with a variety of foreign laws, including difficulties in enforcement of contractual provisions;
- inadequate intellectual property protection in certain jurisdictions;
- enforcement of anti-corruption and anti-bribery laws;
- trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges;
- delays resulting from certain barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- the effects of applicable local tax regimes and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

There can be no assurance that our existing or potential collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Tensions and political concerns between China and the relevant foreign countries or regions may therefore adversely affect our business, financial condition, results of operations and prospects.

In addition, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships. The occurrence of any one or more of these risks of doing business internationally, individually or in aggregate, could materially and adversely affect our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The approval of, or filing with, CSRC or other regulatory authorities may be required in connection with the [REDACTED] and future [REDACTED] activities, and we cannot predict whether we will be able to obtain all necessary approval or complete such filing.

The PRC Government has recently indicated an intent to exert more oversight and control over [**REDACTED**] and other capital markets activities that are conducted overseas and foreign investment in PRC-based companies like us. On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (the "Securities Activities Opinions") (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures"), which became effective on March 31, 2023 and stipulates that domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. Please see "Regulatory Overview – Regulations Relating to Overseas Securities Offering and Listing" in this document.

As advised by our PRC Legal Advisers, the [**REDACTED**] will be considered a direct overseas [**REDACTED**] activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for [**REDACTED**] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

Accordingly, our PRC Legal Advisers are of the view that we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**] within three business days after our [**REDACTED**] is submitted. As the Overseas Listing Trial Measures are new, there remain substantial uncertainties as to their interpretation and implementation. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Overseas Listing Trial Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities, which would have a material adverse effect on our business and financial position.

Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign investment in China. However, recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as those in other jurisdictions.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Group is generally subject to laws, rules and regulations applicable to foreign investments in China. These laws and regulations may change frequently, and their interpretation and enforcement may involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law unfavorable to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management based on Hong Kong or other foreign laws.

We are incorporated under the laws of the PRC, and all of our assets are located in the PRC. In addition, a majority of our Directors, Supervisors and senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or our Directors, Supervisors and senior management personnel. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgement," "specific legal relationship" and "written form." A final judgement that does not comply with the Arrangement may not be recognized and enforced in a PRC court.

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Under the applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of shares ("**non-resident individual holders**"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("**non-resident enterprise holders**") are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends declared and paid by us at a tax rate of 5% if the Hong Kong non-resident enterprise is the beneficial owner of the equity and certain other conditions are met.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares.

Inflation in China could negatively affect our profitability and growth.

The economy of China has experienced continuous growth and such growth has become uneven among various sectors of the economy and in different geographical areas of the country. PRC overall economy and the average wage in China are expected to continue to grow.

Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers in China go up at a rate that is insufficient to compensate for the rise in our costs, our businesses may be materially and adversely affected.

Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of the PRC, may limit our ability to utilize our revenue effectively and adversely affect the value of your [REDACTED].

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. A substantial majority of our future revenue is expected to be denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our H Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities may be required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses in accordance with applicable PRC laws and regulations.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law ("**IIT Law**") which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals which have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax at progressive rate on their income gained within or outside the PRC. The Standing Committee of NPC has approved the amendment of the IIT Law, which took effect on January 1, 2019. Under the amended IIT law, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and [REDACTED] following the [REDACTED] may be volatile.

Prior to the [**REDACTED**], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of the [**REDACTED**]. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between us and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**].

We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] of, and [**REDACTED**] in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]). A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for the H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will not decline following the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

You will incur immediate and significant dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we [**REDACTED**] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the [REDACTED].

The [**REDACTED**] to the public of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the [**REDACTED**] during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

During the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including [**REDACTED**] from the [**REDACTED**], as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Payment of dividends is subject to restrictions under the PRC law and we cannot assure you whether and when we will pay dividends.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. The calculation of our distributable profits under the PRC GAAP differs in many aspects from the calculation under HKFRS. Moreover, our operating subsidiaries in China may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Facts, forecasts and statistics in this document relating to the PRC, the global economy and intralogistics equipment lifecycle management solution industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the global economy and the intralogistics equipment lifecycle management solution industry in China and oversea markets are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by CIC that we commissioned. However, we cannot assure you the quality or reliability of these sources. Neither we, the Sole Sponsor, [**REDACTED**], [**REDACTED**], [**REDACTED**], the [**REDACTED**], [**REDACTED**], [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the PRC, the global economy and intralogistics equipment lifecycle management solution industry in China and oversea markets may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

There had been, prior to the publication of this document, and there may be, after the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**]. We have not authorized the disclosure of any information concerning the [**REDACTED**] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], our Company has sought and has been [granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarter and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interests for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

(a) We have appointed Ms. Ma Li (馬麗) and Ms. Tang Ka Yan (鄧嘉欣) as our authorized representatives pursuant to Rules 3.05 and 19A.07 of the Listing Rules. The authorized representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(b) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e., mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

(c) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

(d) We have appointed Somerley Capital Limited as our compliance adviser upon [**REDACTED**] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**]. Our compliance adviser will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the authorized representatives are not available; and

(e) Meetings between the Hong Kong Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to HKEX-GL108-20, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(a) whether the issuer has principal business activities primarily outside Hong Kong;

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under HKEX-GL108-20) nor Relevant Experience (as defined under HKEX-GL108-20) as a company secretary; and

(c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to HKEX-GL108-20, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Ms. Ma Li (馬麗) ("**Ms. Ma**"), our executive Director, as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tang Ka Yan (鄧嘉欣) ("**Ms. Tang**"), an associate of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Ma for an initial period of three years from the [**REDACTED**] to enable Ms. Ma to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Given Ms. Tang's professional qualifications and experience, she will be able to explain to both Ms. Ma and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Tang will also assist Ms. Ma in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Tang is expected to work closely with Ms. Ma and will maintain regular contact with Ms. Ma. In addition, Ms. Ma will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. She will also be assisted by our compliance adviser and our legal advisers as to Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Ms. Ma does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Ma may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [**REDACTED**] on the conditions that (a) Ms. Ma must be assisted by Ms. Tang who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. Tang ceases to provide assistance to Ms. Ma as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the expiration of the initial three-year period, the qualifications of Ms. Ma will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Ma, having benefited from the assistance of Ms. Tang for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER FROM STRICT COMPLIANCE WITH CLASS MEETING REQUIREMENTS AND ADDITIONAL REQUIREMENTS REGARDING ARTICLES OF ASSOCIATION APPLICABLE TO PRC ISSUERS

Rule 19A.25(1) of the Listing Rules provides that the share repurchases of a PRC issuer shall be approved by special resolutions of shareholders in general meetings and holders of domestic and foreign shares (and, if applicable, H shares) at meetings of such holders conducted in accordance with the PRC issuer's articles of association.

Rule 19A.38 of the Listing Rules provides that except in certain circumstances, the directors of a PRC issuer shall obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of holders of domestic shares and overseas listed foreign shares (and, if applicable, H shares) (each being otherwise entitled to vote at general meetings) at separate class meeting conducted in accordance with the PRC issuer's articles of association, prior to authorising, allotting, issuing or granting shares, securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities.

Paragraphs 56 and 65(a) of Rule 19A.42 of the Listing Rules provide that the content of a listing document for the listing of equity securities of a PRC issuer no part of whose share capital is already listed on the Stock Exchange shall include the quorum and voting for general meetings of shareholders and for separate meetings of holders of domestic shares and foreign shares (and, if applicable, H shares).

Rule 19A.45 of the Listing Rules provides that a PRC issuer shall not at any time permit or cause any amendment to its articles of association which would cause the same to cease to comply with the provisions of Appendix 3 or Section 1 of Part D of Appendix 13 to the Listing Rules.

Section 1 of Part D of Appendix 13 to the Listing Rules provides that the articles of association of a PRC issuer whose primary listing is or is to be on the Stock Exchange must include the Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") and other ancillary provisions.

On February 14, 2023, the State Council announced the implementation of the Decision of the Statement Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) and on February 17, 2023, the CSRC announced the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (collectively, the "**New PRC Regulations**"), which both took effect from March 31, 2023, and repealed the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市特別規定》) and the Circular of the State Council on Further Strengthening the Management of Overseas Issuance and Listing of Stocks (《國務院關於進一步加強在境外發行股票和上市管理的通知》), respectively.

Pursuant to the New PRC Regulations, PRC issuers shall formulate their articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines on Articles**") issued by CSRC in place of the Mandatory Provisions, and as a result holders of domestic shares and H shares (which are both ordinary shares of the same class) are no longer deemed as different classes of shareholders and the Mandatory Provisions are no longer applicable. Accordingly, the requirements in relation to (i) class meetings for holders of domestic shares and H share under Rules 19A.25(1) and 19A.38 and paragraphs 56 and 65(a) of Rule 19A.42 of the Listing Rules, and (ii) inclusion of the Mandatory Provisions and relevant ancillary provisions in the articles of association under Rule 19A.45 and Section 1 of Part D of Appendix 13 to the Listing Rules, are no longer necessary.

The Stock Exchange has published in February 2023 a consultation paper titled "Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers" (the "**Consultation Paper**") setting out the proposed amendments to the Listing Rules in light of the implementation of the New PRC Regulations (the "**Proposed Amendments**"), which have the effect of, among others, abolishing (i) the class meeting requirements for holders of domestic shares and H shares, and (ii) the requirement of including the Mandatory Provisions and relevant ancillary provisions in the articles of association, insofar as PRC issuers are concerned.

As a PRC [**REDACTED**], we have formulated our Articles of Association in line with the Guidelines on Articles under the New PRC Regulations. Pursuant to our Articles of Association, our Domestic Shares and H Shares are considered as one class of Shares, and there are no requirements for separate meetings of holders of Domestic Shares and H Shares to be conducted. Further, the Mandatory Provisions, having been repealed, have not been adopted in our Articles of Association.

As of the Latest Practicable Date, the Proposed Amendments had yet to be effective. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 19A.25(1), 19A.38 and 19A.45, paragraphs 56 and 65(a) of Rule 19A.42, and Section 1 of Part D of Appendix 13 to the Listing Rules, on the conditions that:

(a) our Articles of Association are not inconsistent with the Guidelines on Articles and other applicable PRC laws and regulations; and

(b) our Articles of Association are not inconsistent with (i) the Proposed Amendments as set out in the Consultation Paper, and (ii) the other provisions of the Listing Rules that are not subject to the Proposed Amendments.

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hou Zekuan (侯澤寬)	Room 1102, Unit 1, Building 5 Xinghewan Xingyuan No. 201 Yingbin Road Panyu District Guangzhou City, Guangdong Province PRC	Chinese
Mr. Hou Zebing (侯澤兵)	Room 1502, Building 3 No. 138 Jinxiu Road Panyu District Guangzhou City, Guangdong Province PRC	Chinese
Mr. Qian Xiaoxuan (錢曉軒)	Madian Village Villager Group Zhandian Village, Leqiao Town Lujiang County Anhui Province PRC	Chinese
Ms. Ma Li (馬麗)	Room 1006, 1/F, Building 2 Tianfeng third district No. 147, Xingya third Road Panyu District Guangzhou City, Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Zhu Yingchun (朱迎春)	Room 301, No. 39 Lane 131, Lanping Road Minhang District Shanghai City PRC	Chinese
Mr. Shu Xiaowu (舒小武)	Room 1704 No. 138, Taojin Dong Road Dongshan District Guangzhou City, Guangdong Province PRC	Chinese

Independent Non-executive Directors

Mr. Chiang Edward (蔣福誠)	Room 406, 4/F, Block E Luk Yeung Sun Chuen No. 22, Wai Tsuen Road Tsuen Wan, New Territories Hong Kong	Chinese
Dr. Fan Xia (樊霞)	No. 381, Wushan Road Tianhe District Guangzhou City, Guangdong Province PRC	Chinese
Mr. Wang Chuanbang (王傳邦)	Room 101, Building 40 No. 9, Qingshuiting East Road Moling Street, Jiangning District Nanjing City, Jiangsu Province PRC	Chinese

SUPERVISORS

Ms. Li Xiaolan (李小蘭)	No. 304, Tower 1, Building 6, Phase 1 No. 498, Yayun Avenue Panyu District Guangzhou City, Guangdong Province PRC	Chinese
Mr. Zhang Xiaolong (張小龍)	Room 601, No. 35, Lane 2875 Xiuyan Road, Kangqiao Town Pudong New Area Shanghai City PRC	Chinese
Mr. He Xiaocheng (賀小成)	Group 1, Nongke Village Dashi Township Leiyang City, Hunan Province PRC	Chinese

For details with respect to our Directors and Supervisors, please see the section headed "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre No. 1 Harbour View Street Central Hong Kong

[REDACTED]

Legal Advisers to the Company

As to Hong Kong and U.S. laws:
O'Melveny & Myers
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1 Connaught Road Central
Hong Kong

As to PRC law:
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34/F, Tower 3
China Central Place
77 Jianguo Road, Chaoyang District
Beijing
PRC

Zhong Lun Law Firm
22-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing, PRC

As to International Sanctions laws:
DLA Piper Singapore Pte. Ltd.
80 Raffles Place UOB Plaza 1, #48-01
Singapore 048624
Singapore

Legal Advisers to the Sole Sponsor and [REDACTED]

As to Hong Kong law:
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38/F, Jardine House
1 Connaught Place
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As to PRC law:
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25/F, Guangzhou CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town
Tianhe District
Guangzhou City,
Guangdong Province
PRC

Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place No. 979, King's Road Quarry Bay Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	No. 999, Yayun Avenue Shiqi Town, Panyu District Guangzhou City, Guangdong Province PRC
Headquarter and Principal Place of Business in the PRC	No. 999, Yayun Avenue Shiqi Town, Panyu District Guangzhou City, Guangdong Province PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company Website	**www.fls123.com** *(Information contained on this website does not form part of this document)*
Joint Company Secretaries	Ms. Ma Li (馬麗) Room 1006, 1/F, Building 2 Tianfeng Third District No. 147, Xingya Third Road Panyu District Guangzhou City, Guangdong Province PRC Ms. Tang Ka Yan (鄧嘉欣) *(Chartered Secretary, Chartered Governance Professional, Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	Ms. Ma Li (馬麗) Room 1006, 1/F, Building 2 Tianfeng Third District No. 147, Xingya Third Road Panyu District Guangzhou City, Guangdong Province PRC

	Ms. Tang Ka Yan (鄧嘉欣) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Audit Committee	Mr. Wang Chuanbang (王傳邦) *(Chairman)* Dr. Fan Xia (樊霞) Mr. Zhu Yingchun (朱迎春)
Remuneration Committee	Dr. Fan Xia (樊霞) *(Chairman)* Mr. Wang Chuanbang (王傳邦) Mr. Hou Zebing (侯澤兵)
Nomination Committee	Mr. Hou Zekuan (侯澤寬) *(Chairman)* Dr. Fan Xia (樊霞) Mr. Chiang Edward (蔣福誠)
Strategy Committee	Mr. Hou Zekuan (侯澤寬) *(Chairman)* Mr. Hou Zebing (侯澤兵) Mr. Zhu Yingchun (朱迎春) Mr. Chiang Edward (蔣福誠) Mr. Shu Xiaowu (舒小武)
Compliance Adviser	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong

[**REDACTED**]

Principal Banker	Industrial and Commercial Bank of China Panyu Energy Conservation Technology Park Sub-branch Room 101, Area 1, Building 1 Panshan Entrepreneurship Center North Panyu Avenue Guangzhou City, Guangdong Province PRC

Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by CIC, an independent industry consultant which was commissioned by us (the "CIC Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**] *or any other parties (other than CIC) involved in the* [**REDACTED**] *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the CIC Report.*

SOURCE OF INFORMATION

The contract sum to CIC is RMB550,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC offers industry research and market strategies and provides growth consulting and corporate training. In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) Chinese social, economic and political environment is likely to remain stable in the forecast period; (ii) the Chinese government policies on China's intralogistics equipment lifecycle management solution market and China's intralogistics equipment and parts sales market will remain unchanged in all material respects during the forecast period; (iii) related industry key drivers are likely to drive the markets in the forecast period. CIC has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and key industry experts, as well as secondary research which involved reviewing company reports, independent research reports and data based on its own research database. CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report that may qualify, contradict or have a material impact on the information disclosed in this section.

INTRALOGISTICS EQUIPMENT LIFECYCLE MANAGEMENT SOLUTION MARKET IN CHINA

Overview

Intralogistics equipment is an industrial machinery used to replace intensive labor in mechanical work, such as carrying, moving, sorting, and stacking of cargo and heavy loads, in manufacturing plants, logistics parks, warehouses, airports, ports, and other similar worksites. There are various types of intralogistics equipment, including but not limited to, forklifts, stackers, sorters and conveyors, among which, forklifts are the most widely used. A forklift is a type of powered equipment with a fork platform in the front that can be used for lifting, moving or stacking heavy objects over short distances. Forklifts are highly standardized and can be deployed flexibly, as they have low requirements in terms of the type of goods to be carried and the space available at the operating site, and have been widely used in various scenarios.

Since the 21st century, the manufacturing and logistics industries in China have experienced rapid growth, resulting in an increased demand for intralogistics equipment from manufacturing and logistics companies. However, the manufacturing and logistics companies face challenges rooted in the traditional intralogistics equipment procurement mode. The pain points faced by enterprises under the traditional intralogistics equipment procurement mode mainly include the following:

(i) huge upfront payments for procuring intralogistics equipment, which create a significant financial burden for enterprises;

(ii) high equipment maintenance and repair costs due to the lack of structured equipment management and monitoring which shall be supported by a professional technician team;

(iii) lack of a flexible equipment fleet with diversified categories to meet the changing development needs of enterprises; and

(iv) difficulties in meeting the usually high intralogistics equipment demand during peak seasons, such as periods around 618 Shopping Festival, Double 11 Shopping Festival.

As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment lifecycle management solutions have been introduced to address the above pain points of the traditional intralogistics equipment procurement mode. Intralogistics equipment lifecycle management solutions, with intralogistics equipment subscription services as the core business segment, also include repair and maintenance services, management optimization services and disposal services for manufacturing and logistics enterprises and other intralogistics equipment users. The diagram below illustrates the main activities involved in the full lifecycle of intralogistics equipment management:

Leveraging the comprehensive service coverage, intralogistics equipment lifecycle management solution providers can create synergies across different service segments. They can often offer a broad portfolio of models that can meet the diverse needs of enterprises to deploy equipment in various scenarios, while eliminating the needs to bear the one-off procurement costs of equipment. Furthermore, intralogistics equipment lifecycle management solution providers can reduce equipment damage and enhance efficiency through management optimization, and by providing maintenance and repair services to enterprises, they can accumulate a large number of customer resources and further enable the mutual conversion of customers under different services. In addition, intralogistics equipment lifecycle management solution providers can make the best use of equipment through disposal services, which includes equipment refurbishment, parts disassembly and sales of the used equipment according to the condition of the equipment. Being able to significantly improve equipment utilization rate, operational efficiency, and overall cost-effectiveness for enterprises, intralogistics equipment lifecycle management solutions have now become a recent trend for intralogistics equipment management.

Market Size of the Intralogistics Equipment Lifecycle Management Solution Market in China

According to CIC, the intralogistics equipment lifecycle management solution market in China is still in the early-stage development. Compared with developed countries and regions, such as the United States, the penetration rate of intralogistics equipment lifecycle solutions in China is relatively low. The estimated penetration rate of intralogistics equipment lifecycle management solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment lifecycle management solutions in China was approximately 3.7% in the same year, indicating huge growth potential for the intralogistics equipment lifecycle management solution market in China.

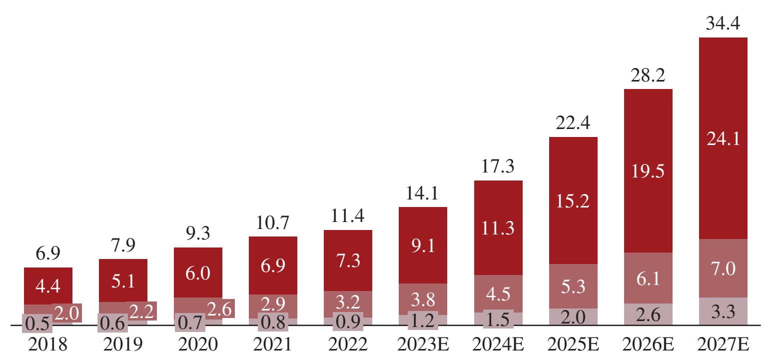
The intralogistics equipment lifecycle management solution market in China has experienced rapid growth over the past five years. The total market size increased from RMB6.9 billion in 2018 to RMB11.4 billion in 2022, at a CAGR of 13.6%. Driven by the huge intralogistics equipment needs resulted from the further development of the logistics, manufacturing and other industries, and the enterprises' increasing emphasis on their operational efficiency as well as overall cost-effectiveness, the intralogistics equipment lifecycle management solution market in China is expected to further increase to RMB34.4 billion in 2027 at a CAGR of 24.6% from 2022 to 2027.

The following chart illustrates the market size of the intralogistics equipment lifecycle management solutions in China in terms of revenue by service categories:

Market size of China's intralogistics equipment lifecycle management solutions[1], 2018-2027E

RMB in billions

	CAGR	
	2018-2022	2022-2027E
Intralogistics Equipment Subscription Services	13.5%	26.9%
Maintenance and Repair Services[2]	12.3%	17.2%
Disposal Services[2]	19.2%	28.4%
Total	**13.6%**	**24.6%**



Source: CIC report

Notes:

(1) Currently, the market size of management optimization in intralogistics equipment lifecycle management solution market is minimal, and thus is not included in the chart above.

(2) The market sizes of maintenance and repair services and disposal services only reflect revenue generated from maintenance and repair services and sales of used intralogistics equipment by the market players in intralogistics equipment lifecycle management solution market.

Intralogistics Equipment Subscription Services

Intralogistics equipment subscription services enable customers to subscribe a broad portfolio of intralogistics equipment in a flexible and tailor-made way based on their actual requirements for intralogistics equipment. Driven by the growing demand for improving operational efficiency and overall cost-effectiveness, the intralogistics equipment subscription services market has grown rapidly in recent years. According to the CIC, the market size of intralogistics equipment subscription services in China increased from RMB4.4 billion in 2018 to RMB7.3 billion in 2022, at a CAGR of 13.5%, and is expected to maintain strong growth momentum. By 2027, the market size is expected to reach RMB24.1 billion, at a CAGR of 26.9% from 2022 to 2027.

Maintenance and Repair Services

Intralogistics equipment maintenance and repair services mainly cover equipment inspections, general maintenance and accident repairs , which can meet the various maintenance and repair demands of equipment users. By adopting intralogistics equipment lifecycle management solutions, the equipment users no longer need to allocate professional personnel for maintenance and repair or to store spare parts, and can reduce relevant costs. As intralogistics equipment lifecycle management solution providers gradually extend their capability to provide maintenance and repair services to customers, the maintenance and repair services market in China is expected to further grow from RMB3.2 billion in 2022 to RMB7.0 billion in 2027, at a CAGR of 17.2% during the forecast period.

Disposal Services

Disposal services include refurbishment of intralogistics equipment, parts disassembly and sales of used equipment. Through disposal services, intralogistics equipment lifecycle management solution providers can make the best use of the intralogistics equipment. Encouraged by policies and incentives to promote the environmental protection in enterprises introduced by the PRC government in recent years, the market size of disposal services in China increased from RMB0.5 billion in 2018 to RMB0.9 billion in 2022, at a CAGR of 19.2%, and is expected to increase further to RMB3.3 billion in 2027, at a CAGR of 28.4%.

Management Optimization Services

Management optimization services mainly include the monitoring and managing the usage and operation of intralogistics equipment. Intralogistics equipment lifecycle management solution providers mainly rely on intelligent IoT devices, wearable devices and other hardware devices to accurately monitor the operation and maintenance status of equipment in real time, along with digital equipment lifecycle management and other software platforms to track and analyze equipment information, thereby improving the operational efficiency. Currently, the market size of management optimization services is minimal in terms of revenue. However, the management optimization services market has great potential as technologies such as IoT, big data, and AI become increasingly sophisticated, which enables enterprises to further reduce equipment damage and improve operational efficiency through management optimization services.

Key Growth Drivers for the Intralogistics Equipment Lifecycle Management Solution Market in China

- *Development of manufacturing and logistics industries.* China's logistics and manufacturing industries have developed rapidly and will continue to grow in the future. The development of manufacturing and logistics industries has generated a strong demand for intralogistics equipment, which further boosts the growth of the intralogistics equipment lifecycle management solution market.

- *Increasing demands for cost reduction and efficiency improvement.* Enterprises are paying more attention to cost reduction and cutting down one-time purchase expenditures, as well as improving utilization rate and operational efficiency during the course of business development. As intralogistics equipment lifecycle management solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected be more widely adopted by enterprises.

- *Empowerment of technologies.* Information technology has become an indispensable tool to optimize equipment management. Technologies such as IoT and big data enable the digital management of complex data generated from operation, dispatch, and maintenance and repair of a huge amount of equipment. Intralogistics equipment lifecycle management solution providers can further analyze the data collected and enhance their service quality and efficiency, and therefore, the development of the intralogistics equipment lifecycle management solution market is further promoted.

- *Favorable policies.* In recent years, the government has launched a series of policies including Made in China 2025 (《中國製造2025》), the 14th Five-Year Plan (《"十四五"規劃》) and the Implementation Plan for Promoting the Deep Integration and Innovative Development of the Logistics Industry (《推動物流業製造業深度融合創新發展實施方案》) to promote the integration of technology and the digitalization of manufacturing and logistics industries. The implementation of these policies will facilitate the adoption of efficient, cost-saving and environmentally-friendly management of intralogistics equipment, which will in turn stimulate the demand for intralogistics equipment lifecycle management solutions.

Competitive Landscape of the Intralogistics Equipment Lifecycle Management Solution Market in China

According to the CIC, in 2022, the top five market players in the intralogistics equipment lifecycle management solution market in China accounted for approximately 18.2% of the total market share in terms of revenue. There are a large number of small and medium-scale intralogistics equipment lifecycle management solution providers in the market, each of which provides services with less than 100 units of intralogistics equipment for subscription.

We are the largest provider of intralogistics equipment lifecycle management solutions in China in terms of revenue in 2022, accounting for 7.7% of the total revenue in the market. In addition, we also ranked first among all intralogistics equipment lifecycle management solution providers in terms of equipment fleet size in 2022. Our equipment fleet size in 2022 was larger than the aggregation of fleet sizes of all other market players among top ten market players in the same year. According to CIC, under the effect of economies of scale and technology empowerment, the advantages of leading suppliers will be amplified, and the market concentration is expected to be further improved. The following diagram illustrates the market shares of the top five market players in China in terms of revenue in 2022:

Ranking	**Name**	**Intralogistic Equipment Lifecycle Management Solution Business Revenue[1], 2022** *RMB billion*	**Market Share[2], 2022**	**Equipment Fleet Size, 2022** *'000*
1	Company	0.9	7.7%	39
2	Company A[3]	0.5	4.7%	~10
3	Company B[4]	0.4	3.1%	~8
4	Company C[5]	0.2	1.7%	~7
5	Company D[6]	0.1	0.9%	~3

Source: CIC report

Notes:

(1) The revenue of intralogistics equipment lifecycle management solutions includes the revenue generated from intralogistics equipment subscription services, maintenance and repair services and disposal services.

(2) The market shares are estimated based on each company's revenue generated from intralogistics equipment lifecycle management solution and the market size of intralogistics equipment lifecycle solutions in China in the corresponding year.

(3) Company A, an unlisted company established in 1993 with its headquarter in Fujian, is a subsidiary of a global intralogistics equipment manufacturer listed in Germany.

(4) Company B, an unlisted company established in 2016 with its headquarter in Shanghai, is a joint venture between a public intralogistics equipment manufacturer listed in China and a public intralogistics equipment manufacturer listed in Germany.

(5) Company C, a company established in 2000 with its headquarter in Zhejiang, is a intralogistics equipment manufacturer listed in China.

(6) Company D, an unlisted company established in 2006 with its headquarter in Jiangsu, is an intralogistics equipment lifecycle management solution provider.

Entry Barriers

- *Abundant supply chain resources*. Intralogistics equipment lifecycle management solution providers should be able to build deep collaborative relationships with, and gain strategical support from upstream suppliers to ensure a stable supply of high-quality intralogistics equipment and parts at favorable costs to meet the diverse needs of customers in terms of intralogistics equipment management. New market participants may not have sufficient supply chain resources, and therefore, may have difficulties in gaining competitive advantage or enter the industry in the short term.

- *Innovative digital capabilities*. It is crucial for intralogistics equipment lifecycle management solution providers to possess digital capabilities to achieve dynamic and transparent management of intralogistics equipment to further streamline their internal management and improve operational efficiency. New entrants without such capabilities and techniques may face greater challenges when entering the market.

- *Extensive service network*. When customers request for services of intralogistics equipment lifecycle management solutions, the providers must respond promptly to address customers' demand, which requires an extensive service network covering numerous cities in China, as well as a well-trained management team with industry know-how and operational experience. Such requirements form a high entry barrier for new market participants that are not equipped with an extensive service network and a well-trained management team.

Future Trends of the Intralogistics Equipment Lifecycle Management Solution Market in China

- *Continuous increase in market concentration*. The intralogistics equipment lifecycle management solution market in China is still in the early stage of development, with a significant market share occupied by a large number of small- and medium-scale players. In the future, the market players with low equipment amount, limited customer resources and weak service capabilities will not be able to compete with leading players in the market that can provide a broad portfolio of equipment and comprehensive services covering the full lifecycle of equipment management. As a result, the leading intralogistics equipment lifecycle management solution providers will gain larger market shares and the market will further consolidate.

- *Growing penetration rate*. The penetration rate of the intralogistics equipment lifecycle management solution market in China is relatively low as compared to those of the developed countries. According to CIC, the estimated penetration rate of intralogistics equipment lifecycle management solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment lifecycle management solutions in China was approximately 3.7% in the same year. As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment lifecycle management solutions have now become a recent trend for intralogistics equipment management, and the market penetration rate is expected to further increase in the future.

- *Diversified equipment categories.* Enterprises' needs for various intralogistics equipment categories will continue to expand in the coming years. In order to meet the changing needs of enterprises, intralogistics equipment lifecycle management solution providers will build a more flexible equipment fleet with a more diversified range of equipment categories.

- *Broadened service portfolio.* As the needs for full cycle management of intralogistics equipment are increasing, intralogistics equipment lifecycle management solution providers have gradually begun to provide a broad portfolio of services including intralogistics equipment subscription services, repair and maintenance services, management optimization services and disposal services. In the future, driven by higher requirements for environmental-friendly measures and overall efficiency, the equipment deep repair business will be further developed to restore the performance and condition of intralogistics equipment and extend its useful life as much as possible.

- *Adoption of environmentally friendly development path.* With a series of policies issued by the PRC government to promote the principles of waste reduction and the recycling of equipment and materials, intralogistics equipment lifecycle management solution providers are expected to explore new ways to dispose of equipment, and develop environmentally friendly businesses such as equipment ecological treatment and battery recycling.

INTRALOGISTICS EQUIPMENT AND PARTS SALES MARKET IN CHINA

Many market players in the intralogistics equipment lifecycle management solution market start with certain main business segments in the market, such as intralogistics equipment subscription services, or business in related industries, such as sales of intralogistics equipment and parts. After years of practice, these market players gradually evolve into intralogistics equipment lifecycle management solution providers. For example, market players in intralogistics equipment and parts sales market usually have close relationships with reputable equipment suppliers, and have first-hand knowledge of the market trends and customer needs, which help them cross-sell their other services.

According to the CIC, the market size of the intralogistics equipment and parts sales market in China reached RMB154.9 billion in 2022. With the further automation and intelligence of intralogistics equipment, the demand for intralogistics equipment will further expand. Driven by the growing domestic demand for intralogistics equipment from various industries, coupled with the continuous expansion of intralogistics equipment exports, the intralogistics equipment and parts sales market in China continues to maintain a growth trend, which is expected to reach RMB321.7 billion in 2027, growing at a CAGR of approximately 15.7% from 2022 to 2027.

LAWS AND REGULATIONS RELATING TO PROPERTY LEASE

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code"), which was approved by the National People's Congress (the "NPC") on 28 May 2020 and came into effect on 1 January 2021, a lease contract is a contract under which the lessor delivers to the lessee the leased object for the lessee to use or benefit therefrom, and the lessee pays the rent for the lease; with the consent of the lessor, the lessee may sublease the leased object to a third party; where the lessee subleases the leased object, the lease contract between the lessee and the lessor shall continue to be valid, and the lessee shall be liable to the lessor for any damage caused to the leased object by the third party.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY AND PROTECTION OF CONSUMERS' RIGHTS

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law") which was promulgated by the SCNPC on 22 February 1993 and last amended on 29 December 2018, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks, falsifying the place of origin of products, and falsifying or imitating the name or address of another factory or adulteration of, or mixing of improper elements with products, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (1) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license, and (2) criminal liabilities if the illegal activity constitutes crime.

LAWS AND REGULATIONS RELATING TO SPECIAL EQUIPMENT

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) (the "Special Equipment Safety Law") released by the SCNPC on 29 June 2013 and taking effect on 1 January 2014, production of special equipment includes design, manufacturing, installment, transform and repair of special equipment, and a licensing system is applied to the production of special equipment under the principle of categorized supervision and administration in the PRC. Special equipment producers, traders or users, as well as the primary persons in charge thereof, shall be responsible for the safety of special equipment produced, marketed or used by them. Special equipment producers, traders and users shall have special equipment safety management personnel, testing personnel and operating personnel according to the relevant state provisions, and provide necessary safety education and skill training for them. Special equipment users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate, and place the registration mark in a conspicuous position of the special equipment.

According to the Special Equipment Safety Law, an entity engaged in repair of special equipment shall meet the following conditions and be licensed by the department responsible for special equipment safety supervision and administration: (1) having professional technical personnel, (2) having equipment, facilities and work places as required by applicable laws and regulations, and (3) having sound quality assurance, safety management and job responsibility rules.

With respecting to leasing of special equipment, the Special Equipment Safety Law provides that special equipment leasing entities may not lease out any special equipment produced without a permit, any special equipment that has been officially phased out and scrapped by the state, or any special equipment not maintained according to the requirements of safety technical specifications or without undergoing inspection or failing to pass inspection. Special equipment leasing entities shall assume the obligations of managing the use of and maintaining special equipment during the leasing period, except as otherwise provided for by law or agreed on by the parties.

The Special Equipment Safety Law also sets out rules regarding inspection and testing of special equipment conducted by agencies. According to the Special Equipment Safety Law, an entity engaging in services with respect to inspection or testing of special equipment shall meet the following conditions and obtain approval from the department responsible for special equipment safety supervision and administration before conducting inspection or testing work: (1) having inspection or testing personnel required for the inspection or testing work; (2) having inspection or testing instruments and equipment required for the inspection or testing work; and (3) having sound inspection or testing management rules and accountability rules. The inspection or testing personnel shall obtain the license to conduct inspection or testing activities.

Pursuant to the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on 11 March 2003 with the latest amendment taking effect on 1 May 2009, an entity producing or using special equipment shall establish a sound management system and a post-specific responsibility system for safety and energy conservation of special equipment. An entity producing special equipment shall assume responsibility for the safety performance and energy efficiency index of special equipment, and shall not produce any special equipment that does not conform to the requirements on the safety performance or energy efficiency index, or any special equipment that is declared eliminated in the national industrial policies.

Pursuant to the Measures for Special Equipment Safety Supervisory Inspections (《特種設備安全監督檢查辦法》), which was promulgated by the SAMR on 26 May 2022 and took effect on 1 July 2022, special equipment safety supervisory inspections shall be classified into routine supervisory inspections, special supervisory inspections, post-licensing supervisory inspections and other supervisory inspections. Market regulatory departments shall, based on annual routine supervisory inspection plans, conduct routine supervisory inspections of special equipment production and relevant entities. Market regulatory departments shall conduct post-licensing supervisory inspections regarding whether the special equipment production and filling entities and inspection and testing institutions that have been licensed by them continuously meet licensing requirements and engage in licensed activities in accordance with applicable laws.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021, production and operation entities shall abide by the Production Safety Law of the PRC and other laws and regulations concerning work safety, and redouble their efforts to ensure work safety by setting up and perfecting the responsibility system for work safety of all employees and rules and regulations on work safety, increasing the input and guarantee of funds, materials, technologies, and personnel in terms of work safety, improving the conditions for work safety, strengthening the development of standards and adoption of information technologies for work safety, building a dual prevention mechanism of level-to-level safety risk management and control and hidden danger identification and management, and perfecting the risk prevention and resolution mechanism, to raise the work safety level and ensure work safety.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 and was last amended on 30 December 2022 and the "Notice by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods" (《海關總署企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) promulgated by the General Administration of Customs of the PRC on 3 January 2023, a consignee or consignor of imported or exported goods who applies for recordation shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

According to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987, and was last amended on 29 April 2021, unless otherwise stipulated, the declaration of import and export goods may be made by the consignees or the consignors, or the entrusted customs brokers. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods and the customs declaration enterprise shall file with the Customs in accordance with the law.

According to the Provisions on the Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), which was promulgated by the General Administration of Customs on 19 November 2021 and executed on 1 January 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise, as filed with the customs (hereinafter referred to as "a customs declaration entity") may undergo customs declaration within the customs territory of the PRC. Where a consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities.

LAWS AND REGULATIONS RELATING TO REAL ESTATES

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on 25 June 1986 with the latest amendment taking effect on 1 January 2020, the PRC applies a system of control over the purposes of use of land, including land for agriculture, land for construction and unused land. All units and individuals shall use land in strict compliance with the purposes of use defined in the overall plans for land utilization. Registration of the ownership and the right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration and the legally registered ownership and right to the use of land shall be protected by law and may not be infringed upon by any entities or individuals.

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (《城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council on 19 May 1990 with the latest amendment taking effect on 29 November 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on 24 November 2014 and amended on 24 March 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Natural Resources of the PRC on 1 January 2016 and amended on 24 July 2019, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and came into effect on 1 February 2011, the parties to premise leasing shall, within 30 days after the conclusion of the premise leasing contract, handle the premise leasing registration and filing formalities at the competent government authority, failing which the competent authority may order the parties concerned to register and file the lease in a prescribed period of time, and may impose fines of RMB1,000 or more and up to RMB10,000.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE CONTROL

Environment Impact Assessment

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》) (the "Construction Environmental Protection Rule"), promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on 28 October 2002 and amended on 2 July 2016 and 29 December 2018 respectively, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environmental impact report or environmental impact statement is formulated, the constructor shall conduct an acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

Completion and Acceptance

The Interim Measures for Acceptance of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) (the "Measures") was promulgated and implemented by the former Ministry of Environmental Protection (now the Ministry of Ecology and Environment) on 20 November 2017. The Measures regulates the procedures and standards for environmental protection independent acceptance by construction units upon the completion of construction projects.

Water Pollution and Pollutant Discharge

According to the Measures for the Administration of Pollution Discharge Permits (Trial) (《排污許可管理辦法(試行)》) which was promulgated by the Ministry of Ecology and Environment on 6 November 2017 and amended on 22 August 2019, the MEP shall lawfully formulate and issue the catalogue of classified management of pollutant discharge licenses for stationary pollution sources, and define the scope of stationary pollution sources included in pollutant discharge licensing management and the time limit for the application for pollutant discharge licenses. Enterprises, public institutions and other production operators (the "pollutant discharge entities") included in the catalogue of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit; and, it is temporarily unnecessary for pollutant discharge entities not included in the catalogue of classified management of pollutant discharge licences for stationary pollution sources to apply for a pollutant discharge license.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on 20 December 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

According to the PRC Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC on 30 October 1995 with the latest amendment taking effect on 1 September 2020, an entity engaged in the business activities of collecting, storing, utilizing or treating hazardous wastes shall apply for a permit in accordance with applicable laws and regulations; It shall be prohibited to provide or entrust hazardous wastes to an entity or any other producer or trader without a permit to engage in collection, storage, utilization, and treatment.

Fire Control

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "Fire Prevention Law") was adopted on 29 April 1998 and most recently amended on 29 April 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, where the housing and urban-rural development authority under the State Council requires that an application for fire protection final inspection of an as-built construction project should be filed, the construction entity shall file such an application with the housing and urban-rural development authority. For construction projects other than those specified in the preceding paragraph, the construction entity shall report for record to the housing and urban-rural development authority after final inspection, and the housing and urban-rural development authority shall conduct random inspection.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "Interim Provisions"), issued by the Ministry of Housing and Urban-Rural Development on 1 April 2020 and effective on 1 June 2020, special construction projects as defined under such Interim Provisions shall conduct fire protection design review and fire protection final inspection; construction projects other than such special construction projects shall fill protection design and acceptance of the project with competent authority.

LAWS AND REGULATIONS RELATING TO ADVERTISEMENT

Pursuant to the Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on 27 October 1994, and most recently amended and effective from 29 April 2021, advertisements shall not contain false statements or be deceitful or misleading to consumers.

Pursuant to the Measures for the Administration of Internet Advertising (《互聯網廣告管理辦法》) ("**the Administration of Internet Advertising**"), which was promulgated by the SAMR on 25 February 2023, and came into force on 1 May 2023, internet advertisements shall be authentic and lawful. Where any law or administrative regulation prohibits the production or sale of a product or the provision of a service or prohibits the advertising of a good or service, no entity or individual may design, produce, serve as an agent for, or publish any advertisement through the Internet. The Administration of Internet Advertising also provides that internet advertisement shall be identifiable, enabling consumers to identify it as an advertisement; for goods or services that appear resulting from paid listing, an advertisement publisher shall clearly indicate "advertisement" to clearly distinguish them from search engine optimization.

LAWS AND REGULATIONS RELATING TO ANTI-BRIBERY

According to the Anti-Unfair Competition Law (《反不正當競爭法》) promulgated by the SCNPC, as amended and effective as of 23 April 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the SAIC on 15 November 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or a competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

LAWS AND REGULATIONS RELATING TO CYBER SECURITY AND DATA SECURITY

Regulations Relating to Cyber Security

Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) on 28 December 2000 and amended on 27 August 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

On 13 December 2005, the Ministry of Public Security of the PRC (the "MPS") enacted the Provisions on Technical Measures of the Cyber Security Protection (《互聯網安全保護技術措施規定》) (the "Technical Measures of Cyber Security Protection"), effective as of 1 March 2006. The Technical Measures of Cyber Security Protection sets out several technical measures for the protection of cyber security, including (i) technical measures for preventing any matter or act that may harm the network security; (ii) measures for backing up any redundant disaster of key data base or major systematic equipment; (iii) Technical measures for recording and keeping the login and exit time of uses, advocate calls, accounts, internet web addresses or domain names and log files of system maintenance; and (iv) any other technical measures for the protection of internet security as prescribed by other laws, regulations or rules. According to the Technical Measures of Cyber Security Protection, the providers and entity uses of internet services shall be responsible for carrying out effective technical measures for the protection of cyber security and shall guarantee the functioning of the technical measures for the protection of cyber security.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC, or the Cyber Security Law (《網絡安全法》), which became effective on 1 June 2017. The Cyber Security Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》) which was jointly promulgated by the CAC and other twelve PRC regulatory authorities on 28 December 2021 and effective on 15 February 2022, (i) the purchase of cyber products and services by critical information infrastructure operators (the "CIIOs") and the network platform operators (the "Network Platform Operators") who engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, which is responsible for the implementation of cybersecurity review under the CAC and (ii) the Network Platform Operators possessing personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. Further, the relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine the cyber products or services, and data processing activities affect or may affect the national security.

Regulations Relating to Data Security

On 10 June 2021, the SCNPC promulgated the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》) (the "PRC Data Security Law"), which became effective on 1 September 2021. Pursuant to the PRC Data Security Law, data refers to any record of information in electronic or any other form and data processing, including but is not limited to, the collection, storage, use, processing, transmission, provision, and public disclosure of data. Industrial sector, telecommunications, transportation, finance, natural resources, health, education, science and technology, and other departments shall undertake the duty to supervise data security in their respective industries and fields. The PRC Data Security Law stipulates that each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by any illegal methods, and the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; and it shall not endanger national security, the public interest, or individuals' and organizations' lawful rights and interests.

On 8 December 2022, the MIIT published the Data Security Administration Measures in Industry and Information Technology (Interim) (《工業和信息化領域數據安全管理辦法(試行)》) (the "Industry and Information Technology Measures"), which took effect on January 1, 2023. The Industry and Information Technology Measures requires that industrial and telecom data processors shall manage the industrial and telecom data by three levels according to relevant regulations and shall apply certain administrative rules corresponding to its level during collecting, storing, using, processing, transferring, providing and publicizing such data.

On 7 July 2022, the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》) (the "Data Transmission Measures") was released by the CAC and became effective on 1 September 2022, which requires that any data processor providing important data collected and generated during operations within the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The Data Transmission Measures provides five circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information or important data collected and generated by operators of critical information infrastructure; (ii) where the data to be transferred to an overseas recipient contain important data; (iii) where a personal information processor that has processed personal information of more than one million people provides personal information overseas; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively; or (v) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

On 14 November 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review if its intended listing in Hong Kong affects or may affect national security. Furthermore, the Draft Data Security Regulations stipulate that data processors processing personal information of more than one million users shall be subject to the various requirements that apply to important data processors.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) which was amended by the SCNPC on 23 April 2019 and came into effect on 1 November 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which was adopted by the State Council on 3 August 2002 and amended on 29 April 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office under the State Administration for Industry and Commerce of the PRC (the China National Intellectual Property Administration has been established to undertake the duties of the Trademark Office in March 2018) handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. An application of registration renewal shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law"), promulgated by the SCNPC on 12 March 1984 and most recently amended on 17 October 2020 and taking effect on 1 June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the "Implementation Rules of the Patent Law"), the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely "inventions," "utility models" and "designs." Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years and fifteen years, respectively, in each case from the date of application. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on 7 September 1990 and last amended on 11 November 2020 and came into effect on 1 June 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002, and the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991 and amended on 30 January 2013 and taking effect on 1 March 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on 24 August 2017 and taking effect on 1 November 2017, establishing any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the MIIT or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply, first register." The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the MIIT on 27 November 2017 and taking effect on 1 January 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) issued by the SCNPC on 5 July 1994, most recently amended on 29 December 2018 and taking effect on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations, provide relevant training to its employees, prevent accidents in the process of work, and lessen occupational hazards.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) issued by the SCNPC on 29 June 2007, amended on 28 December 2012 and taking effect on 1 July 2013, requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee is to be no less than the local standard on minimum wages.

Regulations on Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) issued by the SCNPC on 28 October 2010, last amended on 29 December 2018 and taking effect on the same day, as well as other relevant provisions, an employee shall participate in five types of social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance. If the employer fails to fully contribute to social insurance funds on time, the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》) issued by the State Council on 3 April 1999, last revised on 24 March 2019 and taking effect on the same day, an employer must register with the competent managing center for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be ordered to make payment within a certain period, where the payment has not been made after the expiration of the time limit, an application may be made to the court for compulsory enforcement.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and was amended on 14 January 1997 and 5 August 2008 (the "Forex Regulations"). According to the Forex Regulations, international payments in foreign currencies and transfers of foreign currencies under current account, such as payments of dividends or interests, shall not be restricted. Foreign currency transactions under the capital account, such as direct investment and capital contributions, are still subject to restrictions and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the SAFE on 26 December 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conducts involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

On 9 June 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), the "Circular 16"), which came into effect on the same day. The Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted listed overseas proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated on 16 March 2007, became effective from 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, respectively, a domestic enterprise which is established within the PRC in accordance with the laws shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the state.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology of the PRC, the MOF and the SAT, are entitled to enjoy a preferential enterprise income tax rate of 15%. Under these measures, the validity period of the recognition as a high and new technology enterprise shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition before or after the previous certificate expires.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and amended on 5 November 2008, 6 February 2016 and 19 November 2017, respectively, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and SAT on 15 December 2008 and became effective on 1 January 2009 and was amended on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services.

On 4 April 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (the "Circular 32"), according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11%, respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions which are inconsistent with Circular 32.

Since 16 November 2011, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), the "VAT Pilot Plan"), which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013.

According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點實施辦法》) released by the MOF and the SAT on the VAT Pilot Program, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services.

The Notice on comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax (《關於做好全面推開營改增試點工作的通知》), which was promulgated on 29 April 2016, sets out that VAT in lieu of business tax be collected in all regions and industries.

On 20 March 2019, MOF, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which became effective on 1 April 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

FULL CIRCULATION OF H SHARES

"Full circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On 14 November 2019, the CSRC announced the Full-circulation Guidelines which allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation." To file an application for "full circulation," an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company." After the application for "full circulation" being approved by the CSRC, the H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the CSDC, of the shares related to the application has been completed.

On 31 December 2019, the CSDC and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business. The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, the CSDC has issued the Circular on Issuing the Guidelines to the Program for "Full Circulation" of H-shares in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd., or the CSDC HK, promulgated the Guidelines to the Program for Full Circulation of H-shares of China Securities Depository and Clearing (Hong Kong) Co., Ltd. (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》) to specify the relevant escrow, custody, agent service of CSDC HK, arrangement for settlement and delivery and other relevant matters.

REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and five relevant guidelines on 17 February 2023, which took effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering. Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.

On 24 February 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Provision on Confidentiality"), which took effect on 31 March 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State.

OVERVIEW

We are a leading intralogistics equipment lifecycle management solution provider in China, offering services featuring advanced IoT technology capability and strong digital transformation achievements. Focusing on intralogistics equipment subscription services, we strive to provide enterprises with one-stop solutions for intralogistics equipment utilization and management.

The origins of our Company can be traced back to the establishment of our Company in 2007 by Mr. Hou, our founder, chairman of the Board, executive Director and one of our Controlling Shareholders, together with his brother, Mr. Hou Zebing (侯澤兵), our executive Director, general manager and one of our Controlling Shareholders. For further information about Mr. Hou and Mr. Hou Zebing, please see "Directors, Supervisors and Senior Management – Board of Directors – Executive Directors" in this document.

BUSINESS DEVELOPMENT MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2007	Our Company was incorporated and we established our distribution channels for intralogistics equipment, and began the sales model of intralogistics equipment
2008	We promoted the digitalization research of components of intralogistics equipment, and began the digital application mode of intralogistics equipment parts
2013	We focused on promoting the construction of nationwide service outlets and established our intralogistics equipment service model for end users across the country
	We introduced Eastern Bell II as our Pre-[**REDACTED**] Investor
2015	We innovatively used the IoT and the new generation of information technology to commence our intralogistics equipment subscription business and created a full lifecycle solution model for our intralogistics equipment
2016	We introduced Dachen Chuanglian as our Pre-[**REDACTED**] Investor
	We upgraded our smart asset management system
	We have been qualified as "high and new technology enterprises" by the Department of Science and Technology of Guangdong Province (廣東省科學技術廳), the Guangdong Provincial Department of Finance (廣東省財政廳) and the relevant tax authorities
2017	The number of intralogistics equipment under our management exceeded 10,000

Year	Milestones
2020	We launched our wearable devices with multidimensional sensors to support us in realizing the visualization of services and promote the upgrading of our service model
2022	Our first nationwide supply chain base, headquartered in Hefei, was established and officially launched
2023	The number of intralogistics equipment under our management exceeded 40,000

OUR GROUP

As of the Latest Practicable Date, our Group comprised of our Company and our 13 subsidiaries. For details of our subsidiaries, see Note 1 to the Accountants' Report in Appendix I to this document.

We primarily operate our business through our Company and principal operating subsidiaries. As of the Latest Practicable Date, we had three principal operating entities, including our Company, Guangzhou Pengze and Anhui Folangsi, which made material contribution to our results of operation during the Track Record Period, the details of which are set forth below:

	Place of Incorporation	Date of Incorporation	Shareholding Change	Principal Business activities
Our Company	PRC	December 5, 2007	For details of the shareholding changes of our Company, see "– Corporate Development and Shareholding Changes of Our Company" in this section	The centralized management platform of our Group where we run our overall business operation
Guangzhou Pengze	PRC	March 19, 2010	A wholly-owned subsidiary of our Company since its incorporation	Sales of the intralogistics equipment and parts
Anhui Folangsi	PRC	August 17, 2018	A wholly-owned subsidiary of our Company since its incorporation	Operation of our nationwide supply chain base located in Hefei

CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of Our Company

Our Company was established in the PRC on December 5, 2007. Upon incorporation, the registered capital of our Company was RMB0.5 million, which was owned by Mr. Hou, Mr. Hou Zebing and Foshan Folangsi as to 40%, 40% and 20%, representing RMB0.2 million, RMB0.2 million and RMB0.1 million of the registered capital of our Company, respectively.

Subsequent Capital Changes and Equity Transfers

1. Equity Transfer in June 2009

On May 20, 2009, Mr. Hou, Mr. Hou Zebing and Foshan Folangsi entered into an equity transfer agreement, pursuant to which Foshan Folangsi transferred 10% and 10% equity interest in our Company to Mr. Hou and Mr. Hou Zebing at the consideration of RMB50,000 and RMB50,000, respectively.

Upon the completion of such equity transfers on June 23, 2009, our Company was owned as to 50% and 50% by Mr. Hou and Mr. Hou Zebing, respectively, with a registered capital of RMB0.5 million.

2. Capital Increase in November 2010

On November 3, 2010, Mr. Hou and Mr. Hou Zebing, being the then Shareholders of our Company, resolved to increase the registered capital of our Company from RMB0.5 million to RMB2.0 million. Mr. Hou and Mr. Hou Zebing agreed to contribute to the increased registered capital in proportion to their then respective equity interests of 50% and 50% in our Company and the capital increase of RMB1.5 million was completed on November 10, 2010.

3. Equity Transfer in August 2011

On August 14, 2011, Mr. Hou, Mr. Hou Zebing and Guangzhou Daze (our Employee Incentive Platform) entered into an equity transfer agreement, pursuant to which each of Mr. Hou and Mr. Hou Zebing transferred 14% equity interest (representing RMB280,000 of our then registered capital) to Guangzhou Daze at a consideration of RMB280,000. Guangzhou Daze is our Employee Incentive Platform, which is a limited partnership established in the PRC on August 16, 2011 whose sole general partner is Mr. Hou Zebing. For further details on Guangzhou Daze, please see the paragraph headed "– Employee Incentive Scheme" in this section.

Upon the completion of such equity transfers on August 22, 2011, our Company was owned as to 36%, 36% and 28% by Mr. Hou, Mr. Hou Zebing and Guangzhou Daze, respectively, with a registered capital of RMB2.0 million.

4. Capital Increase in November 2011

On November 10, 2011, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB2.0 million to RMB2.5 million. Shenzhen Xinyu Equity Investment Enterprise (Limited Partnership) (深圳鑫域股權投資企業(有限合夥)) ("**Shenzhen Xinyu**"), a Pre-[**REDACTED**] Investor, subscribed for the increased registered capital of RMB0.5 million, representing 20% equity interest in our Company upon completion of the capital increase, at the consideration of RMB15.0 million (the "**Nov-2011 Capital Increase**").

Upon the completion of such capital increase on November 24, 2011, our Company was owned as to 28.8%, 28.8%, 22.4% and 20.0% by Mr. Hou, Mr. Hou Zebing, Guangzhou Daze and Shenzhen Xinyu, respectively, with a registered capital of RMB2.5 million.

5. Capital Increase in October 2012

On September 16, 2012, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB2.5 million to RMB2,551,020. Ms. Zheng Ying (鄭穎), a Pre-[**REDACTED**] Investor, subscribed for the increased registered capital of RMB51,020, representing approximately 2.00% equity interest in our Company upon completion of the capital increase, at the consideration of RMB1.68 million (the "**Oct-2012 Capital Increase**").

Upon the completion of such capital increase on October 15, 2012, our Company was owned as to 28.22%, 28.22%, 21.95%, 19.60% and 2.00% by Mr. Hou, Mr. Hou Zebing, Guangzhou Daze, Shenzhen Xinyu and Ms. Zheng Ying, respectively, with a registered capital of RMB2,551,020.

6. Equity Transfer in June 2013

On May 20, 2013, Shenzhen Xinyu and Mr. Wang Jing (汪晶) entered into an equity transfer agreement, pursuant to which Shenzhen Xinyu transferred the registered capital of RMB0.1 million, representing approximately 3.92% equity interest, in our Company to Mr. Wang Jing, a Pre-[**REDACTED**] Investor, at the consideration of RMB3.0 million (the "**Jun-2013 Transfer**").

Upon the completion of such equity transfer on June 18, 2013, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	720,000	28.22
Mr. Hou Zebing	720,000	28.22
Guangzhou Daze	560,000	21.95
Shenzhen Xinyu	400,000	15.68
Mr. Wang Jing	100,000	3.92
Ms. Zheng Ying	51,020	2.00
Total	**2,551,020**	**100.00**

7. *Capital Increase in June 2013*

On June 8, 2013, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB2,551,020 to RMB2,869,860. Suzhou Eastern Bell II Investment Center (Limited Partnership) (蘇州鐘鼎創業二號投資中心(有限合夥)) ("**Eastern Bell II**"), a Pre-[**REDACTED**] Investor, subscribed for the increased registered capital of RMB318,840, representing approximately 11.11% equity interest in our Company upon completion of the capital increase, at the consideration of RMB30.0 million (the "**Jun-2013 Capital Increase**").

Upon the completion of such capital increase on June 27, 2013, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	720,000	25.09
Mr. Hou Zebing	720,000	25.09
Guangzhou Daze	560,000	19.51
Shenzhen Xinyu	400,000	13.94
Eastern Bell II	318,840	11.11
Mr. Wang Jing	100,000	3.48
Ms. Zheng Ying	51,020	1.78
Total	**2,869,860**	**100.00**

8. *Equity Transfer and Capital Increase in July 2014*

On May 15, 2014, each of Mr. Wang Jing, Ms. Zheng Ying and Mr. Hou Zebing entered into an equity transfer agreement with Eastern Bell II, pursuant to which (i) Mr. Wang Jing transferred registered capital of RMB50,000, representing approximately 1.74% equity interest, in our Company to Eastern Bell II at the consideration of RMB5,096,100; (ii) Ms. Zheng Ying transferred registered capital of RMB25,510, representing approximately 0.89% equity interest, in our Company to Eastern Bell II at the consideration of RMB2,600,000; and (iii) Mr. Hou Zebing transferred registered capital of RMB28,699, representing approximately 1.00% equity interest, in our Company to Eastern Bell II at the consideration of RMB2,925,000 (the "**Jul-2014 Transfer**").

On July 23, 2014, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB2,869,860 to RMB3,139,677. Eastern Bell II subscribed for the increased registered capital of RMB269,817, representing approximately 8.59% equity interest in our Company upon completion of the capital increase, at the consideration of RMB30.0 million (the "**Jul-2014 Capital Increase**").

Upon the completion of such equity transfers and capital increase on July 29, 2014, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	720,000	22.93
Mr. Hou Zebing	691,301	22.02
Eastern Bell II	692,866	22.07
Guangzhou Daze	560,000	17.84
Shenzhen Xinyu	400,000	12.74
Mr. Wang Jing	50,000	1.59
Ms. Zheng Ying	25,510	0.81
Total	**3,139,677**	**100.00**

9. Equity Transfer in March 2015

On October 22, 2014, Guangzhou Daze entered into an equity transfer agreement with each of Eastern Bell II and Shanghai Dingmin Investment Management Center (Limited Partnership) (上海鼎民投資管理中心(有限合夥)) ("**Shanghai Dingmin**"), pursuant to which Guangzhou Daze transferred registered capital of RMB62,794 and RMB12,559, representing approximately 2.00% and 0.40% equity interest, in our Company to Eastern Bell II and Shanghai Dingmin, each a Pre-[**REDACTED**] Investor, at the consideration of RMB6.40 million and RMB1.28 million, respectively (the "**Mar-2015 Transfer**").

Upon the completion of such equity transfers on March 4, 2015, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	720,000	22.93
Mr. Hou Zebing	691,301	22.02
Eastern Bell II	755,659	24.07
Guangzhou Daze	484,648	15.44
Shenzhen Xinyu	400,000	12.74
Mr. Wang Jing	50,000	15.93
Ms. Zheng Ying	25,510	0.81
Shanghai Dingmin	12,559	0.40
Total	**3,139,677**	**100.00**

10. Capital Increase in December 2015

On November 25, 2015, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB3,139,677 to RMB3,265,264. Shanghai Xingfu Venture Capital Management Center (Limited Partnership) (上海興富創業投資管理中心(有限合夥)) ("**Shanghai Xingfu**"), a Pre-[**REDACTED**] Investor, and Fujian Xinghe Equity Investment Limited Partnership (福建省興和股權投資有限合夥企業) ("**Fujian Xinghe**") subscribed for the increased registered capital of RMB94,190 and RMB31,397, representing approximately 2.88% and 0.96% equity interest in our Company upon completion of the capital increase, at the consideration of RMB15.0 million and RMB5.0 million, respectively (the "**Dec-2015 Capital Increase**").

Upon the completion of such capital increase on December 23, 2015, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	720,000	22.05
Mr. Hou Zebing	691,301	21.17
Eastern Bell II	755,659	23.14
Guangzhou Daze	484,648	14.84
Shenzhen Xinyu	400,000	12.25
Shanghai Xingfu	94,190	2.88
Mr. Wang Jing	50,000	1.53
Fujian Xinghe	31,397	0.96
Ms. Zheng Ying	25,510	0.78
Shanghai Dingmin	12,559	0.38
Total	**3,265,264**	**100.00**

11. Capital Increase in July 2016

On June 20, 2016, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB3,265,264 to RMB60,000,000. The increased registered capital of RMB56,734,736 was converted from the capital reserve of our Company, as a result, the registered capital of each Shareholder was increased in proportion to their then respective equity interest in our Company.

Upon the completion of such capital increase on July 12, 2016, the shareholding of our Company was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Hou	13,230,171	22.05
Mr. Hou Zebing	12,702,820	21.17
Eastern Bell II	13,885,413	23.14
Guangzhou Daze	8,905,522	14.84
Shenzhen Xinyu	7,350,094	12.25
Shanghai Xingfu	1,730,764	2.88
Mr. Wang Jing	918,762	1.53
Fujian Xinghe	576,927	0.96
Ms. Zheng Ying	468,752	0.78
Shanghai Dingmin	230,775	0.38
Total	**60,000,000**	**100.00**

12. Joint-Stock Reform in December 2016

Pursuant to the shareholders' resolutions on October 22, 2016 and the promoters' agreement dated October 22, 2016, the then existing Shareholders of our Company agreed to convert our Company into a joint stock limited liability company with a registered capital of RMB60,000,000. Pursuant to the promoters' agreement, the net asset value of our Company as of July 31, 2016 amounted to RMB105,603,841.01, of which (i) RMB60,000,000 was converted into 60,000,000 Shares of RMB1.0 par value each, which were subscribed by and issued to the then Shareholders of our Company in proportion to their respective equity interest in our Company; and (ii) the remaining amount of RMB45,603,841.01 was converted to capital reserve of our Company. Upon the completion of registration with the then Guangzhou Administration for Industry and Commerce (廣州市工商行政管理局) on November 25, 2016, our Company was converted into a joint stock company with limited liability and renamed as Folangsi Co., Ltd. (廣州佛朗斯股份有限公司).

Upon the completion of the joint-stock reform on November 25, 2016, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest** *(%)*
Mr. Hou	13,230,171	22.05
Mr. Hou Zebing	12,702,820	21.17
Eastern Bell II	13,885,413	23.14
Guangzhou Daze	8,905,522	14.84
Shenzhen Xinyu	7,350,094	12.25
Shanghai Xingfu	1,730,764	2.88
Mr. Wang Jing	918,762	1.53
Fujian Xinghe	576,927	0.96
Ms. Zheng Ying	468,752	0.78
Shanghai Dingmin	230,775	0.38
Total	**60,000,000**	**100.00**

13. Capital Increase in December 2016

On December 15, 2016, the then Shareholders of our Company resolved to increase the share capital of our Company from 60,000,000 Shares to 62,000,000 Shares with registered capital of our Company increased from RMB60,000,000 to RMB62,000,000. Suzhou Eastern Bell III Investment Center (Limited Partnership) (蘇州鐘鼎三號創業投資中心(有限合夥)) ("**Eastern Bell III**"), a Pre-[**REDACTED**] Investor, subscribed the increased share capital of 2,000,000 Shares, representing approximately 3.23% equity interest in our Company upon completion of the capital increase, at the consideration of RMB20.0 million (the "**Dec-2016 Capital Increase**").

Upon the completion of such capital increase on December 20, 2016, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest** *(%)*
Mr. Hou	13,230,171	21.34
Mr. Hou Zebing	12,702,820	20.49
Eastern Bell II	13,885,413	22.40
Guangzhou Daze	8,905,522	14.36
Shenzhen Xinyu	7,350,094	11.86
Eastern Bell III	2,000,000	3.23
Shanghai Xingfu	1,730,764	2.79
Mr. Wang Jing	918,762	1.48
Fujian Xinghe	576,927	0.93
Ms. Zheng Ying	468,752	0.76
Shanghai Dingmin	230,775	0.37
Total	**62,000,000**	**100.00**

14. Capital Increase in January 2017

On December 22, 2016, the then Shareholders of our Company resolved to increase the share capital of our Company from 62,000,000 Shares to 69,682,997 Shares with registered capital of our Company increased from RMB62,000,000 to RMB69,682,997. Shenzhen Dachen Chuanglian Equity Investment Fund Partnership (Limited Partnership) (深圳市達晨創聯股權投資基金合夥企業(有限合夥)) ("**Dachen Chuanglian**"), a Pre-[**REDACTED**] Investor, Zhuhai Qianheng Investment Management Co., Ltd. (珠海乾亨投資管理有限公司) ("**Zhuhai Qianheng**") and Shanghai Zezhen Investment Center (Limited Partnership) (上海澤禎投資中心(有限合夥)) ("**Shanghai Zezhen**"), a Pre-[**REDACTED**] Investor, subscribed for the additional 5,360,231 Shares, 1,786,743 Shares and 536,023 Shares, representing approximately 7.69%, 2.56% and 0.77% equity interest in our Company upon completion of the capital increase, at the considerations of RMB60.0 million, RMB20.0 million and RMB6.0 million, respectively (the "**Jan-2017 Capital Increase**").

Upon the completion of such capital increase on January 19, 2017, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest** *(%)*
Mr. Hou	13,230,171	18.99
Mr. Hou Zebing	12,702,820	18.23
Eastern Bell II	13,885,413	19.93
Guangzhou Daze	8,905,522	12.78
Shenzhen Xinyu	7,350,094	10.55
Dachen Chuanglian	5,360,231	7.69
Eastern Bell III	2,000,000	2.87
Shanghai Xingfu	1,730,764	2.48
Zhuhai Qianheng	1,786,743	2.56
Mr. Wang Jing	918,762	1.32
Fujian Xinghe	576,927	0.83
Shanghai Zezhen	536,023	0.77
Ms. Zheng Ying	468,752	0.67
Shanghai Dingmin	230,775	0.33
Total	**69,682,997**	**100.00**

15. Capital Increase in November 2017

On October 30, 2017, the then Shareholders of our Company resolved to increase the share capital of our Company from 69,682,997 Shares to 74,642,477 Shares with registered capital of our Company increased from RMB69,682,997 to RMB74,642,477. The five subscribers including AEON LIFE INSURANCE COMPANY, LTD. (百年人壽保險股份有限公司) ("**Aeon Life**"), Zhuhai Hengqin 01 Wotu No. 10 Investment Partnership (Limited Partnership) (珠海橫琴零壹沃土十號投資合夥企業(有限合夥)) ("**Wotu No. 10**"), Guangzhou Tianhe Zhongke No. 1 Venture Capital Fund Partnership (Limited Partnership) (廣州天河中科一號創業投資基金合夥企業(有限合夥)) ("**Zhongke No. 1**"), Guangdong Zhongke Baiyun Emerging Industry Venture Capital Fund Co., Ltd. (廣東中科白雲新興產業創業投資基金有限公司) ("**Zhongke Baiyun**") and Shanghai Longwin Jingjie Investment Partnership (Limited Partnership) (上海朗聞京玠投資合夥企業(有限合夥)) ("**Longwin Jingjie**"), each a Pre-[**REDACTED**] Investor, subscribed for the increased share capital of 4,959,480 Shares at a total consideration of RMB106,758,065 (the "**Nov-2017 Capital Increase**").

The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Number of Shares subscribed for**	**Consideration**	**Corresponding equity interest in our Company (upon completion of the capital increase and subscription)**
		(RMB)	*(%)*
Aeon Life	1,858,213	40,000,000	2.49
Wotu No.10	1,498,559	32,258,065	2.01
Zhongke No.1	673,602	14,500,000	0.90
Zhongke Baiyun	464,553	10,000,000	0.62
Longwin Jingjie	464,553	10,000,000	0.62
Total	**4,959,480**	**106,758,065**	**6.64**

Upon the completion of such capital increase on November 20, 2017, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest**
		(%)
Mr. Hou	13,230,171	17.72
Mr. Hou Zebing	12,702,820	17.02
Eastern Bell II	13,885,413	18.60
Guangzhou Daze	8,905,522	11.93
Shenzhen Xinyu	7,350,094	9.85
Dachen Chuanglian	5,360,231	7.18
Eastern Bell III	2,000,000	2.68
Aeon Life	1,858,213	2.49
Shanghai Xingfu	1,730,764	2.32
Zhuhai Qianheng	1,786,743	2.39
Wotu No. 10	1,498,559	2.01
Mr. Wang Jing	918,762	1.23
Zhongke No. 1	673,602	0.90
Fujian Xinghe	576,927	0.77
Shanghai Zezhen	536,023	0.72
Ms. Zheng Ying	468,752	0.63
Zhongke Baiyun	464,553	0.62
Longwin Jingjie	464,553	0.62
Shanghai Dingmin	230,775	0.31
Total	**74,642,477**	**100.00**

16. Equity Transfer in January 2018

On December 8, 2017, Ms. Zheng Ying, Guangzhou Daze and Jiaxing Dace Lejiehui Investment Partnership (Limited Partnership) (嘉興大策樂傑惠投資合夥企業(有限合夥)) ("**Jiaxing Dace**"), a Pre-[**REDACTED**] Investor, entered into an equity transfer agreement, pursuant to which Ms. Zheng Ying transferred 139,366 Shares and Guangzhou Daze transferred 812,968 Shares of our Company, representing approximately 0.19% and 1.09% equity interest in our Company, to Jiaxing Dace at the consideration of RMB3.0 million and RMB17.5 million, respectively (the "**Jan-2018 Transfer**").

Upon the completion of such equity transfers on January 2, 2018, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest** *(%)*
Mr. Hou	13,230,171	17.72
Mr. Hou Zebing	12,702,820	17.02
Eastern Bell II	13,885,413	18.60
Guangzhou Daze	8,092,554	10.84
Shenzhen Xinyu	7,350,094	9.85
Dachen Chuanglian	5,360,231	7.18
Eastern Bell III	2,000,000	2.68
Aeon Life	1,858,213	2.49
Shanghai Xingfu	1,730,764	2.32
Zhuhai Qianheng	1,786,743	2.39
Wotu No. 10	1,498,559	2.01
Jiaxing Dace	952,334	1.28
Mr. Wang Jing	918,762	1.23
Zhongke No. 1	673,602	0.90
Fujian Xinghe	576,927	0.77
Shanghai Zezhen	536,023	0.72
Zhongke Baiyun	464,553	0.62
Longwin Jingjie	464,553	0.62
Ms. Zheng Ying	329,386	0.44
Shanghai Dingmin	230,775	0.31
Total	**74,642,477**	**100.00**

17. Equity Transfer in June 2018

On February 20, 2018, Shenzhen Xinyu and Mr. Yang Tao (楊濤), a Pre-[**REDACTED**] Investor, entered into an equity transfer agreement, pursuant to which Shenzhen Xinyu transferred 1,411,100 Shares of our Company, representing approximately 1.89% equity interest in our Company, to Mr. Yang Tao at the consideration of RMB30,375,338.6 (the "**Jun-2018 Transfer**").

Upon the completion of such equity transfer on June 27, 2018, the shareholding of our Company was as follows:

Shareholders	Number of Shares	Equity interest (%)
Mr. Hou	13,230,171	17.72
Mr. Hou Zebing	12,702,820	17.02
Eastern Bell II	13,885,413	18.60
Guangzhou Daze	8,092,554	10.84
Shenzhen Xinyu	5,938,994	7.96
Dachen Chuanglian	5,360,231	7.18
Eastern Bell III	2,000,000	2.68
Aeon Life	1,858,213	2.49
Shanghai Xingfu	1,730,764	2.32
Zhuhai Qianheng	1,786,743	2.39
Wotu No. 10	1,498,559	2.01
Mr. Yang Tao	1,411,100	1.89
Jiaxing Dace	952,334	1.28
Mr. Wang Jing	918,762	1.23
Zhongke No. 1	673,602	0.90
Fujian Xinghe	576,927	0.77
Shanghai Zezhen	536,023	0.72
Zhongke Baiyun	464,553	0.62
Longwin Jingjie	464,553	0.62
Ms. Zheng Ying	329,386	0.44
Shanghai Dingmin	230,775	0.31
Total	**74,642,477**	**100.00**

18. Capital Increase in September 2018

On August 10, 2018, the then Shareholders of our Company resolved to increase the share capital of our Company from 74,642,477 Shares to 80,484,062 Shares with registered capital of our Company increased from RMB74,642,477 to RMB80,484,062. Shenzhen Dachen Chuangtong Equity Investment Enterprise (Limited Partnership) (深圳市達晨創通股權投資企業(有限合夥)) ("**Dachen Chuangtong**") and Xiamen Lantu Tianxing Investment L.P. (廈門藍圖天興投資合夥企業(有限合夥)) ("**Lantu Tianxing**"), each a Pre-[**REDACTED**] Investor, subscribed for the increased share capital of 4,867,988 Shares and 973,597 Shares, representing approximately 6.05% and 1.21% equity interest in our Company upon completion of the capital increase, at the considerations of RMB150.0 million and RMB30.0 million, respectively (the "**Sep-2018 Capital Increase**").

Upon the completion of such capital increase on September 19, 2018, the shareholding of our Company was as follows:

Shareholders	Number of Shares	Equity interest (%)
Mr. Hou	13,230,171	16.44
Mr. Hou Zebing	12,702,820	15.78
Eastern Bell II	13,885,413	17.25
Guangzhou Daze	8,092,554	10.05
Shenzhen Xinyu	5,938,994	7.38
Dachen Chuanglian	5,360,231	6.66
Dachen Chuangtong	4,867,988	6.05
Eastern Bell III	2,000,000	2.49
Aeon Life	1,858,213	2.31
Shanghai Xingfu	1,730,764	2.15
Zhuhai Qianheng	1,786,743	2.22
Wotu No. 10	1,498,559	1.86
Mr. Yang Tao	1,411,100	1.75
Lantu Tianxing	973,597	1.21
Jiaxing Dace	952,334	1.18
Mr. Wang Jing	918,762	1.14
Zhongke No. 1	673,602	0.84
Fujian Xinghe	576,927	0.72
Shanghai Zezhen	536,023	0.67
Zhongke Baiyun	464,553	0.58
Longwin Jingjie	464,553	0.58
Ms. Zheng Ying	329,386	0.41
Shanghai Dingmin	230,775	0.29
Total	**80,484,062**	**100.00**

19. Equity Transfer and Capital Increase in November 2021

On July 22, 2021, Shenzhen Xinyu and TZGF Assets Management Co.Ltd. (天澤吉富資產管理有限公司) ("**TZGF**") entered into an equity transfer agreement, pursuant to which Shenzhen Xinyu transferred 300,000 Shares of our Company, representing approximately 0.37% equity interest in our Company, to TZGF, a Pre-[**REDACTED**] Investor, at the consideration of RMB9.0 million (the "**Nov-2021 Transfer**").

On August 24, 2021, the then Shareholders of our Company resolved to increase the share capital of our Company from 80,484,062 Shares to 83,971,704 Shares with registered capital of our Company increased from RMB80,484,062 to RMB83,971,704. The six subscribers including, Guangzhou Huangpu Digital Economy Industry Investment Fund Partnership (Limited Partnership) (廣州黃埔數字經濟產業投資基金合夥企業(有限合夥)) ("**Huangpu Digital**"), Jiaxing Yongzhong Equity Investment Partnership (Limited Partnership) (嘉興永忠股權投資合夥企業(有限合夥)) ("**Jiaxing Yongzhong**"), Jiaxing Tengyin Equity Investment Partnership (Limited Partnership) (嘉興騰寅股權投資合夥企業(有限合夥)) ("**Jiaxing Tengyin**"), Changzhou Yongyuan Venture Capital Partnership (Limited Partnership) (常州永元創業投資合夥企業(有限合夥)) ("**Changzhou Yongyuan**"), Jiaxing Yongli Equity Investment Partnership (Limited Partnership) (嘉興永禮股權投資合夥企業(有限合夥)) ("**Jiaxing Yongli**") and Changzhou Yongcai Venture Capital Partnership (Limited Partnership) (常州永才創業投資合夥企業(有限合夥)) ("**Changzhou Yongcai**"), each a Pre-[**REDACTED**] Investor, subscribed the increased share capital of 3,487,642 Shares at a total consideration of RMB130.0 million (the "**Nov-2021 Capital Increase**").

The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Number of Shares subscribed for**	**Consideration**	**Corresponding equity interest in our Company (upon completion of the capital increase)**
		(RMB)	*(%)*
Huangpu Digital	482,904	18,000,000	0.58
Jiaxing Yongzhong	858,497	32,000,000	1.02
Jiaxing Tengyin	348,764	13,000,000	0.42
Changzhou Yongyuan	536,560	20,000,000	0.64
Jiaxing Yongli	321,936	12,000,000	0.38
Changzhou Yongcai	938,981	35,000,000	1.12
Total	**3,487,642**	**130,000,000**	**4.15**

Upon the completion of such equity transfer and capital increase on November 9, 2021, the shareholding of our Company was as follows:

Shareholders	**Number of Shares**	**Equity interest**
		(%)
Mr. Hou	13,230,171	15.76
Mr. Hou Zebing	12,702,820	15.13
Eastern Bell II	13,885,413	16.54
Guangzhou Daze	8,092,554	9.64
Shenzhen Xinyu	5,638,994	6.72
Dachen Chuanglian	5,360,231	6.38
Dachen Chuangtong	4,867,988	5.80
Eastern Bell III	2,000,000	2.38
Aeon Life	1,858,213	2.21
GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司) ("**GF Qianhe**")(1)	1,786,743	2.13
Shanghai Xingfu	1,730,764	2.06
Wotu No. 10	1,498,559	1.78
Mr. Yang Tao	1,411,100	1.68
Jiaxing Dace	952,334	1.13
Lantu Tianxing	973,597	1.16
Mr. Wang Jing	918,762	1.09
Changzhou Yongcai	938,981	1.12
Jiaxing Yongzhong	858,497	1.02
Zhongke No. 1	673,602	0.80
Fujian Xinghe	576,927	0.69
Changzhou Yongyuan	536,560	0.64

Shareholders	Number of Shares	Equity interest *(%)*
Shanghai Zezhen	536,023	0.64
Huangpu Digital	482,904	0.58
Zhongke Baiyun	464,553	0.55
Longwin Jingjie	464,553	0.55
Jiaxing Tengyin	348,764	0.42
Ms. Zheng Ying	329,386	0.39
Jiaxing Yongli	321,936	0.38
TZGF	300,000	0.36
Shanghai Dingmin	230,775	0.27
Total	**83,971,704**	**100.00**

Note:

1. On August 2, 2019, Zhuhai Qianheng and GF Qianhe entered into a merger agreement, pursuant to which Zhuhai Qianheng was absorbed and merged by GF Qianhe. As a result, GF Qianhe became one of our Shareholders.

20. Equity Transfer in July 2022

On December 31, 2021, Fujian Xinghe and Fuzhou Xinghe Yuanjing Equity Investment Partnership (Limited Partnership) (福州市興禾遠景股權投資合夥企業(有限合夥)) ("**Xinghe Yuanjing**"), a Pre-[**REDACTED**] Investor, entered into an equity transfer agreement, pursuant to which Fujian Xinghe transferred 576,927 Shares of our Company, representing approximately 0.69% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB18,461,664.

On December 31, 2021, Shanghai Xingfu and Xinghe Yuanjing entered into an equity transfer agreement, pursuant to which Shanghai Xingfu transferred 630,000 Shares of our Company, representing approximately 0.75% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB20,160,000.

On May 20, 2022, Xinghe Yuanjing, Guangzhou Daze, Wotu No. 10, Zhongke No. 1 and Zhongke Baiyun entered into an equity transfer agreement, pursuant to which (i) Guangzhou Daze transferred 317,500 Shares of our Company, representing approximately 0.38% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB10,160,000; (ii) Wotu No. 10 transferred 177,608 Shares of our Company, representing approximately 0.21% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB5,683,456; (iii) Zhongke No. 1 transferred 79,834 Shares of our Company, representing approximately 0.10% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB2,554,688; and (iv) Zhongke Baiyun transferred 55,058 Shares of our Company, representing approximately 0.07% equity interest in our Company, to Xinghe Yuanjing at the consideration of RMB1,761,856 (collectively, the "**Jul-2022 Transfer**").

Upon the completion of such equity transfers on July 11, 2022, Fujian Xinghe ceased to be our Shareholder and the shareholding of our Company was as follows:

Shareholders	Number of Shares	Equity interest *(%)*
Mr. Hou	13,230,171	15.76
Mr. Hou Zebing	12,702,820	15.13
Eastern Bell II	13,885,413	16.54
Guangzhou Daze	7,775,054	9.26
Shenzhen Xinyu	5,638,994	6.72
Dachen Chuanglian	5,360,231	6.38
Dachen Chuangtong	4,867,988	5.80
Eastern Bell III	2,000,000	2.38
Aeon Life	1,858,213	2.21
Xinghe Yuanjing	1,836,927	2.19
GF Qianhe	1,786,743	2.13
Mr. Yang Tao	1,411,100	1.68
Wotu No. 10	1,320,951	1.57
Shanghai Xingfu	1,100,764	1.31
Lantu Tianxing	973,597	1.16
Jiaxing Dace	952,334	1.13
Mr. Wang Jing	918,762	1.09
Changzhou Yongcai	938,981	1.12
Jiaxing Yongzhong	858,497	1.02
Zhongke No. 1	593,768	0.71
Changzhou Yongyuan	536,560	0.64
Shanghai Zezhen	536,023	0.64
Huangpu Digital	482,904	0.58
Longwin Jingjie	464,553	0.55
Zhongke Baiyun	409,495	0.49
Jiaxing Tengyin	348,764	0.42
Ms. Zheng Ying	329,386	0.39
Jiaxing Yongli	321,936	0.38
TZGF	300,000	0.36
Shanghai Dingmin	230,775	0.27
Total	**83,971,704**	**100.00**

EMPLOYEE INCENTIVE SCHEME

In recognition of the contributions of our employees and to incentivize them to further promote our development, pursuant to the employee incentive scheme approved and adopted by our Shareholders' meeting on June 16, 2012 (the "**Employee Incentive Scheme**"), Guangzhou Daze was established in the PRC as our Employee Incentive Platform.

Guangzhou Daze was established in the PRC as a limited partnership on August 16, 2011. Mr. Hou Zebing is the sole general partner of Guangzhou Daze. Thus, in effect, all management powers and voting rights of the Employee Incentive Platform reside with Mr. Hou Zebing. Our Shareholders have discretion over the approval of the Employee Incentive Scheme and our Board is responsible for the execution of Employee Incentive Scheme. As of the Latest Practicable Date, Guangzhou Daze had 47 limited partners of which 44 are grantees including, Mr. Hou (an executive Director and chairman of our Board), Mr. Qian Xiaoxuan (錢曉軒) (an executive Director and deputy general manager of our Company), Ms. Ma Li (馬麗) (an executive Director and secretary of our Board), Ms. Li Xiaolan (李小蘭) (a Supervisor of our Company, chairman of the Supervisory Committee and director of procurement center of our Company), Mr. He Xiaocheng (賀小成) (a Supervisor and director of asset center of our Company), Mr. Zhou Limin (周利民) (deputy general manager of our Company), Mr. Yang Qingyuan (楊慶元) (deputy general manager of our Company), Mr. Pan Fei (潘菲) (the chief financial officer of our Company), 33 existing employees of our Company, one retired employee and two former employees of our Company. The remaining three limited partners of Guangzhou Daze include (i) Ms. Wu Aihua (吳愛華) who was the then shareholder of Changchun Guanting Machinery Co., Ltd. (長春冠廷機械有限公司) ("**Changchun Guanting**") and became a limited partner of Guangzhou Daze after Guangzhou Pengze acquired Changchun Guanting in August 2012. Subsequently, Changchuan Guanting was deregistered by our Company in December 18, 2019; (ii) Mr. Yao Daqi (姚大齊) who was the then beneficial owner of Shanghai Zhenhao Equipment Leasing Co., Ltd. (上海楨灝設備租賃有限公司) ("**Shanghai Zhenhao**") and became a limited partner of Guangzhou Daze after the Company acquired certain assets of Shanghai Zhenhao in August 2018; and (iii) Mr. Li Changlin (李長麟), who is a friend of Mr. Hou and Mr. Hou Zebing, who expressed his interest in being a limited partner of Guangzhou Daze and became a limited partner of Guangzhou Daze in November 2015.

As of the Latest Practicable Date, the awards under the Employee Incentive Scheme has been fully granted and vested.

PRE-[REDACTED] INVESTMENTS

Overview

During the period from November 2011 to July 2022, our Company obtained multiple rounds of investments, including Nov-2011 Capital Increase, Oct-2012 Capital Increase, Jun-2013 Transfer, Jun-2013 Capital Increase, Jul-2014 Transfer, Jul-2014 Capital Increase, Mar-2015 Transfer, Dec-2015 Capital Increase, Dec-2016 Capital Increase, Jan-2017 Capital Increase, Nov-2017 Capital Increase, Jan-2018 Transfer, Jun-2018 Transfer, Sep-2018 Capital Increase, Nov-2021 Transfer, Nov-2021 Capital Increase and Jul-2022 Transfer, from the Pre-[**REDACTED**] Investors through subscriptions for increased registered capital of our Company and/or through transfers by the then shareholders of our Company. For further details, see the subsection headed "– Corporate Development and Shareholding Changes of Our Company – Subsequent Capital Changes and Equity Transfers" in this section.

Principal Terms of the Pre-[REDACTED] Investments

The following table[1] summarizes the key terms of the Pre-[**REDACTED**] Investments to our Company made by the Pre-[**REDACTED**] Investors:

	Nov-2011 Capital Increase	**Oct-2012 Capital Increase**	**Jun-2013 Capital Increase**	**Jul-2014 Capital Increase**	**Dec-2015 Capital Increase**	**Dec-2016 Capital Increase**	**Jan-2017 Capital Increase**	**Nov-2017 Capital Increase**	**Sep-2018 Capital Increase**	**Nov-2021 Capital Increase**
Amount of consideration paid (RMB)	15,000,000	1,680,000	30,000,000	30,000,000	20,000,000	20,000,000	86,000,000	106,758,065	180,000,000	130,000,000
Date of payment of full consideration	November 17, 2011	September 26, 2012	June 21, 2013	June 13, 2014	December 4, 2015	December 26, 2016	December 29, 2016	November 23, 2017	October 16, 2018	November 5, 2021
Post-money valuation of our Company (RMB) *(approximation)*	75 million	84 million	270 million	349 million	520 million	620 million	780 million	1,607 million[3]	2,480 million	3,130 million
Date of agreements	September 3, 2011	September 16, 2012	June 11, 2013	June 5, 2014	November 20, 2015	December 16, 2016	December 25, 2016	November 15, 2017	August 25, 2018	August 5, 2021
Cost per Share paid under the Pre-[**REDACTED**] Investments (RMB) *(approximation)*	0.41	0.45	1.28	1.51	2.17	2.50	2.80	5.38	7.70	9.32
Discount to the [**REDACTED**] *(approximation)*[2]	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%

Basis of determination of the valuation and consideration	The valuation and consideration for each round of the Pre-[**REDACTED**] Investments were determined based on arm's length negotiations between our Company and the Pre-[**REDACTED**] Investors after taking into consideration the timing of the investments and the business, operations and status of our business and operating entities.
Lock-up period	Pursuant to the applicable PRC law, all existing Shareholders (including the Pre-[**REDACTED**] Investors) could not dispose of any of the Shares held by them within 12 months following the [**REDACTED**].
Use of [**REDACTED**] from the Pre-[**REDACTED**] Investments	We utilized the [**REDACTED**] from the Pre-[**REDACTED**] Investments for the principal business of our Company, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, 100% of the net [**REDACTED**] from the Pre-[**REDACTED**] Investments paid to our Company had been utilized.
Strategic benefits to our Company brought by the Pre-[**REDACTED**] Investors	At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional funds provided by the Pre-[**REDACTED**] Investors' investments in our Company and the knowledge and experience of the Pre-[**REDACTED**] Investors.

Notes:

(1) The Jun-2013 Transfer is not included in the above table since the RMB3.0 million, being the amount of consideration, was paid to Shenzhen Xinyu instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Jun-2013 Transfer was approximately RMB0.41 with the post-money valuation of our Company was approximately RMB77 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Jun-2013 Transfer is approximately [**REDACTED**]%. For details of the Jun-2013 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 6. Equity Transfer in June 2013" in this section.

The Jul-2014 Transfer is not included in the above table since the RMB10,621,100, being the amount of consideration, was paid to Mr. Wang Jing, Ms. Zheng Ying and Mr. Hou Zebing instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Jul-2014 Transfer was approximately RMB1.39 with the post-money valuation of our Company was approximately RMB349 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Jul-2014 Transfer is approximately [**REDACTED**]%. For details of the Jul-2014 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 8. Equity Transfer and Capital Increase in July 2014" in this section.

The Mar-2015 Transfer is not included in the above table since the RMB7.68 million, being the amount of consideration, was paid to Guangzhou Daze instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Mar-2015 Transfer was approximately RMB1.39 with the post-money valuation of our Company was approximately RMB349 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Mar-2015 Transfer is approximately [**REDACTED**]%. For details of the Mar-2015 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 9. Equity Transfer in March 2015" in this section.

The Jan-2018 Transfer is not included in the above table since the RMB20.5 million, being the amount of consideration, was paid to Guangzhou Daze and Ms. Zheng Ying instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Jan-2018 Transfer was approximately RMB5.38 with the post-money valuation of our Company was approximately RMB1,607 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Jan-2018 Transfer is approximately [**REDACTED**]%. For details of the Jan-2018 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 16. Equity Transfer in January 2018" in this section.

The Jun-2018 Transfer is not included in the above table since the RMB30,375,338.6, being the amount of consideration, was paid to Shenzhen Xinyu instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Jun-2018 Transfer was approximately RMB5.38 with the post-money valuation of our Company was approximately RMB1,607 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Jun-2018 Transfer is approximately [**REDACTED**]%. For details of the Jun-2018 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 17. Equity Transfer in June 2018" in this section.

The Nov-2021 Transfer is not included in the above table since the RMB9.0 million, being the amount of consideration, was paid to Shenzhen Xinyu instead of our Company by the Pre-[**REDACTED**] Investor. The cost per Share of the Nov-2021 Transfer was approximately RMB7.5 with the post-money valuation of our Company was approximately RMB2,519 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Nov-2021 Transfer is approximately [**REDACTED**]%. For details of the Nov-2021 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 19. Equity Transfer and Capital Increase in November 2021" in this section.

The Jul-2022 Transfer is not included in the above table since the RMB58,781,664, being the amount of consideration, was paid to Fujian Xinghe, Shanghai Xingfu, Guangzhou Daze, Wotu No. 10, Zhongke No. 1 and Zhongke Baiyun instead of our Company by the Pre-[**REDACTED**] Investors. The cost per Share of the Jul-2022 Transfer was approximately RMB8.00 with the post-money valuation of our Company was approximately RMB2,687 million. Based on the indicative price of HK$[**REDACTED**] (being the mid-point of the proposed range of the [**REDACTED**] as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971, the discount of the [**REDACTED**] of the Jul-2022 Transfer is approximately [**REDACTED**]%. For details of the Jul-2022 Transfer, please see "– Corporate Development and Shareholding Changes of our Company – Subsequent Capital Changes and Equity Transfers – 20. Equity Transfer in July 2022" in this section.

(2) The discount is based on the indicative price of HK$[**REDACTED**] (being the mid-point of the indicative [**REDACTED**] of as stated in this document) and the indicative exchange rate of HK$1.00=RMB0.8971.

(3) The post-money valuation of our Company increased after Jan-2017 Capital Increase was primarily due to (i) the continuous expansion of our business scale benefit from our upgrade of operation information analysis system and (ii) establishment of our market position as an intralogistics equipment lifecycle management solution provider.

Pre-[REDACTED] Investors' Rights

Pursuant to the capital increase agreements during the Pre-[**REDACTED**] Investments, the Pre-[**REDACTED**] Investors had been granted certain special rights, including, among others, pre-emptive right, right of first refusal and co-sale, anti-dilution right, preferred dividend right and veto right. Pursuant to the special rights termination agreements dated October 28, 2019 and April 12, 2023 entered into and among relevant Shareholders and as confirmed by our Directors, all special rights entitled to the Pre-[**REDACTED**] Investors either ceased to be effective since June 27, 2019, being the date on which the Shanghai Stock Exchange accepted our [**REDACTED**] or having been *void ab initio* as agreed among relevant Shareholders.

Information About the Pre-[REDACTED] Investors

The background information of our Pre-[**REDACTED**] Investors is set out below.

Eastern Bell II, Eastern Bell III and Shanghai Dingmin	Each of Eastern Bell II and Eastern Bell III is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Dingxiao Enterprise Management Consulting Center (Limited Partnership) (上海鼎蕭企業管理諮詢中心(有限合夥)), whose general partner is Shanghai Dingman Enterprise Management Co., Ltd. (上海鼎蔓企業管理有限公司), which in turn is ultimately controlled by Mr. Yan Li (嚴力). Shanghai Dingmin is a limited partnership established under the laws of the PRC, whose partnership interest is owned as to 99% by Ningbo Eastern Bell Lilong Investment Management Center (Limited Partnership) (寧波鐘鼎力隴投資管理中心(有限合夥)) ("**Eastern Bell Lilong**"). The general partner of Eastern Bell Lilong is ultimately controlled by Mr. Yan Li. Since Eastern Bell II is a substantial Shareholder, each of Eastern Bell II, Eastern Bell III and Shanghai Dingmin is ultimately controlled by Mr. Yan Li. Upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Yan Li would control approximately [**REDACTED**]% voting right of our Company and become a substantial Shareholder of our Company. As a result, each of Eastern Bell II, Eastern Bell III and Shanghai Dingmin is a Connected Person. For further details, please see the section headed "Substantial Shareholders" in this document.

Dachen Chuanglian and Dachen Chuangtong	Each of Dachen Chuanglian and Dachen Chuangtong is a limited partnership established under the laws of the PRC, the general partner of which is Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司). To the best knowledge of our Directors, each of Dachen Chuanglian and Dachen Chuangtong is an Independent Third Party. For further details, please see the section headed "Substantial Shareholders" in this document.
Huangpu Digital, Jiaxing Yongzhong, Changzhou Yongyuan, Jiaxing Yongli and Changzhou Yongcai	Each of Huangpu Digital, Jiaxing Yongzhong, Changzhou Yongyuan, Jiaxing Yongli and Changzhou Yongcai is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Yongping Private Equity Fund Management Partnership (Limited Partnership) (上海湧平私募基金管理合夥企業(有限合夥)) ("**Shanghai Yongping**"). The general partner of Shanghai Yongping is Shanghai Hengjiu Financial Consulting Partnership (Limited Partnership) (上海衡玖財務諮詢合夥企業(有限合夥)) ("**Shanghai Hengjiu**") with 60% partnership interest of Shanghai Yongping, and Shanghai Hengjiu is ultimately controlled by Mr. Zhou Bin (周彬). To the best knowledge of our Directors, each of Huangpu Digital, Jiaxing Yongzhong, Changzhou Yongyuan, Jiaxing Yongli and Changzhou Yongcai is an Independent Third Party.
Zhongke No. 1 and Zhongke Baiyun	Zhongke No. 1 is a limited partnership established under the laws of the PRC, the general partner of which is Guangdong Zhongke Kechuang Venture Capital Management Co., Ltd. (廣東中科科創創業投資管理有限責任公司) whose approximately 92.50% equity interest is owned by China Science and Merchants Capital Management Group Co., Ltd. (中科招商投資管理集團股份有限公司) which in turn is ultimately controlled by Mr. Shan Xiangshuang (單詳雙).

Zhongke Baiyun is a company with limited liability established under the laws of the PRC and was owned as to 45.00%, 16.25%, 15.00%, 10.00%, 10.00% and 3.75% by Zhongshan Bangzhi Enterprise Management Consulting Co., Ltd. (中山市邦智企業管理諮詢有限公司), Guangdong Airport Management Group Co., Ltd. (廣東省機場管理集團有限公司), Tianjin Bangze Investment Co., Ltd. (天津邦澤投資有限公司), Guangdong Zhongke Kechuang Venture Capital Management Co., Ltd. (廣東中科科創創業投資管理有限責任公司), Guangzhou Panyu Information Technology Investment Development Co., Ltd. (廣州市番禺信息技術投資發展有限公司) and Mr. Ye Delin (葉德林), respectively. To the best knowledge of our Directors, each of Zhongke No. 1 and Zhongke Baiyun is an Independent Third Party.

Mr. Wang Jing and Shenzhen Xinyu

Shenzhen Xinyu is a limited partnership established under the laws of the PRC, the general partner of which is Mr. Zhang Gaozhao (張高照). Mr. Wang Jing is a nephew-in-law of Mr. Zhang Gaozhao. To the best knowledge of our Directors, each of Mr. Wang Jing and Shenzhen Xinyu is an Independent Third Party.

Aeon Life

Aeon Life is a joint stock company with limited liability established under the laws of the PRC. Aeon Life is owned by 17 shareholders with the largest shareholder named Dalian Wanda Group Co., Ltd. (大連萬達集團股份有限公司) with shareholding of approximately 11.55%. To the best knowledge of our Directors, Aeon Life is an Independent Third Party.

Xinghe Yuanjing

Xinghe Yuanjing is a limited partnership established under the laws of the PRC, the general partner of which is Fujian Xinghe Wealth Management Co., Ltd. (福建興和財富管理有限公司). To the best knowledge of our Directors, Xinghe Yuanjing is an Independent Third Party.

GF Qianhe	GF Qianhe is a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of GF Securities Co., Ltd. (廣發證券股份有限公司), a listed company on the Stock Exchange (stock code: 1776.HK) and Shenzhen Stock Exchange (stock code: 000776.SZ). To the best knowledge of our Directors, GF Qianhe is an Independent Third Party.
Mr. Yang Tao	Mr. Yang Tao is an individual investor and an Independent Third Party, who has also made investments in a series of other companies, such as, Dongtai Qiheng Pharmaceutical Partnership (Limited Partnership) (東台市啟恒醫藥合夥企業(有限合夥)), Xinjiang Baihe Yongsheng Equity Investment Partnership (Limited Partnership) (新疆百合永生股權投資合夥企業(有限合夥)) and Anhui Huizhifu Venture Capital Co., Ltd. (安徽匯智富創業投資有限公司), etc.
Wotu No. 10	Wotu No.10 is a limited partnership established under the laws of the PRC, the general partner of which is Zhuhai Hengqin Greater Bay Area Investment Management Co., Ltd. (珠海橫琴灣區零壹投資管理有限公司). To the best knowledge of our Directors, Wotu No. 10 is an Independent Third Party.
Shanghai Xingfu	Shanghai Xingfu is a limited partnership established under the laws of the PRC, the general partner of which is Xingfu Investment Management Co., Ltd. (興富投資管理有限公司). To the best knowledge of our Directors, Shanghai Xingfu is an Independent Third Party.
Lantu Tianxing	Lantu Tianxing is a limited partnership established under the laws of the PRC, the general partner of which is Xiamen Lantu Lanbiao Investment Partnership (Limited Partnership) (廈門藍圖藍標投資合夥企業(有限合夥)). To the best knowledge of our Directors, Lantu Tianxing is an Independent Third Party.
Jiaxing Dace	Jiaxing Dace is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Dace Asset Management Co., Ltd. (上海大策資產管理有限公司). To the best knowledge of our Directors, Jiaxing Dace is an Independent Third Party.

Shanghai Zezhen	Shanghai Zezhen is a limited partnership established under the laws of the PRC, the general partner of which is Huang Miao (黃淼). To the best knowledge of our Directors, Shanghai Zezhen is an Independent Third Party.
Longwin Jingjie	Longwin Jingjie is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Longwin Investment Management Partnership (General Partnership) (上海朗聞投資管理合夥企業(普通合夥)). To the best knowledge of our Directors, Longwin Jingjie is an Independent Third Party.
Jiaxing Tengyin	Jiaxing Tengyin is a limited partnership established under the laws of the PRC, the general partner of which is Shanghai Tengwu Equity Investment Fund Management Co., Ltd. (上海騰午股權投資基金管理有限公司). To the best knowledge of our Directors, Jiaxing Tengyin is an Independent Third Party.
Ms. Zheng Ying	Ms. Zheng Ying is an individual investor and was one of the then shareholders of Shenyang Tianshun before Shenyang Tianshun became one of our Subsidiaries. In view of her optimistic outlook on the development of our Company, she invested in our Company in October 2012 after we acquired Shenyang Tianshun.
TZGF	TZGF is a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of Jifu Venture Capital Co., Ltd. (吉富創業投資股份有限公司). To the best knowledge of our Directors, TZGF is an Independent Third Party.

Compliance With Interim Guidance and Guidance Letter

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments has been settled more than 28 clear days before the date of our submission of the [**REDACTED**] to the Stock Exchange; and (ii) the special rights granted to the Pre-[**REDACTED**] Investors were terminated pursuant to the agreements dated October 28, 2019 and April 12, 2023 entered into by and among relevant Shareholders, the Sole Sponsor confirms that the terms of the pre-[**REDACTED**] investments as described above are in compliance with (i) the Interim Guidance on pre-[**REDACTED**] investments issued by the Stock Exchange in October 2010 and as updated in March 2017 in the Guidance Letter HKEX-GL29-12; (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

SUBDIVISION OF OUR SHARES

Pursuant to the resolutions of our Shareholders passed on April 21, 2023, each Share with a par value of RMB1.00 was sub-divided into four Shares with a par value of RMB[0.25] each with effective from the [**REDACTED**]. Immediately following the Subdivision of our Shares, the share capital of our Company will be RMB[83,971,704] divided into [335,886,816] Shares with a par value of RMB[0.25] each.

PUBLIC FLOAT

As of the Latest Practicable Date, the 35,357,020 Shares held by Mr. Hou, Mr. Hou Zebing, Guangzhou Daze, Shenzhen Xinyu, Dachen Chuanglian, Dachen Chuangtong, Xinghe Yuanjing, Mr. Wang Jing and Shanghai Zezhen, representing approximately 42.11% of our total issued Shares, or approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares upon exercise of the [**REDACTED**] in full, will not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules as these Shares are Domestic Shares which will not be converted into H Shares and [**REDACTED**] upon completion of the [**REDACTED**].

As of the Latest Practicable Date, the 27,783,612 Domestic Shares held by Mr. Hou, Mr. Hou Zebing, Eastern Bell II, Guangzhou Daze, Eastern Bell III and Shanghai Dingmin, representing 33.09% of our total issued Shares, or approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares upon exercise of the [**REDACTED**] in full, will be converted into H Shares and [**REDACTED**] upon completion of the [**REDACTED**]. As these Shareholders will constitute core connected persons of our Company upon [**REDACTED**], the H Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**].

As of the Latest Practicable Date, the 20,831,072 Domestic Shares held by Shenzhen Xinyu, Aeon Life, Xinghe Yuanjing, GF Qianhe, Mr. Yang Tao, Wotu No. 10, Shanghai Xingfu, Lantu Tianxing, Jiaxing Dace, Changzhou Yongcai, Mr. Wang Jing, Jiaxing Yongzhong, Zhongke No. 1, Changzhou Yongyuan, Huangpu Digital, Longwin Jingjie, Zhongke Baiyun, Jiaxing Tengyin, Ms. Zheng Ying, Jiaxing Yongli and TZGF, representing 24.81% of our total issued Shares, or approximately [**REDACTED**]% of our total [**REDACTED**] Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares upon exercise of the [**REDACTED**] in full, will be converted into H Shares and [**REDACTED**] upon completion of the [**REDACTED**]. As these Shareholders will not constitute core connected persons of our Company upon [**REDACTED**], are not accustomed to take instructions from core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of their Shares, and as their acquisition of Shares were not financed directly or indirectly by core connected persons of our Company, the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**].

Based on the above, it is expected that immediately following completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, the total number of [**REDACTED**] H Shares of our Company held by the public represents [**REDACTED**]% of the total number of [**REDACTED**] Shares of our Company. Therefore, our Company will be able to meet the minimum [**REDACTED**] requirement under Rule 8.08.

CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the date of this document and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

Shareholders	Number of Shares as of the date of this document	Number of Shares after Subdivision as of the [REDACTED]	Ownership percentage as of the date of this document (%)	Ownership percentage as of the [REDACTED] (%)
Mr. Hou(3)	13,230,171	[52,920,684]	15.76%	[**REDACTED**]%
Mr. Hou Zebing(3)	12,702,820	[50,811,280]	15.13%	[**REDACTED**]%
Eastern Bell II(2)	13,885,413	[55,541,652]	16.54%	[**REDACTED**]%
Guangzhou Daze(3)	7,775,054	[31,100,216]	9.26%	[**REDACTED**]%
Shenzhen Xinyu(3)	5,638,994	[22,555,976]	6.72%	[**REDACTED**]%
Dachen Chuanglian(1)	5,360,231	[21,440,924]	6.38%	[**REDACTED**]%
Dachen Chuangtong(1)	4,867,988	[19,471,952]	5.80%	[**REDACTED**]%
Eastern Bell III(2)	2,000,000	[8,000,000]	2.38%	[**REDACTED**]%
Aeon Life(2)	1,858,213	[7,432,852]	2.21%	[**REDACTED**]%
Xinghe Yuanjing(3)	1,836,927	[7,347,708]	2.19%	[**REDACTED**]%
GF Qianhe(2)	1,786,743	[7,146,972]	2.13%	[**REDACTED**]%
Mr. Yang Tao(2)	1,411,100	[5,644,400]	1.68%	[**REDACTED**]%
Wotu No. 10(2)	1,320,951	[5,283,804]	1.57%	[**REDACTED**]%
Shanghai Xingfu(2)	1,100,764	[4,403,056]	1.31%	[**REDACTED**]%

Shareholders	Number of Shares as of the date of this document	Number of Shares after Subdivision as of the [REDACTED]	Ownership percentage as of the date of this document (%)	Ownership percentage as of the [REDACTED] (%)
Lantu Tianxing(2)	973,597	[3,894,388]	1.16%	[**REDACTED**]%
Jiaxing Dace(2)	952,334	[3,809,336]	1.13%	[**REDACTED**]%
Changzhou Yongcai(2)	938,981	[3,755,924]	1.12%	[**REDACTED**]%
Mr. Wang Jing(3)	918,762	[3,675,048]	1.09%	[**REDACTED**]%
Jiaxing Yongzhong(2)	858,497	[3,433,988]	1.02%	[**REDACTED**]%
Zhongke No. 1(2)	593,768	[2,375,072]	0.71%	[**REDACTED**]%
Changzhou Yongyuan(2)	536,560	[2,146,240]	0.64%	[**REDACTED**]%
Shanghai Zezhen(1)	536,023	[2,144,092]	0.64%	[**REDACTED**]%
Huangpu Digital(2)	482,904	[1,931,616]	0.58%	[**REDACTED**]%
Longwin Jingjie(2)	464,553	[1,858,212]	0.55%	[**REDACTED**]%
Zhongke Baiyun(2)	409,495	[1,637,980]	0.49%	[**REDACTED**]%
Jiaxing Tengyin(2)	348,764	[1,395,056]	0.42%	[**REDACTED**]%
Ms. Zheng Ying(2)	329,386	[1,317,544]	0.39%	[**REDACTED**]%
Jiaxing Yongli(2)	321,936	[1,287,744]	0.38%	[**REDACTED**]%
TZGF(2)	300,000	[1,200,000]	0.36%	[**REDACTED**]%
Shanghai Dingmin(2)	230,775	[923,100]	0.27%	[**REDACTED**]%
Investors taking part in the [**REDACTED**]	–	[**REDACTED**]	–	[**REDACTED**]
Total	**83,971,704**	[**REDACTED**]	**100.00**	**100.00**

Notes:

(1) The Shares held by these Shareholders are Domestic Shares and will remain as Domestic Shares upon [**REDACTED**].

(2) The Shares held by these Shareholders are Domestic Shares which will be converted into H Shares upon [**REDACTED**].

(3) Upon the completion of Subdivision and [**REDACTED**], among (i) the [52,920,684] Domestic Shares held by Mr. Hou, [15,876,204] Shares will be converted into H Shares upon [**REDACTED**]; (ii) the [50,811,280] Domestic Shares held by Mr. Hou Zebing, [15,243,384] Shares will be converted into H Shares upon [**REDACTED**]; (iii) the [31,100,216] Domestic Shares held by Guangzhou Daze, [15,550,108] Shares will be converted into H Shares upon [**REDACTED**]; (iv) the [22,555,976] Domestic Shares held by Shenzhen Xinyu, [18,555,976] Shares will be converted into H Shares upon [**REDACTED**]; (v) the [7,347,708] Domestic Shares held by Xinghe Yuanjing, [2,939,080] Shares will be converted into H Shares upon [**REDACTED**]; and (vi) the [3,675,048] Domestic Shares held by Mr. Wang Jing, [1,875,048] Shares will be converted into H Shares upon [**REDACTED**].

PREPARATION FOR POTENTIAL A SHARE LISTINGS

Our Company submitted an application for [**REDACTED**] on Shanghai Stock Exchange on June 27, 2019 and withdrawn the application on November 18, 2019 (the "**Shanghai Listing Application**"). Subsequently, our Company submitted an application for listing on Shenzhen Stock Exchange on July 7, 2020 and withdrawn the application on February 26, 2021 (the "**Shenzhen Listing Application**", together with the Shanghai Listing Application, the "**A-Share Listing Application"**). With regard the A-Share Listing Applications, our Company has addressed certain enquiries received from the Shanghai Stock Exchange and the Shenzhen

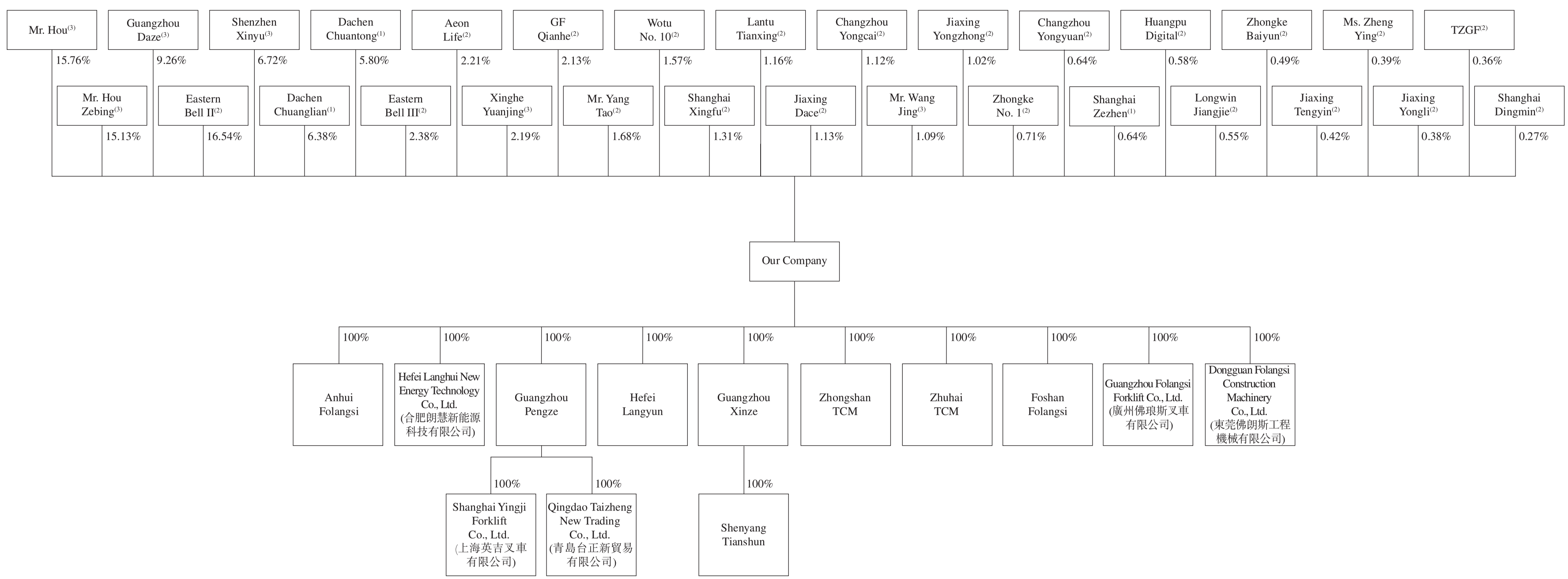
Stock Exchange which were primarily disclosure-based, requesting further details on shareholding changes, financial information, business model description and legal compliance, etc. No major comments or issues were raised or identified in the enquiries from the Shanghai Stock Exchange and the Shenzhen Stock Exchange that would affect the Company's suitability for [**REDACTED**] on the Stock Exchange. To the best of their knowledge and belief, our Directors are not aware of (i) any matter in relation to the A-Share Listing Applications that might potentially affect the suitability of our Company to be [**REDACTED**] on the Stock Exchange; and (ii) any matter in relation to the A-Share Listing Applications that ought to be drawn to the attention of the potential investors and the Stock Exchange.

Due to the general market sentiment and the change in the overall strategic development of our Company and our observation of the successful [**REDACTED**] of a number of peer companies on the Stock Exchange, which opened doors to the international capital markets for those market players, our Company decided to pursue the [**REDACTED**] on the Stock Exchange.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Corporate Structure Immediately Before Completion of the [REDACTED]

The chart below sets out the shareholding structure of our Company immediately before completion of the Subdivision and the [**REDACTED**]:



Notes:

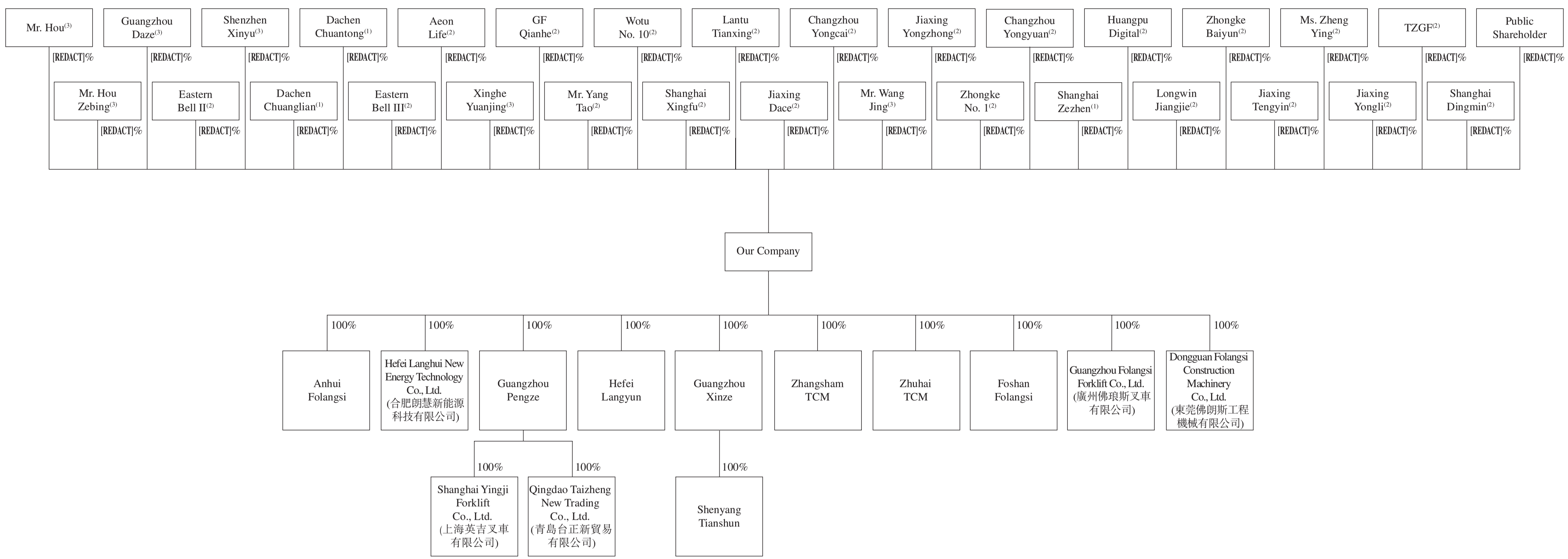
(1) The Shares held by these Shareholders are Domestic Shares and will remain as Domestic Shares upon [**REDACTED**].

(2) The Shares held by these Shareholders are Domestic Shares which will be converted into H Shares upon [**REDACTED**].

(3) Upon the Completion of Subdivision and the [**REDACTED**], among (i) the 52,920,684 Domestic Shares held by Mr. Hou, 15,876,204 Shares will be converted into H Shares upon [**REDACTED**]; (ii) the 50,811,280 Domestic Shares held by Mr. Hou Zebing, 15,243,384 Shares will be converted into H Shares upon [**REDACTED**]; (iii) the 31,100,216 Domestic Shares held by Guangzhou Daze, 15,550,108 Shares will be converted into H Shares upon [**REDACTED**]; (iv) the 22,555,976 Domestic Shares held by Shenzhen Xinyu, 18,555,976 Shares will be converted into H Shares upon [**REDACTED**]; (v) the 7,347,708 Domestic Shares held by Xinghe Yuanjing, 2,939,080 Shares will be converted into H Shares upon [**REDACTED**]; and (vi) the 3,675,048 Domestic Shares held by Mr. Wang Jing, 1,875,048 Shares will be converted into H Shares upon [**REDACTED**].

Corporate Structure Immediately After Completion of the [REDACTED]

The chart below sets out the shareholding structure of our Company immediately after completion of the Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

(1) The Shares held by these Shareholders are Domestic Shares and will remain as Domestic Shares upon [**REDACTED**].

(2) The Shares held by these Shareholders are Domestic Shares which will be converted into H Shares upon [**REDACTED**].

(3) Upon the Completion of Subdivision and the [**REDACTED**], among (i) the 52,920,684 Domestic Shares held by Mr. Hou, 15,876,204 Shares will be converted into H Shares upon [**REDACTED**]; (ii) the 50,811,280 Domestic Shares held by Mr. Hou Zebing, 15,243,384 Shares will be converted into H Shares upon [**REDACTED**]; (iii) the 31,100,216 Domestic Shares held by Guangzhou Daze, 15,550,108 Shares will be converted into H Shares upon [**REDACTED**]; (iv) the 22,555,976 Domestic Shares held by Shenzhen Xinyu, 18,555,976 Shares will be converted into H Shares upon [**REDACTED**]; (v) the 7,347,708 Domestic Shares held by Xinghe Yuanjing, 2,939,080 Shares will be converted into H Shares upon [**REDACTED**]; and (vi) the 3,675,048 Domestic Shares held by Mr. Wang Jing, 1,875,048 Shares will be converted into H Shares upon [**REDACTED**].

OUR MISSION

Facilitating intelligent logistics and promoting efficiency optimization.

OUR VISION

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

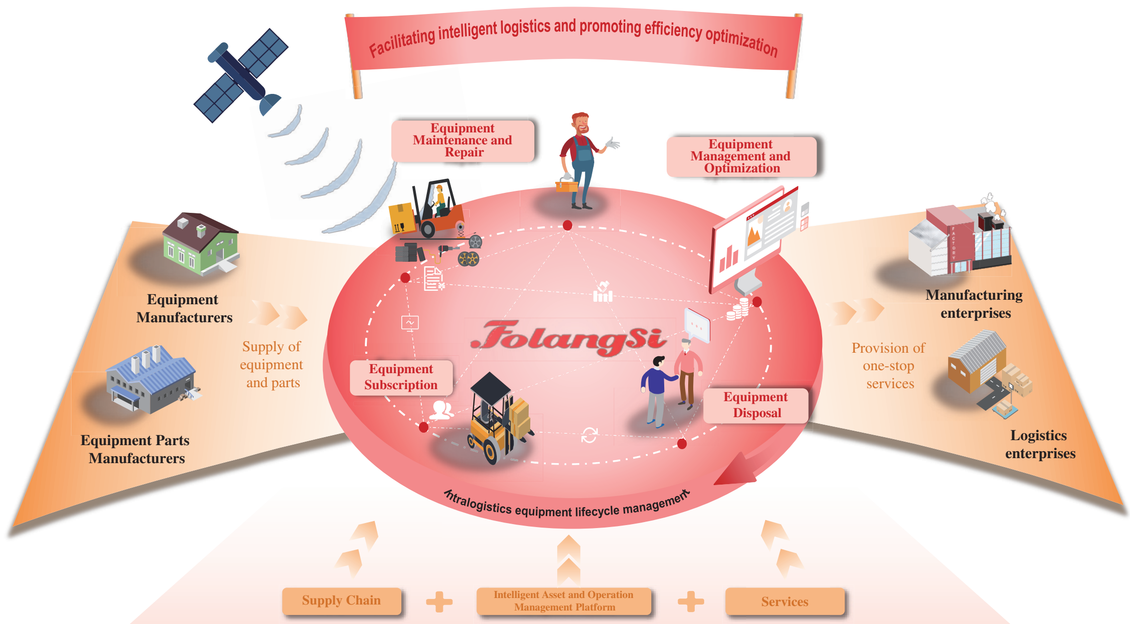
OVERVIEW

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

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

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

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



Our Business Model

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

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

- **Maintenance and Repair Services**: Customers' demand for maintenance and repair services can vary significantly due to distinctive nature of their business operations and specific warehouse layouts, including fleet size, frequency of use, weight loading and operating routes of intralogistics equipment caused by relevant factors. Capitalizing on our experienced technical team, as well as extensive service network, we offer customers wide array of choices under our maintenance and repair services business segment, where they may enjoy customized plan that can fit into their particular need, including one-off repair services, and maintenance and repair service plans.

- **Sales of Intralogistics Equipment and Parts**: Complementing the aforementioned two business segments, our sales of intralogistics equipment and parts business segment allows us to effectively serve customers' diverse needs, while also managing to access first-hand knowledge on evolving market demands for the different equipment and components. This has resulted in enhanced relationships with reputable suppliers, expanded customer subscription channels, and the promotion of cross-selling opportunities for our intralogistics equipment subscription services and repair and maintenance services.

Our Intelligent Asset and Operation Management Platform

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

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

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

ESG Initiatives and Commitment

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

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

Operational Performance

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

OUR COMPETITIVE STRENGTHS

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

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

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

During the Track Record Period, we achieved significant growth, with the number of intralogistics equipment managed by us increased from 31,213 units as of December 31, 2020 to 36,257 units as of December 31, 2021, and further increased to 39,145 units as of December 31, 2022, representing a CAGR of 12.0% from 2020 to 2022. We have received various honors and prizes in the industry, including the *2022-2023 Outstanding Supply Chain Enterprise* (2022-2023年優秀供應鏈企業獎) awarded by the Guangdong Procurement and Supply Chain Association, *Guangdong Smart Manufacturing Partner* (廣東省智能製造生態合作伙伴) awarded by the Department of Industry and Information Technology of Guangdong Province in 2021, and the *Most Innovative Award in the "Power of Example" Science and Technology Pioneer Competition* ("榜樣的力量"科創先鋒大賽最具創新力獎) awarded by Department of Science and Technology of Guangdong Province (廣東省科學技術廳), China Construction Bank Technology Finance Innovation Center (中國建設銀行科技金融創新中心) and Nanfang Daily Newspaper Group Co., Ltd. (南方報業傳媒集團), collectively, in 2020. Moreover, we are a director unit of the Industrial Truck Institution of China Construction Machinery Association and are used as a case study for supply chain benchmarking by the Guangdong Procurement and Supply Chain Association.

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

- *Supply Chain Capabilities*: Leveraging years of first-hand management experience and continuous optimization, we have developed and maintained long-term and stable relationships with leading manufacturers in the industry, ensuring the timely and cost-effective procurement of equipment and parts, which had strong influence on upstream industry participants.

- *Intelligent Asset and Operation Management Capabilities*: Through our innovative Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), we have developed an "online + offline" service network that facilitates convenient and integrated equipment engagement and management. Our platform features a user-friendly visualized interface that results in continuous operation efficiency improvement and growing customer loyalty.

- *Predictive Maintenance Capabilities*: Our predictive maintenance services utilize advanced detection and repair technologies, enabling us to effectively restore and optimize functionality and endurance in a cost-efficient way, resulting in effective extension of equipment' useful life.

- *Scale Effect*: The continuous expansion of our equipment fleet highlights the efficiency advantage of our integrated operation and management supported by strong technology capability. We leverage this scale effect to optimize the allocation of equipment and personnel resources, reducing costs and improving operation efficiency.

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

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

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

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

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

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

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

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

We have been at the forefront of the digital transformation of the intralogistics equipment industry, implementing comprehensive digitalization across our equipment procurement, maintenance, and management. Based on this achievement, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) is able to effectively support business development across all business segments, promoting synergy and enhancing our competitiveness. Drawing on our extensive practical experience, deep industry inception, and diversified product and service portfolio, we are able to continuously enhance our service efficiency and technology feature. In addition, our Intelligent Asset and Operation Management Platform (智慧資產運營管理系統) enables us to develop accurate pricing models and risk control systems based on analysis on vast amount of information, including equipment usage conditions, depreciation, and estimated residual value, resulting in effective mitigation of relevant operational risks and further solidifying our competitive advantage in the market.

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

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

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

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

Comprehensive "Online + Offline" Service Network for Diverse Industries and Large Customer Coverage

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

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

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

Visionary Management Team With Profound Industry Experience

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

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

OUR STRATEGIES

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

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

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

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

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

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

To Continue Improving Intralogistics Equipment Supply Chain Management Capability

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

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

To Continually Enhance our Technological Capabilities

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

- *IoT hardware*: We plan to improve our hardware technologies. This will involve upgrading our technology infrastructure by investing in advanced hardware devices. For example, we plan to upgrade our IoT infrastructure by launching more wearable devices and installing multidimensional sensors to efficiently track and record intralogistics equipment.

- *IT systems*: We will upgrade our digital IT management system to expand our coverage and enhance our capabilities in operation and follow-up management of intralogistics equipment. This will help reduce the cost and difficulty of managing large-scale equipment and provide more efficient services to customers and management personnel. We will also invest in big data, cloud computing, and other new software technologies.

- *AI technology*: We plan to introduce AI video review technology to achieve automatic management, analyze video content, and quickly identify faults, improving service technology empowerment and management.

- *Other new technologies*: We plan to keep observing new industry trend closely, such as intelligent warehousing, and keep exploring the development and commercialization of different innovative technologies.

To Explore Strategic Collaboration with Various Industry Participants

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

OUR BUSINESS

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

(i) **Intralogistics Equipment Subscription Services**. Our intralogistics equipment subscription services primarily include selecting suitable intralogistics equipment for our customers, delivering such equipment to the designated sites for their use, and providing on-site maintenance and inspections of such subscribed equipment on a regular basis. In managing this business segment, we charge customers fees based on duration they use our intralogistics equipment, where they make payments generally on monthly or yearly basis. Our comprehensive service package has strong technology-backed features that are designed to ensure quick equipment dispatch, safe and efficient equipment management, minimized equipment down-time, cost-efficient maintenance arrangement, as well as real-time status supervision, all of which serve to improve cost-efficiency and profit optimization. For details, please see "– Our Technology" in this section.

(ii) **Maintenance and Repair Services**. Capitalizing on our strong technician forces and rich industry experience, we generate revenue from providing maintenance and repair services to customers for their intralogistics equipment. We charge fees either on project basis for one-off repair services, or based on service plans where we charge fees on monthly basis for certain contract period covering equipment specified in the relevant agreement.

(iii) **Sales of Intralogistics Equipment and Parts**. Upon requests, we sell new and used intralogistics equipment, as well as related parts that meet customers' demands.

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

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

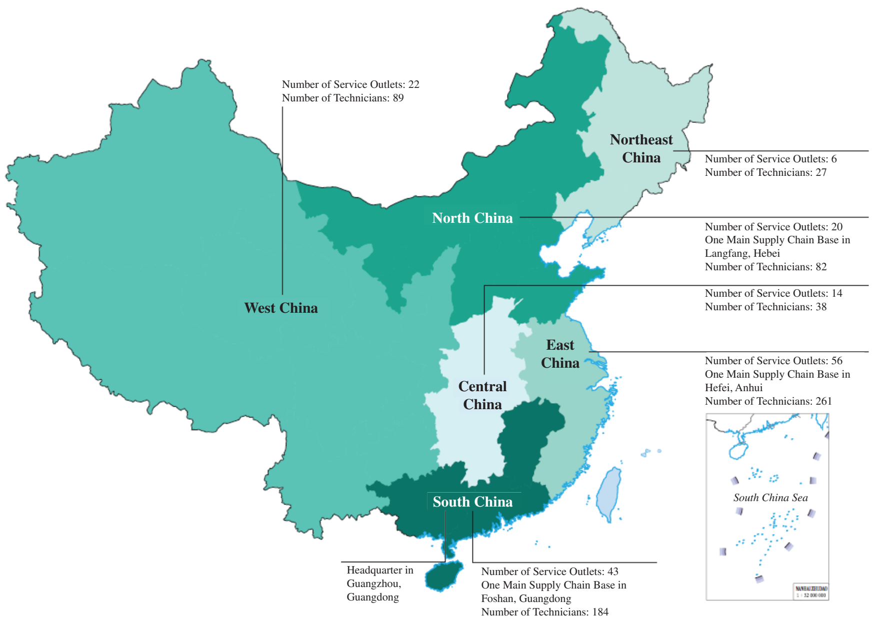
The following table sets forth a breakdown of our revenue by business segments for the years indicated:

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

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

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

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



Intralogistics Equipment Subscription Services

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

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

Customers can conveniently choose intralogistics equipment they would like to subscribe from our fleet portfolio based on their intralogistics equipment needs, including brands, types, configurations and quantity. Where applicable, we also assist customers in determining the right composition of equipment and key parts they need, as well as appropriate working schedule of such equipment and key parts. After determining equipment composition, our customers can choose an subscription period depending on different business purposes, and the fee arrangement shall be determined accordingly. For details, please see "– Our Customers and Suppliers – Contracts with Customers" in this section.

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

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

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

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

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

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

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

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

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

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

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

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

Considering the customer's revenue contribution to us individually, certain customers are deemed KA customers under our intralogistics equipment subscription service business segment. KA customers play an important role in the business development. Although the exact scope of KA customers among different companies may vary due to their different business strategies and layout, the common key features for KA customers mainly consist of two aspects: (i) customers with large contribution to the company's revenue, and (ii) customers with high potential to contribute to the company's business and revenue growth in the future. Given that KA customers have large contribution and/or high potential to contribute to the company's revenue growth, the number of KA customers and the associated retention rates and net dollar retention rates have been commonly used as key metrics to evaluate their business growth. The following table sets forth a summary of operating data of our KA customers for the years indicated:

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

Notes:

1. A customer is deemed a KA customer under the intralogistics equipment subscription business if (i) the customer subscribes 50 units or more in that given 12-month period, or (ii) the customer subscribes 50 units or more in the preceding year and continued to subscribe intralogistics equipment (one unit or more) from us in that given 12-month period.

2. KA customer retention rate = ((total number of KA customers at the end of the given 12-month period – total number of new KA customers in that given 12-month period)/number of KA customers as of the beginning date of the given 12-month period)*100%.

3. Net dollar retention rate of KA customers = (revenue in the given 12-month period from KA customers returned from the preceding 12-month period/revenue generated from KA customers in the preceding 12-month period)*100%.

Case Studies

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

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

As a national logistics company, Shanghai ANE has service outlets with different site conditions across the nation. Therefore, it requires suppliers with comprehensive intralogistics equipment portfolio, rapid response capabilities, and professional technical support teams. Before its cooperation with us, Shanghai ANE mostly subscribed intralogistics equipment from different local subscription service providers, which generally have limited types of intralogistics equipment and serve limited geographic areas. In addition, such local service providers generally could not respond fast in reaction to repair or maintenance needs. As a company with comprehensive equipment portfolio, strong supply chain capabilities, and service outlets across the nation, the Company was able to help Shanghai ANE solve the aforementioned pain points properly. Since 2016, Shanghai ANE gradually became one of our major customers in intralogistics equipment subscription service business.

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

Customer X

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

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

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

Maintenance and Repair Services

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

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

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

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

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

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

Case Study

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

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

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

To offer maintenance and repair service plans for the whole fleet of Swire Coca-Cola, the Company conducted comprehensive inspections and created an equipment profile for each forklift in the fleet, formulated a tailor-made service plan based on the actual operating condition and maintenance history of each forklift, and monitored the operating parameters of each forklift. The Company helped the client shift the maintenance and repair pattern from passively solving existing problems to actively preventing major problems, which in turn help reduces fleet maintenance costs. Since the provision of maintenance and repair service plans in 2021, the Company has helped Swire Coca-Cola reduce its total forklift maintenance expenses to no more than RMB1.0 million per year, representing around 30% decrease from its average annual maintenance expenses before having the maintenance and repair service plans.

Sales of Intralogistics Equipment and Parts

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

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

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

OUR EQUIPMENT FLEET

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

Counterbalanced Forklift

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

Reach Truck

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

Walkie Stacker

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

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

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

Note: Less than 0.1%.

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

In October 2021, the State Council of China set the target to optimize energy consumption structure, boost low-carbon transformation in use of energy, and increase the consumption ratio of non-fossil energy to 25% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (*《2030年前碳達峰行動方案》*), which is the national climate policy, aiming at achieving "peak CO2 emissions" by 2030 and "carbon neutrality" by 2060. Since our establishment, we have been committed to promoting the green economies. As part of our commitment to environmental responsibility and sustainable intralogistics equipment lifecycle management solutions, we had increased the proportion of electric forklifts in our equipment fleet during the Track Record Period, which increased from approximately 88.6% in 2020 to approximately 90.0% in 2021 and further increased to approximately 91.1% in 2022.

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

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

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

Source of Our Fleet

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

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

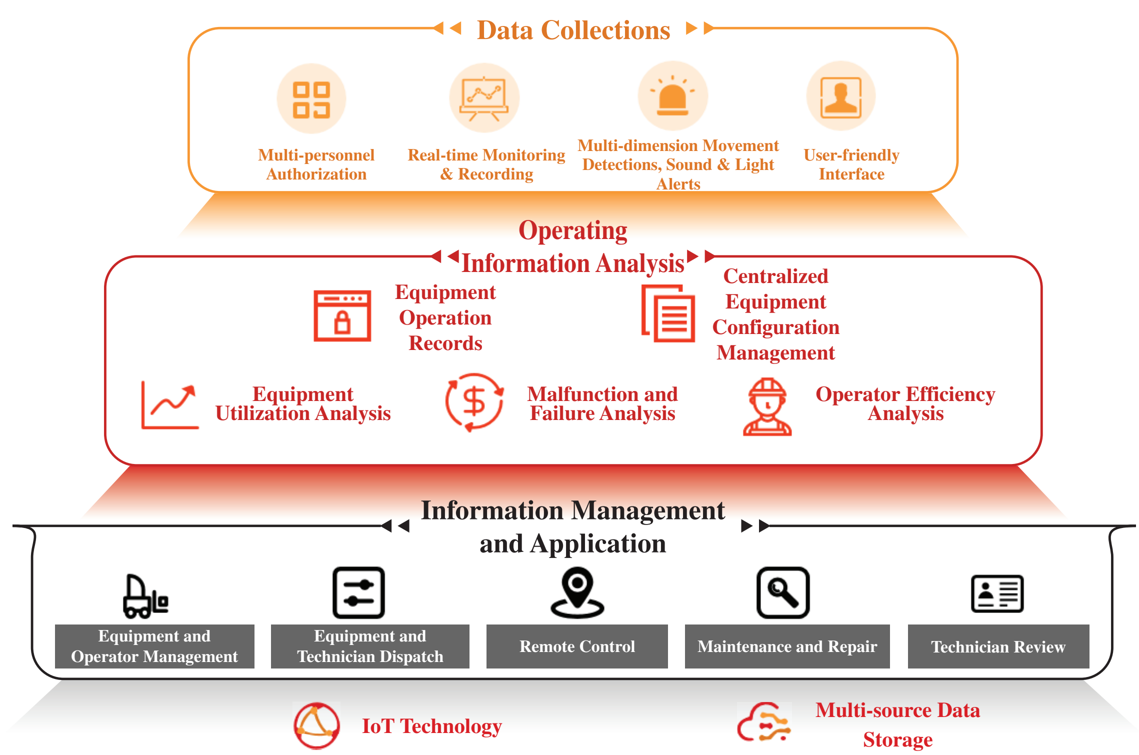
OUR TECHNOLOGY

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

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

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

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



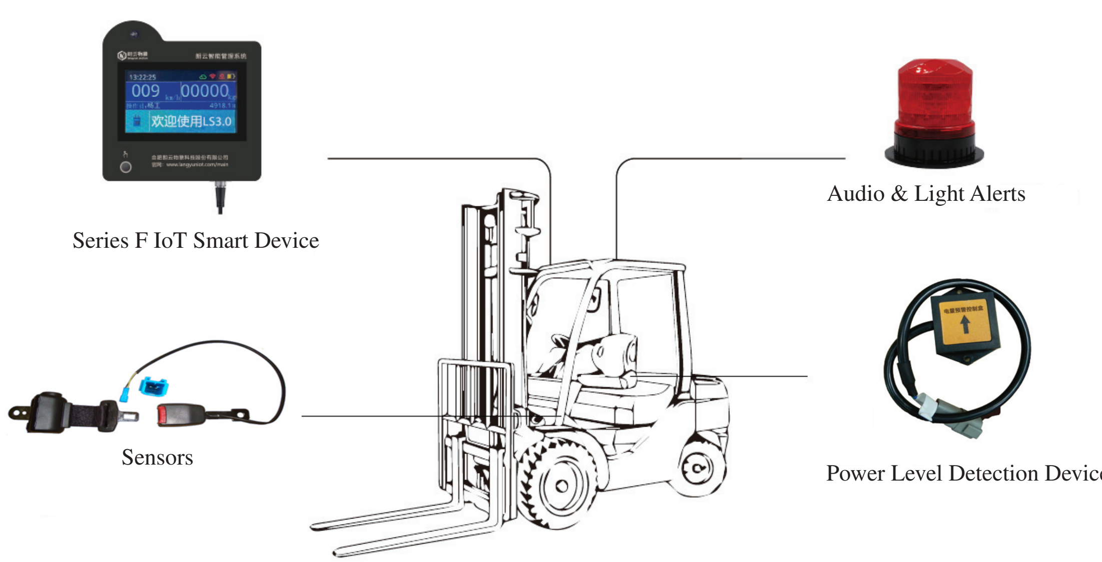
Data Collection – IoT Smart Terminals

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

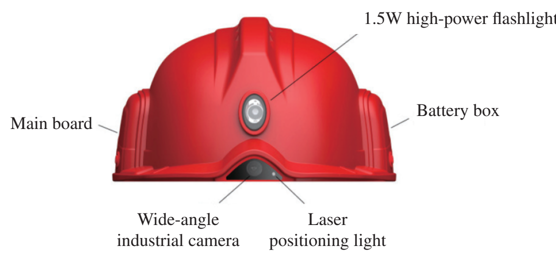
They capture movements of, and then generate and process operational information of our operating equipment and relevant operators. Such information will be shared across Series F IoT Smart Device and then transmitted to our cloud servers for storage and further analysis, allowing us to perform 24/7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

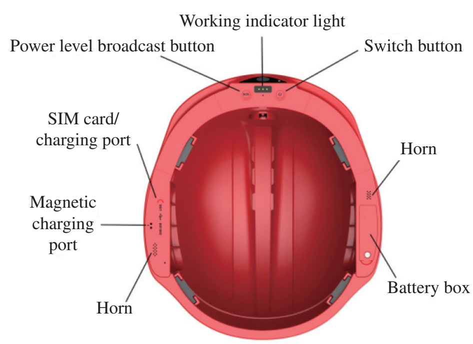
The IoT Smart Terminals serve as the solid foundation for offering intralogistics solutions at a later stage. Leveraging our data analytics capabilities, we are able to study information gathered and processed through our IoT Smart Terminals, such as movements and operating information of the intralogistics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

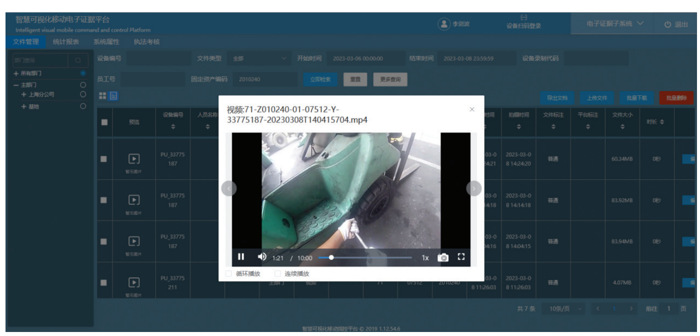
Series F IoT Smart Device is a self-developed device utilizing CAN bus, or Controller Area Network, which serves as nerve system in the intralogistics equipment that allows communication among various Electronic Control Units (ECUs) and other parts, so that we could have central measurement of the equipment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



The remote-vision-based safety helmet enables us to record audio and high-definition video of service process of maintenance and repair services. In addition, our technician is able to recognize each equipment as well as the task assigned to such technician for that equipment by scanning the QR code generated specifically for such task in the WeChat mini program of Intelligent Asset and Operation Management Platform (智慧資產運營管理系統), using the safety-helmet. The safety-helmet will then record and upload the service process entry for such equipment in the Operating Information Analysis System. Set forth below are pictures of the remote-vision-based safety helmet and a snapshot of video recording of certain maintenance and repair service via the safety helmet:







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

Data Processing – Operating Information Analysis System

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

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

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

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

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

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

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

Information Management and Application

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

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

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

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

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

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

OUR NATIONWIDE SERVICE NETWORK

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

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

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

SALES AND DISTRIBUTION

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

PRICING

Intralogistics Equipment Subscription Services

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

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

Maintenance and Repair Services

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

Sales of Intralogistics Equipment and Parts

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

RESEARCH AND DEVELOPMENT

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

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

MARKETING AND PROMOTION

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

INVENTORIES

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

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

OUR CUSTOMERS AND SUPPLIERS

Our Customers

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

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

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

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

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

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

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

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

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

Contracts with Customers

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

- *Term.* The contract term varies based on customers' needs, generally ranging from month(s) to few years (generally less than three years);

- *Services.* We provide door-to-door delivery of the subscribed equipment as specified in the contract to our customer. We assist our customer to finish set-up the equipment, and provide guidance to our customer's in-house equipment operators. We will provide periodic inspections and maintenance to the equipment to ensure their smooth operation on site;

- *Payment term.* The subscription fee shall be payable by month. The cumulative usage duration of each intralogistics equipment shall not exceed certain hour limit per month, and any excessive hours shall be paid by the customer at pre-determined hourly rates in the contract;

- *Termination.* If the customer fails to pay the service fees as stipulated in contact to us within the prescribed period in the contract, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day. If the payment is overdue for more than 20 days, then we have the right to use customer's security deposit (if any) directly to offset overdue service fee and late fee. If the payment is overdue for more than 30 days, then we have the right to take back the subscribed equipment, suspend or cancel the contract in advance, and require the customer to pay the corresponding liquidated damages;

- *Renewal.* If the customer wants to renew the service agreement after the expiration, it should cooperate with us to complete the renewal within 30 days before the expiration of such contract; if the customer does not go through formal termination or renewal procedures with us after the expiration, it will be regarded as customer's automatic choice to renew the contract.

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

- *Services.* We carry out one-off repair, and provide necessary replacement parts and materials for the customer's intralogistics equipment on as-needed basis. After the execution of the service contract, we shall assign technician(s) to the designated site of the customer for performing the service;

- *Prices and payment.* The agreed unit rates of each item and quantities of various items of works are set out in the service agreement. The customer is required to make full payment within an agreed period of time after the performance of the repair service;

- *Duration of work.* Our technician(s) on site shall finish the repair works within the agreed period of time.

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

- *Term.* The contract term varies based on customers' needs, which is usually from 12 months to 36 months;

- *Services.* The customers may choose to have regular maintenance packages only, where we provide inspection and maintenance services at specific intervals (for example, every 200 hours, 600 hours, 1,200 hours, etc.), or to have maintenance and repair service plans where we provide scheduled inspections and all maintenance services proactively to ensure daily smooth running of equipment; additional fixes and repairs are included in the plans as well. We shall keep and update maintenance record for the serviced equipment;

- *Payment term.* The service fees shall be payable by month, at a pre-determined price as agreed by both parties; service fees include labor costs and costs of replacement parts (barring specific exclusions, such as replacement of tires, batteries, electric motors, and other major parts, costs in relation to damages to the equipment caused by willful or gross negligent conducts of the customer's operators; fuels, etc.);

- *Termination.* If any party wants to terminate the maintenance and repair contract due to its material change of operation, such party shall notify the other party in writing for one month in advance, and the contract can be terminated in advance after both parties agree and settle all costs; if any party fails to notify the other party in advance before terminating the contract, the other party pay ask for compensation equal to one month's service fees.

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

- *Specification.* The purchase and sale agreement typically sets out the specifications, models, quantities and total sales amount of the intralogistics equipment and parts we sell;

- *Payment term.* The customer shall pay deposit after the execution of the contract, and the balance of the purchase price shall be paid within certain days after the delivery of product. The ownership of the products belongs to us until the payment is paid in full;

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

Our Suppliers

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

Supplier	**Transaction Amount** *(RMB'000)*	**% of Total Purchases in Same Period**	**Suppliers' Background**	**Products Purchased by us**	**Credit Terms**	**Year in Which the Group Commenced Business with the Supplier**
For the year ended December 31, 2020						
Supplier A	161,371.6	20.7%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment and parts	60 days	2016
Supplier B	123,096,2	15.8%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2016
Supplier C	42,453.4	5.4%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2007
Supplier D	40,253.9	5.2%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2019
Supplier E	27,814.2	3.6%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	30 days	2014
Total	394,989.3	50.7%				

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

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

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

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

Contracts With Suppliers

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

- *Specification*. The procurement agreement typically sets out the specifications, models, quantities, the unit purchase price and total purchase amount of the equipment and/or parts we purchase;

- *Unit purchase price*. The unit purchase price of the equipment and/or parts is specified in the procurement agreement;

- *Logistics*. Unless otherwise agreed, the supplier is required to deliver the equipment and/or parts we purchased to locations designated by us;

- *Payment term*. We will pay the purchase price of the equipment and/or parts to the supplier under the conditions that (i) we receive the original copy of VAT invoice issued by the supplier for 100% of the purchase price; and (ii) all purchased equipment and/or parts are properly delivered to us.

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

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

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

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

AWARDS AND RECOGNITION

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

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

COMPETITION

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

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

THIRD-PARTY PAYMENT ARRANGEMENT

Background

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

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

Reasons for Utilizing Third-Party Payment Arrangements

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

Internal Control Measures for Third-Party Payment Arrangements

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

(1) Since May 20, 2023, we have ceased to allow our customers to settle payments through Third-Party Payers and all new orders placed thereafter by customers can only be settled by such customers' own accounts;

(2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payments;

(3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer's name, content of transaction, payment data, payment sum, payment method and the payer's name, so as to ensure that relevant payments are made directly by the relevant customer;

(4) Since May 20, 2023, for all identified payments made by the Third-Party Payers, we will initiate refund to such Third-Party Payers and ask the relevant customers to re-arrange direct payment to us.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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

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

Energy Saving and Efficiency Enhancement

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

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

Treatment of Solid Waste

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

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

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

Governance Regarding Environmental, Social and Climate-Related Risks

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

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

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

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

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

- provide limited authorization to our employees holding specific positions and responsibilities to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment;

- require our employees to log in our information systems with access codes provided by the Group.

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

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

INTELLECTUAL PROPERTY

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

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

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

EMPLOYEES

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

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

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

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

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

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

INSURANCE

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

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

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

SEASONALITY

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

PROPERTIES

Owned Properties

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

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

Leased Properties

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

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

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

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

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

CERTIFICATES, LICENSES AND PERMITS

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

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

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

Sanction Risks under the U.S. Law

Primary Sanction Risks

Iran USD Sales and Syria USD Sales

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

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

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

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

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

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

Other Export Sales to Relevant Regions

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

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

Secondary Sanction Risks

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

Sanction Risks under E.U. Law

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

Sanction Risks under U.K. Law

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

Sanction Risks under Australia Law

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

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

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

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

Our Undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

- we will implement the internal control measures to minimize International Sanctions risk as described above;

- we will not use the net [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Regions or any other government, individual or entity sanctioned by the United States, the European Union, Australia, or the U.K., including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, Australia, or the U.K.;

- we will not use the net [**REDACTED**] from the [**REDACTED**] to pay any damages for terminating or transferring any contract that violates International Sanctions;

- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders, or potential investors to violate or become a target of sanctions laws of the United States, the European Union, Australia, or the U.K.;

- we will make timely disclosure on our website if we believe that any of our business activities would put our Company or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, Australia, or the U.K.; and

- we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, Australia, and the U.K., and our business intention relating to customers from any such country.

Our Internal Control Measures to Minimize International Sanctions Risk

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

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

- Our Company will adopt a Trade Compliance Policy for the purposes of complying with applicable International Sanctions enacted by Relevant Jurisdictions.

- Our Trade Compliance Policy will include appropriate procedures:

    o to screen foreign customers and suppliers against the lists of individuals, entities, and regions subject to International Sanctions enacted by Relevant Jurisdictions;

    o to determine the extent to which our Company's business with foreign customers and suppliers may expose the Company to legal, commercial, or reputational risks; and

    o to determine appropriate measures to mitigate such risks.

- Our Trade Compliance Policy will prohibit the use of U.S. dollars and involvement with U.S. financial institutions or other U.S. Persons in connection with any transactions involving countries or regions subject to comprehensive International Sanctions enacted by the United States.

- Our Company will establish a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy

- The Sanctions Oversight Committee will be authorized to engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers.

- The Sanctions Oversight Committee will be authorized to arrange appropriate compliance training for our Directors, our senior management, and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.

- Our Company will open and maintain separate bank account(s) which is/are designated for [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual, or entity sanctioned by the United States, the European Union, Australia, or the U.K.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Compliance Risk Management

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

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

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

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

Asset Security Risk Management

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

Credit Risk Management

We are exposed to the credit risks associated with our intralogistics equipment subscription service business and sales of intralogistics equipment and parts. In order to mitigate the credit risks and ensure the collectability of trade and bills receivables in our transactions, we have delegated a team responsible for determination of credit limits and credit approvals, and have adopted credit risk measures to review and monitor our trade and bills receivables from time to time, including implementing security measures and monitoring procedures on customers. Before accepting any new customers, we use Qichacha (企查查) and Tianyancha (天眼查), to assess the creditworthiness of potential customers and determine their appropriate credit limits individually. The line of credit and scoring attributed to customers are reviewed regularly in order to effectively monitor our customers. These procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time. In addition, in order to manage our exposure to credit risk, we have adopted credit management policies and procedures that are reviewed and updated by our risk management team in conjunction with other relevant departments. We have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings. However, we cannot assure that we are able to collect all trade and bills receivables. For more information, please see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process" in this document.

Liquidity Risk

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

IMPACT OF COVID-19 ON OUR OPERATIONS

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

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

BOARD OF DIRECTORS

Our Board of Directors consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business. The table below sets out certain information of our Directors:

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Hou Zekuan (侯澤寬)	54	Executive Director and Chairman of the Board	December 5, 2007	December 5, 2007	Responsible for the overall management and Board related work	Brother of Mr. Hou Zebing and cousin of Mr. Qian Xiaoxuan
Mr. Hou Zebing (侯澤兵)	48	Executive Director and general manager	October 6, 2012	December 5, 2007	Responsible for the overall management and daily operation	Brother of Mr. Hou and cousin of Mr. Qian Xiaoxuan
Mr. Qian Xiaoxuan (錢曉軒)	49	Executive Director and deputy general manager	October 6, 2012	December 5, 2007	Responsible for the management of supply chain, base, and other related operations	Cousin of Mr. Hou and Mr. Hou Zebing
Ms. Ma Li (馬麗)	35	Executive Director and secretary of the Board	February 10, 2018	March 18, 2008	Responsible for investor relations management and equity affairs management, corporate governance	None
Mr. Zhu Yingchun (朱迎春)	45	Non-executive Director	October 22, 2016	October 22, 2016	Responsible for providing strategic advice on the development	None

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Shu Xiaowu (舒小武)	54	Non-executive Director	February 10, 2018	February 10, 2018	Responsible for providing strategic advice on the development	None
Mr. Chiang Edward (蔣福誠)	42	Independent non-executive Director	April 3, 2023	April 3, 2023	Responsible for providing independent advice and judgement to the Board	None
Dr. Fan Xia (樊霞)	45	Independent non-executive Director	August 18, 2018	August 18, 2018	Responsible for providing independent advice and judgement to the Board	None
Mr. Wang Chuanbang (王傳邦)	56	Independent non-executive Director	April 3, 2023	April 3, 2023	Responsible for providing independent advice and judgement to the Board	None

Executive Directors

Mr. Hou Zekuan (侯澤寬), aged 54, is our founder, an executive Director and the chairman of the Board of our Company. He established our Company on December 5, 2007 and has been a Director of our Company since its establishment. Mr. Hou was re-designated as an executive Director on April 3, 2023. He is primarily responsible for the overall management and Board related work.

Mr. Hou has over 29 years of experience in the intralogistics equipment industry. Mr. Hou founded our Company together with Mr. Hou Zebing in December 2007, and acted as our executive director and general manager from December 2007 to November 2010 and then served as our executive director from November 2010 to October 2012. Since October 2012, he has been our chairman of the Board. Mr. Hou served as a supervisor of Foshan Shunde Ronggui Lixin Forklift Co., Ltd. (佛山市順德區容桂力欣叉車有限公司) ("**Ronggui Lixin**"), one of our wholly-owned subsidiaries, from December 2007 to December 2021, and he was responsible for managing supervisors and providing independent advice. Since July 2018, Mr. Hou also served as a director of Ferretto Intelligent. Since August 2019, he was a director of Hefei Xunyun, where he was responsible for providing strategic advice regarding development.

Prior to founding our Company, Mr. Hou served as the section head of Anhui Tixiem Forklift Co., Ltd. (安徽梯西埃姆叉車有限公司), a company primarily engaged in the manufacture and operation of a wide range of forklift trucks and forklift accessories, and he was responsible for the production and procurement from April 1994 to April 2006.

Mr. Hou obtained his bachelor's degree in mechanical engineering from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1990. He obtained an engineer certificate from the department of Industrial Machinery of Anhui Province (安徽省工業機械廳) since November 1995.

Mr. Hou Zebing (侯澤兵), aged 48, is our co-founder, an executive Director and general manager of our Company. Mr. Hou Zebing joined our Group on December 5, 2007. He was appointed as a Director on October 6, 2012 and was re-designated as an executive Director on April 3, 2023. He is primarily responsible for the overall management and daily operation.

Mr. Hou Zebing has over 22 years of experience in the in-site logistics equipment industry. Mr. Hou Zebing founded our Company together with Mr. Hou in December 2007, and acted as our supervisor from December 2007 to November 2010, then served as the general manager from November 2010 to October 2012. Mr. Hou Zebing has been serving as the director and general manager since October 2012. Since 2001, Mr. Hou Zebing has accumulated extensive experience in management by serving as the executive director and senior management at our subsidiaries, including as: (i) an executive director and general manager of Guangzhou Xinze since May 2010, and he is responsible for overall management and daily operations; (ii) an executive director and general manager of Guangzhou Pengze since March 2010, and he is responsible for overall management and daily operations; (iii) an executive director and general manager of Zhuhai TCM since September 2004, and he is responsible for overall management and daily operations; (iv) an executive director and general manager of Zhongshan TCM since March 2003, and he is responsible for overall management and daily operations; and (v) an executive director and general manager of Ronggui Lixin from February 2001 to December 2022, and he was responsible for overall management and daily operations.

Prior to founding our Company, Mr. Hou Zebing served as the secretary of the Youth League Committee of Hubei Communication Technical College (湖北交通職業技術學院), a full-time public general institutions of higher learning, and he was responsible for the work of the Communist Youth League from September 1996 to December 2000.

Mr. Hou Zebing received his bachelor's degree in automotive engineering from Changsha Transportation College (長沙交通學院) (currently known as Changsha University of Science & Technology (長沙理工大學)) in the PRC in June 1996.

Mr. Qian Xiaoxuan (錢曉軒), aged 49, is an executive Director and deputy general manager of our Company. Mr. Qian joined our Group on December 5, 2007. He was appointed as a Director on October 6, 2012 and was re-designated as an executive Director on April 3, 2023. He is primarily responsible for the management of supply chain, base, and other related operations.

Mr. Qian has extensive experience in the in-site logistics equipment industry. Mr. Qian has been engaged in various roles in our Company since February 2012, including (i) the assistant to chairman from February 2012 to December 2015, and he was responsible for supervising business affairs and the construction of the supply chain of the procurement center; (ii) the director from October 2012 to June 2013, and he was responsible for the management of supply chain and relevant operation; (iii) the deputy general manager from January 2016 to November 2016, and he was responsible for supply chain management and other related operations; (iv) the director and deputy general manager from August 2016 to December 2018, and he was responsible for supply chain management and other related operations; and (v) director and deputy general manager since January 2019, and he is responsible for supply chain and supply base management and other related operations. Mr. Qian has been a director of Hefei Langyun since February 2019, and he is responsible for the overall management. In addition, he served as a sales manager of Ronggui Lixin from March 2001 to January 2012,and he was responsible for the sales management.

Mr. Qian received his bachelor's degree in mechanical engineering and automation from Beijing Economic and Technological Research Institute (北京經濟技術研修學院) in the PRC in July 1998.

Ms. Ma Li (馬麗), aged 35, is an executive Director and secretary to the Board. Ms. Ma joined our Group on March 18, 2008. She was appointed as a Director on February 10, 2018 and was re-designated as an executive Director on April 3, 2023. She is primarily responsible for investor relations management and equity affairs management, corporate governance.

Ms. Ma has extensive experience in the financial management. She served as the financial officer of our Company from March 2008 to January 2012, then promoted as the financial controller from February 2012 to September 2017, and she was responsible for the overall management of the financial center. Ms. Ma has been serving as the secretary of the Board and director of our Company since September 2017 and February 2018, respectively.

Ms. Ma has been the supervisor of our subsidiaries, including (i) Ferretto Intelligent since July 2018; (ii) Anhui Folangsi since August 2018; (iii) Hefei Langyun since February 2019; (iv) Hefei Xunyun since August 2019; and (v) Shenyang Tianshun since November 2011, and she is primarily responsible for supervising and providing independent advice.

Ms. Ma received her college degree in accounting from Hubei Communications Technical College (湖北交通職業技術學院) in the PRC in June 2008.

Non-executive Directors

Mr. Zhu Yingchun (朱迎春), aged 45, is a non-executive Director of our Company. He joined our Group on October 22, 2016 and has been a Director since then. He was re-designated as a non-executive Director on April 3, 2023. He is primarily responsible for providing strategic advice on the development of our Company.

Mr. Zhu has extensive experience in investment management. Prior to joining our Group, he has been a partner of Eastern Bell Venture Capital (鐘鼎資本), a venture capital institute specialized in early-and growth-stage investments and is one of our Pre-[**REDACTED**] Investors, and he is responsible for venture capital and investment management since September 2009.

Mr. Zhu received his bachelor's degree and master's degree in tourism management from Fudan University (復旦大學) in the PRC in July 1999 and July 2002, respectively.

Mr. Shu Xiaowu (舒小武), aged 54, is a non-executive Director of our Company. He joined our Group on February 10, 2018 and has been a Director since then. He was re-designated as a non-executive Director on April 3, 2023. He is primarily responsible for providing strategic advice on the development of our Company.

Mr. Shu has extensive experience in financing. Prior to joining our Group, He has been a business partner of Fortune Venture Capital Co.Ltd. (達晨財智創業投資管理有限公司), one of the well-known venture capital institutions in China and is one of our Pre-[**REDACTED**] Investors, and he is responsible for investment management since May 2007. He also served as project manager of Guangdong Yueke Financial Group Co., Ltd. (廣州省粵科金融集團有限公司), one of the well-known venture capital institutions in China, and he was responsible for project investment from July 1998 to May 2007.

Mr. Shu received his bachelor's degree in English and literature from Hunan Normal University (湖南師範大學) in the PRC in July 1991. He received his master's degree in political economy from Jinan University (暨南大學) in the PRC in June 1998. Mr. Shu also received his executive master of business administration from Sun Yat-sen University (中山大學) in the PRC in December 2012.

Independent Non-executive Directors

Mr. Chiang Edward (蔣福誠), aged 42, was appointed as an independent non-executive Director on April 3, 2023. He is primarily responsible for providing independent advice and judgement to the Board.

Mr. Chiang has over 15 years of experience in corporate financing. He has been a non-executive director of Top Education Group Ltd. (澳洲成峰高教集團有限公司) since September 2020, one of Australia's primary and best-in-class private tertiary education providers whose shares are listed on the Stock Exchange (stock code: 01752.HK). He has also been a director of investor relations department of Minsheng Education Group Company Limited (民生教育集團有限公司) since May 2017, a company committed to constructing a vocational education service system and whose shares are listed on the Stock Exchange (stock code: 01569.HK), and he is responsible for planning and executing investor relations strategies. From January 2015 to June 2017, Mr. Chiang served as a senior manager of Town Health International Medical Group Limited (康健國際醫療集團有限公司), a comprehensive medical center with diversified medical services and whose shares are listed on the Stock Exchange (Stock code: 03886.HK), and he was responsible for PRC projects and Mainland China operations. Mr. Chiang has accumulated extensive experience in corporate financial management by serving as the senior management at various enterprises, including as: (i) a corporate finance manager of Sunwah Kingsway Capital Holdings Limited (新華滙富金融控股有限公司), a financial service provider based in Hong Kong, where he was responsible for corporate financing transactions in Hong Kong from January 2013 to January 2014; (ii) a manager and licensed representative of South West Capital Limited (西南融資有限公司), a company engaged in dealing in securities and advising on corporate finance, where he was responsible for advising on corporate finance from April 2012 to January 2013; (iii) a corporate finance manager of Huntington Asia Limited (漢騰亞洲有限公司) (currently known as Octal Capital Limited (八方金融有限公司)), a company engaged in financing services, where he was responsible for advising on corporate finance from June 2011 to April 2012; and (iv) an associate and was promoted to assistant manager of VC Capital Limited (匯盈融資有限公司), a company engaged in dealing in securities and advising on corporate finance, where he was responsible for advising on corporate finance from May 2008 to December 2010.

Mr. Chiang received his bachelor's degree in Arts from Macquarie University in Sydney, Australia in November 2005.

Dr. Fan Xia (樊霞), aged 45, is an independent non-executive Director of our Company. She joined our Group on August 18, 2018 has been an independent director of our Company since then. She was re-designated independent-non executive Director on April 3, 2023. She is primarily responsible for providing independent advice and judgement to the Board.

Prior to joining our Company, Dr. Fan has been a professor of South China University of Technology (華南理工大學), a public comprehensive research university, and she is responsible for teaching and research related works since September 2004. She also served as an independent director of Guangzhou Port Company Limited (廣州港股份有限公司), a company mainly engaged in terminal operation and whose shares are listed on Shanghai stock exchange (stock code: 601228.SH), and she was responsible for providing independent advice from December 2016 to December 2022.

Dr. Fan received her bachelor's degree in economics from the School of Management Northwestern Polytechnical University (西北工業大學管理學院) in the PRC in July 2000. She received her master's degree in business management from Northwestern Polytechnical University (西北工業大學) in the PRC in April 2003. Dr. Fan received her doctoral degree in management science and engineering from Northwestern Polytechnical University (西北工業大學) in the PRC in September 2006.

Mr. Wang Chuanbang (王傳邦), aged 56, was appointed as an independent non-executive Director on April 3, 2023. He is primarily responsible for providing independent advice and judgement to the Board.

Mr. Wang has extensive experience in accounting filed. Prior to joining our Group, he has been a partner of Baker Tilly China Certified Public Accountants (天職國際會計師事務所), an accounting firm, and he is responsible for the overall management since December 2006.

Mr. Wang holds directorships in various companies, including (i) an independent director of Lian Life Insurance Co., Ltd. (利安人壽保險股份有限公司), a national life insurance company, and he is responsible for providing independent advice since January 2021; (ii) an independent director of Shanghai Wondertek Software Co.,Ltd. (上海網達軟件股份有限公司), a company engaged in software products and solutions centered on video intelligence and whose shares are listed on Shanghai Stock Exchange (stock code: 603189.SH), and he is responsible for providing independent advice since September 2018; (iii) an independent director of Nantong Guosheng Intelligence Technology Group Co., Ltd. (南通國盛智慧科技集團股份有限公司), a company engaged in metal cutting machine tool business and whose shares are listed in Shanghai Stock Exchange (stock code: 688558.SH), and he was responsible for providing independent advice from July 2016 to August 2022; (iv) an independent director of Warom Technology Incorporated Company (華榮科技股份有限公司), a company engaged in professional lighting equipment and whose shares are listed on Shanghai Stock Exchange (stock code: 603855.SH), and he was responsible for providing independent advice from November 2016 to September 2022; and (v) a director of Greetec Co.,Ltd. (青矩技術股份有限公司), a company engaged in engineering project management technology services and whose shares are listed on Beijing Stock Exchange (stock code: 836208.BJ) from July 2015 to June 2022.

Mr. Wang received his college's degree in physics from Hefei Institute of Education (合肥教育學院) (currently known as Hefei University (合肥學院)) in the PRC in June 1990. He also received his master's degree in business administration through part time learning from Xiamen University (廈門大學) in the PRC in June 2016. Mr. Wang was qualified as a Statistician (統計師) by the National Bureau of Statistics (國家統計局) in March 2001 and as a Certified Public Accountant by the China Institute of Certified Public Accountants in June 2004.

General

Our Directors have confirmed that:

(1) save as disclosed in the paragraph headed "Further Information about Our Directors, Supervisors and Substantial Shareholders – 3. Service Contracts" in Appendix VI to this document, none of our Directors has any existing or proposed service contract with our Company other than contracts expiring or determinable by the relevant member of our Company within one year without payment of compensation (other than statutory compensation);

(2) save as disclosed in the paragraph headed "Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI to this document and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

(3) save as disclosed in "– Board of Directors" in this section, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(4) none of our Directors completed his/her respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors. The following table sets out certain information of our Supervisors:

Name	Age	Position(s)	Date of appointment as Supervisor	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. Li Xiaolan (李小蘭)	41	Employee representative, chairman of the Supervisory Committee and director of procurement center	December 16, 2017	December 5, 2007	Responsible for presiding over the work of the Supervisory Committee, supervising and providing independent advice to our Board	None
Mr. Zhang Xiaolong (張小龍)	47	Supervisor	October 22, 2016	June 21, 2016	Responsible for supervising and providing independent advice to our Board	None
Mr. He Xiaocheng (賀小成)	43	Supervisor and director of asset center	December 16, 2017	December 5, 2007	Responsible for supervising and providing independent advice to our Board	None

Ms. Li Xiaolan (李小蘭), aged 41, has been a supervisor of our Company since December 2017 and was re-designated as employee representative and chairman of the Supervisory Committee on April 3, 2023. She is primarily responsible for presiding over the work of the Supervisory Committee, supervising and providing independent advice to our Board.

Ms. Li joined our Group on December 5, 2007 as a procurement director. She served as a procurement personnel of Foshan Shunde Weize Construction Machinery Co., Ltd (佛山市順德區威澤工程機械有限公司) from August 2004 to November 2007, and she was responsible for supply chain procurement related works. She was promoted to director of the procurement center since December 2007, and she is responsible for the overall management of procurement center.

Ms. Li received her college’s degree in physical distribution management from Shandong University (山東大學) in the PRC in January 2016. She was qualified as a Technician (技師) from the Ministry of Human Resources and Social Security, The People’s Republic of China (中華人民共和國人力資源和社會保障部) in September 2018.

Mr. Zhang Xiaolong (張小龍), aged 47, joined our Group on June 21, 2016 as a director, and has been re-appointed as our Supervisor since October 2016. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Zhang has extensive experience in investment management field. Prior to joining our Group, he has been a partner and deputy general manager of Richen Investment Management Co., Ltd. (興富投資管理有限公司), a leading new private equity investment institution in China and one of our Pre-[**REDACTED**] Investors, and he is responsible for investment management related works since May 2015. He served as a director and general manager of Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司), a company engaged in equity investment, and he was responsible for investment overall management from February 2013 to June 2015. He served as an executive director of Industrial Capital Management Co., Ltd. (興證創新資本管理有限公司), a wholly-owned private investment fund subsidiary of Industrial Securities Co., Ltd., whose shares are listed on Shanghai Stock Exchange (stock code: 601377.SH), and he was responsible for overseeing the investment management from October 2007 to February 2013. He also served as a manager of marketing department of Dell China (戴爾(中國)有限公司), a company engaged in computer hardware, and he was responsible for marketing related works from September 2006 to May 2007.

Mr. Zhang received his bachelor’s degree in intercomputer communication from Shanghai Tiedao University (上海鐵道學院) (currently known as Tongji University (同濟大學)) in the PRC in July 1998. He received his master’s degree in business administration from Fudan University (復旦大學) in the PRC in June 2004. He also received his executive master of business administration through part time learning from China Europe International Business School (中歐國際工商學院) in the PRC in August 2018.

Mr. He Xiaocheng (賀小成), aged 43, has been a Supervisor of our Company since December 2017. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. He joined our Group on December 5, 2007. He served as a manager of maintenance service department of Zhongshan TCM, and was responsible for maintenance management service from March 2003 to December 2009. Since August 2007, he has been a supervisor of Zhongshan TCM, and is responsible for supervising the overall management. Then he served as a leader of maintenance parts business management center of our Company from December 2007 to November 2016 and was promoted as a director of maintenance parts business management center of our Company from December 2016 to September 2018, and he was responsible for the overall management of the center. He has been a director of asset center of our Company since October 2018, and he is responsible for asset management.

General

Save as disclosed in "– Supervisory Committee" in this section, each of our Supervisors has confirmed that:

(1) he/she does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;

(2) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(3) he/she has not completed his education programs as disclosed in this section by way of attendance of long distance learning or online courses.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of business of our Company. The table below sets out certain information of the senior management of our Company:

Name	Age	Position(s)	Date of appointment as Senior Management	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Hou Zekuan (侯澤寬)	54	Chairman of the Board	December 5, 2007	December 5, 2007	Responsible for the overall management and Board related work	Brother of Mr. Hou Zebing and cousin of Mr. Qian Xiaoxuan
Mr. Hou Zebing (侯澤兵)	48	General manager	November 1, 2010	December 5, 2007	Responsible for the overall management and daily operation	Brother of Mr. Hou and cousin of Mr. Qian Xiaoxuan
Mr. Qian Xiaoxuan (錢曉軒)	49	Deputy general manager	January 1, 2016	December 5, 2007	Responsible for the management of supply chain, base, and other related operations	Cousin of Mr. Hou and Mr. Hou Zebing
Ms. Ma Li (馬麗)	35	Secretary of the Board	February 1, 2012	March 18, 2008	Responsible for investor relations management and equity affairs management, corporate governance	None
Mr. Zhou Limin (周利民)	55	Deputy general manager	December 5, 2007	December 5, 2007	Responsible for the product technology research and development management	None
Mr. Yang Qingyuan (楊慶元)	44	Deputy general manager	September 27, 2017	January 1, 2010	Responsible for the operations support and management	None

Name	Age	Position(s)	Date of appointment as Senior Management	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Pan Fei (潘菲)	48	Chief financial officer	April 25, 2016	April 25, 2016	Responsible for financial planning of our Group, investor relations and providing support to our Board	None

Mr. Hou Zekuan (侯澤寬), see "– Board of Directors – Executive Directors" in this section for details.

Mr. Hou Zebing (侯澤兵), see "– Board of Directors – Executive Directors" in this section for details.

Mr. Qian Xiaoxuan (錢曉軒), see "– Board of Directors – Executive Directors" in this section for details.

Ms. Ma Li (馬麗), see "– Board of Directors – Executive Directors" in this section for details.

Mr. Zhou Limin (周利民), aged 55, has been a deputy general manager of our Company since December 2007. He is primarily responsible for the product technology research and development management.

Mr. Zhou joined our Group on December 5, 2007 and served as a sales manager of Zhongshan TCM, and he was responsible for sales management from March 2006 to December 2007. He also served as a director of our Company from October 2012 to November 2016, where he was responsible for product technology and research and development management.

Mr. Zhou has extensive experience in the manufacturing industry. Prior to joining our Group, he served as a sales manager of Xi'an Tiexi Em Forklift Sales Co., Ltd. (西安梯西埃姆叉車銷售有限公司), a company engaged in forklift sales and service, and he was responsible for corporate service from February 2002 to March 2006. He also worked at Xi'an Aviation Engine (Group) Co., Ltd. (西安航空發動機(集團)有限公司), a company engaged in aircraft engine manufacturing, from December 1985 to December 2000.

Mr. Zhou received his college's degree in mechanical design and manufacturing through online education from Wuhan University of Technology (武漢理工大學) in the PRC in July 2016.

Mr. Yang Qingyuan (楊慶元), aged 44, has been a deputy general manager of our Company since September 2017. He is primarily responsible for the operations support and management.

Mr. Yang joined our Group on January 1, 2010 and served as a sales manager of certain subsidiaries of the Company, including in (i) Zhongshan TCM from August 2004 to July 2010; (ii) Guangzhou Xinze from August 2010 to June 2013; and (iii) Shenyang Tianshun from July 2013 to December 2014, where he was responsible for sales management. Mr. Yang served as a director of our Company from October 2012 to August 2016, where he was responsible for operations support and management. He served as a director of sales management of our Company from January 2010 to November 2016, where he was responsible for overall sales management. Mr. Yang was then promoted as a director of leasing department from December 2016 to September 2017, where he was responsible for leasing management. He also served as a chairman of supervisory committee of our Company from November 2016 to September 2017, where he was responsible for presiding over the work of the Supervisory Committee, supervising the Board and providing independent advice to the Board.

Mr. Yang received his bachelor's degree in financial management from Lanzhou University of Finance and Economics (蘭州商學院) in the PRC in June 2002.

Mr. Pan Fei (潘菲), aged 48, has been our chief financial officer since September 2017. He is primarily responsible for financial management.

Mr. Pan joined our Group on April 25, 2016 and served as a secretary to the Board from April 2016 to September 2017, where he was responsible for corporate governance and financing. Further, from November 2016 to March 2017, he served as both a secretary to the Board and as a deputy general manager, primarily responsible for corporate governance and financing.

Mr. Pan has extensive financial management experience. Prior to joining our Group, He served in Guangdong Qide Education Service Co., Ltd. (廣東啟德教育服務有限公司), a company engaged in study aboard consulting, from July 2010 to April 2016. He served in Luxottica Tristar (Dongguan) Optical Co., Ltd. (陸遜梯卡華宏(東莞)眼鏡有限公司), a company engaged in glasses manufacturing, from October 2007 to June 2010. He also served as a manager of Deloitte Touche Tohmatsu Cpa Ltd. (Guangzhou Branch) (德勤華永會計師事務所廣州分所), an international accounting firm, and he was responsible for accounting works from October 2000 to August 2007.

Mr. Pan received his bachelor's degree in auditing from Sun Yat-sen University (中山大學) in the PRC in June 1997. He was qualified as a Certified Practicing Accountant from Guangdong Institute of Certified Public Accountants in January 2009 and as a Certified Public Valuer from Guangdong Appraisal Society (廣東省資產評估協會) in March 2010.

General

Save as disclosed in "– Senior Management" in this section, each of our senior management has confirmed that:

(1) he does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;

(2) he does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(3) he has not completed his education programs as disclosed in this section by way of attendance of long distance learning or online courses.

JOINT COMPANY SECRETARIES

Ms. Ma Li (馬麗), was appointed as a joint company secretary of our Company. See "– Board of Directors - Executive Directors" in this section for details.

Ms. Tang Ka Yan (鄧嘉欣), was appointed as a joint company secretary of our Company.

Ms. Tang a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Tang has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Tang obtained her Bachelor of business administration in accountancy from the City University of Hong Kong and Master of Laws in Common Law from the Chinese University of Hong Kong.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the [**REDACTED**] and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the [**REDACTED**].

BOARD COMMITTEES

In accordance with the relevant PRC laws and regulations and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), the Company has established four committees on the Board of Directors, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee.

Audit Committee

The Company has established the Audit Committee (effective from the [**REDACTED**]) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Wang Chuanbang (王傳邦), Dr. Fan Xia (樊霞) and Mr. Zhu Yingchun (朱迎春), with Mr. Wang Chuanbang (王傳邦) serving as the chairman. Mr. Wang Chuanbang (王傳邦) holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to the Board, and monitoring the independence of external auditors and evaluating their performance;

- examining the financial information of our Company and reviewing financial reports and statements of our Company;

- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to the Board; and

- dealing with other matters that are authorized by the Board.

Remuneration Committee

The Company has established the Remuneration Committee (effective from the [**REDACTED**]) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Dr. Fan Xia (樊霞), Mr. Wang Chuanbang (王傳邦) and Mr. Hou Zebing (侯澤兵), with Dr. Fan Xia (樊霞) serving as the chairman. The primary duties of the Remuneration Committee include, but not limited to, the following:

- advising the Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;

- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to the Board;

- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; and

- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

Nomination Committee

The Company has established the Nomination Committee (effective from the [**REDACTED**]) with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Hou, Dr. Fan Xia (樊霞) and Mr. Chiang Edward (蔣福誠), with Mr. Hou serving as the chairman. The primary functions of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to the Board suitable candidates for Directors, general managers and other members of the senior management;

- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of the Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;

- examining the size and composition of the Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to the Board on any change in Board composition in accordance with our Company's strategies;

- researching and developing standards and procedures for the election of the Board members, general managers and members of the senior management, and making recommendations to the Board; and

- dealing with other matters that are authorized by the Board.

Strategy Committee

Our Company has established the Strategy Committee, which consists of Mr. Hou, Mr. Hou Zebing (侯澤兵), Mr. Zhu Yingchun (朱迎春), Mr. Chiang Edward (蔣福誠) and Mr. Shu Xiaowu (舒小武) and is chaired by Mr. Hou. The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of our Company;

- researching and recommending on significant investment and financing plans of our Company;

- researching and recommending on major capital operation and asset management project, and annual financial budget plan of our Company;

- researching and recommending on significant matters relating to the development of our Company;

- monitoring the above matters and assessing, examining and recommending on significant changes; and

- performing such other duties determined by the Board.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the corporate governance requirements under the Corporate Governance Code after the [**REDACTED**].

BOARD DIVERSITY

We have adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting and research and development. They obtained degrees in various majors including mechanical, economics and accounting etc.. Furthermore, our Board has a relatively wide range of ages, ranging from 35 years old to 56 years old and consists of seven male members and two female members.

The Board of Directors is of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

COMPENSATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Company offers executive Directors, Supervisors and members of our senior management, who are also employees of our Company, emolument in the form of salaries, allowances, discretionary bonus and benefits in kind (if applicable). Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chair of our board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of remuneration paid to our Directors and Supervisors for the three financial years ended December 31, 2020, 2021, 2022 were RMB3.2 million, RMB4.4 million and RMB3.8 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB4.5 million in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this document.

For the financial years ended December 31, 2020, 2021 and 2022, the aggregate amount of emolument paid to the five highest paid individuals of our Company (excluding our Directors and Supervisors) were RMB5.5 million, RMB4.9 million and RMB5.5 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Group as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company to our Directors, Supervisors or the five highest paid individuals of our Company during the Track Record Period.

For further details, please see Notes 8 and 9 of the Accountants' Report set out in Appendix I and "Statutory and General Information" set out in Appendix VI to this document.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Hou was entitled to exercise voting rights attached to the 13,230,171 Shares directly held by him representing approximately 15.76% of the total issued share capital of our Company. Mr. Hou Zebing (侯澤兵), brother of Mr. Hou, was entitled to exercise voting rights attached to the Shares representing approximately 24.39% of the total issued share capital of our Company through (i) 12,702,820 Shares directly held by him, representing approximately 15.13% of the total issued share capital of our Company, and (ii) 7,775,054 Shares held by Guangzhou Daze of which he is a general partner, representing approximately 9.26% of the total issued share capital of our Company. Upon completion of the Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Hou will be entitled to exercise voting rights attached to the [**REDACTED**] Shares directly held by him representing approximately [**REDACTED**]% of the total issued share capital of our Company and Mr. Hou Zebing was entitled to exercise voting rights attached to the Shares representing approximately [**REDACTED**]% of the total issued share capital of our Company through (i) [**REDACTED**] Shares directly held by him, representing approximately [**REDACTED**]% of the total issued share capital of our Company, and (ii) [**REDACTED**] Shares held by Guangzhou Daze of which he is a general partner, representing approximately [**REDACTED**]% of the total issued share capital of our Company.

Mr. Hou and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou and Mr. Hou Zebing should defer to Mr. Hou's view and decision should there be different views between them on any matter considered at board meetings and general meetings of our Company.

Therefore, Mr. Hou, Mr. Hou Zebing and Guangzhou Daze collectively are able to exercise approximately [**REDACTED**]% voting rights in our Company and will be considered as the Controlling Shareholders of our Company upon [**REDACTED**].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after the [**REDACTED**].

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. For further details, see "– Corporate Governance Measures" in this section.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

We are able to make all decisions on, and to carry out, our own business operations independently. Our Group holds the licenses and qualifications necessary to carry out our current business, and has sufficient capital, facilities, technology and employees to operate our business independently from our Controlling Shareholders. We have access to third parties independently from our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We are able to make financial decisions independently and our Controlling Shareholders do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates. During the Track Record Period and as of the Latest Practicable Date, there were no loans, advances and balances due to and from our Controlling Shareholders.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As of the Latest Practicable Date, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the Controlling Shareholders or their close associates will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

So far as our Directors are aware, immediately following the completion of the Subdivision and the [**REDACTED**] and without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	**Capacity/nature of interest**	**Number and type of Shares to be held after the Subdivision and the [REDACTED]**	**Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the [REDACTED][(1)]** *(%)*	**Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the [REDACTED][(2)]** *(%)*
Mr. Hou[(3)]	Beneficial owner	15,876,204 H Shares	[**REDACTED**]	[**REDACTED**]
		37,044,480 Domestic Shares	[**REDACTED**]	
	Interest held jointly with another person	46,669,696 H Shares	[**REDACTED**]	
		88,162,484 Domestic Shares	[**REDACTED**]	
Mr. Hou Zebing (侯澤兵)[(3)]	Beneficial owner	15,243,384 H Shares	[**REDACTED**]	[**REDACTED**]
		35,567,896 Domestic Shares	[**REDACTED**]	
	Interest in controlled corporations	15,550,108 H Shares	[**REDACTED**]	
		15,550,108 Domestic Shares	[**REDACTED**]	
	Interest held jointly with another person	46,669,696 H Shares	[**REDACTED**]	
		88,162,484 Domestic Shares	[**REDACTED**]	
Guangzhou Daze	Beneficial owner	15,550,108 H Shares	[**REDACTED**]	[**REDACTED**]
		15,550,108 Domestic Shares	[**REDACTED**]	

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the [REDACTED][1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the [REDACTED][2] (%)
Suzhou Eastern Bell II Investment Center (Limited Partnership) (蘇州鐘鼎創業二號投資中心(有限合夥)) ("**Eastern Bell II**")	Beneficial owner	55,541,652 H Shares	**[REDACTED]**	**[REDACTED]**
Shanghai Dingxiao Enterprise Management Consulting Center (Limited Partnership) (上海鼎蕭企業管理諮詢中心(有限合夥)) ("**Shanghai Dingxiao**")[4]	Interest in controlled corporations	55,541,652 H Shares	**[REDACTED]**	**[REDACTED]**
Ningbo Dingji Venture Capital Partnership Enterprise (Limited Partnership) (寧波鼎集創業投資合夥企業(有限合夥)) ("**Ningbo Dingji**")	Interest in controlled corporations	55,541,652 H Shares	**[REDACTED]**	**[REDACTED]**
Mr. Yin Junping (尹軍平)[4]	Interest in controlled corporations	55,541,652 H Shares	**[REDACTED]**	**[REDACTED]**
Shanghai Dingman Enterprise Management Co., Ltd. (上海鼎蔓企業管理有限公司) ("**Shanghai Dingman**")[4]	Interest in controlled corporations	64,464,752 H Shares	**[REDACTED]**	**[REDACTED]**
Mr. Yan Li (嚴力)[4]	Interest in controlled corporations	64,464,752 H Shares	**[REDACTED]**	**[REDACTED]**

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the [REDACTED](1) (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the [REDACTED](2) (%)
Shenzhen Xinyu Equity Investment Enterprise (Limited Partnership) (深圳鑫域股權投資企業(有限合夥)) ("**Shenzhen Xinyu**")	Beneficial owner	18,555,976 H Shares 4,000,000 Domestic Shares	**[REDACTED]** **[REDACTED]**	**[REDACTED]**
Mr. Zhang Gaozhao (張高照)(5)	Interest in controlled corporations	18,555,976 H Shares 4,000,000 Domestic Shares	**[REDACTED]** **[REDACTED]**	**[REDACTED]**
Shenzhen Dachen Chuanglian Equity Investment Fund Partnership (Limited Partnership) (深圳市達晨創聯股權投資基金合夥企業(有限合夥)) ("**Dachen Chuanglian**")	Beneficial owner	21,440,924 Domestic Shares	**[REDACTED]**	**[REDACTED]**
Shenzhen Dachen Chuangtong Equity Investment Enterprise (Limited Partnership) (深圳市達晨創通股權投資企業(有限合夥)) ("**Dachen Chuangtong**")	Beneficial owner	19,471,952 Domestic Shares	**[REDACTED]**	**[REDACTED]**
Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd (深圳市達晨財智創業投資管理有限公司) ("**Dachen Caizhi**")(6)	Interest in controlled corporations	40,912,876 Domestic Shares	**[REDACTED]**	**[REDACTED]**

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the [REDACTED][1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the [REDACTED][2] (%)
Hunan Dianguang Media Co., Ltd. (湖南電廣傳媒股份有限公司) ("**Hunan Dianguang**")[6]	Interest in controlled corporations	40,912,876 Domestic Shares	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Upon completion of the Subdivision and the [**REDACTED**] and conversion of Domestic Shares into H Shares, our Company would have Domestic Shares and H Shares. Domestic Shares and H Shares are regarded as two different types of Shares. However, both Domestic Shares and H Shares are ordinary shares in the share capital of our Company are regarded as the same class of Shares. The calculation is based on the total number of [**REDACTED**] H Shares and [**REDACTED**] Domestic Shares in issue immediately after completion of the Subdivision and the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after completion of the Subdivision and the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(3) Mr. Hou Zebing is the general partner of Guangzhou Daze. As such, Mr. Hou Zebing is deemed to be interested in the 31,100,216 Shares held by Guangzhou Daze under SFO. Mr. Hou and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou and Mr. Hou Zebing should defer to Mr. Hou's view and decision should there be different views between them on any matter considered at board meetings and general meetings of our Company.

(4) Eastern Bell II is a limited partnership established in the PRC. As of Latest Practicable Date, the general partner of Eastern Bell II was Shanghai Dingxiao, whose general partner was Shanghai Dingman, which in turn, the equity interest of Shanghai Dingman was owned by Mr. Yan Li as to 99%. Ningbo Dingji was a limited partner of Shanghai Dingxiao and owned 60.83% partnership interest of Shanghai Dingxiao. Shanghai Dingman was the general partner of Ningbo Dingji. Mr. Yin Junping was a limited partner of Ningbo Dingji and held 36% partnership interest of Ningbo Dingji. As such, each of Shanghai Dingxiao, Ningbo Dingji, and Mr. Yin Junping is deemed to be interested in the 55,541,652 Shares held by Eastern Bell II.

Suzhou Eastern Bell III Investment Center (Limited Partnership) (蘇州鐘鼎三號創業投資中心(有限合夥)) ("**Eastern Bell III**") is a limited partnership established in the PRC. As of Latest Practicable Date, the general partner of Eastern Bell III was Shanghai Dingxiao Enterprise Management Consulting Center (Limited Partnership) (上海鼎蕭企業管理諮詢中心(有限合夥)) (formerly known as Jiaxing Dingxiao Venture Capital Partnership (Limited Partnership) (嘉興鼎蕭創業投資合夥企業(有限合夥))), whose general partner was Shanghai Dingman.

Shanghai Dingmin Investment Management Center (Limited Partnership) (上海鼎民投資管理中心(有限合夥)) ("**Shanghai Dingmin**") is a limited partnership established in the PRC. As of Latest Practicable Date, Ningbo Zhongding Lilong Investment Management Center (Limited Partnership) (寧波鐘鼎力隴投資管理中心(有限合

夥)) ("**Zhongding Lilong**") was a limited partner of Shanghai Dingmin and held 99% partnership interest of Shanghai Dingmin. The general partner of Zhongding Lilong was Ningbo Dingpu Venture Capital Partnership (Limited Partnership) (寧波鼎浦創業投資合夥企業(有限合夥)), whose general partner was Shanghai Dingman.

As such, each of Mr. Yan Li and Shanghai Dingman is deemed to be interested in (i) 5,541,652 Shares held by Eastern Bell II, (ii) 8,000,000 Shares held by Eastern Bell III and (iii) 923,100 Shares held by Shanghai Dingmin.

(5) Shenzhen Xinyu is a limited partnership established in the PRC. As of the Latest Practicable Date, the general partner of Shenzhen Xinyu was Mr. Zhang Gaozhao (張高照). As such, Mr. Zhang Gaozhao is deemed to be interested in 22,555,976 Shares held by Shenzhen Xinyu.

(6) Each of Dachen Chuanglian and Dachen Chuangtong is a limited partnership established in the PRC. As of the Latest Practicable Date, Dachen Caizhi was the general partner of each of Dachen Chuanglian and Dachen Chuangtong. Dachen Caizhi was owned as to 55% equity interest by Hunan Dianguang, a company listed Shenzhen Stock Exchange (stock code: 000917.SZ). As such, each of Dachen Caizhi and Hunan Dianguang is deemed interested (i) 21,440,924 Shares held by Dachen Chuanglian and (ii) 19,471,952 Shares held by Dachen Chuangtong.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), without taking into account the [**REDACTED**] that may be taken up under the [**REDACTED**], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

This section presents certain information regarding our share capital prior to and upon the completion of the Subdivision and the [**REDACTED**].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB83,971,704 comprising 83,971,704 Domestic Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the Subdivision and the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital *(%)*
Domestic Shares in issue	141,428,080	[**REDACTED**]
H Shares to be converted from Domestic Shares*(note)*	194,458,736	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[100]

Immediately upon completion of the Subdivision and the [**REDACTED**], assuming the [**REDACTED**] is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital *(%)*
Domestic Shares in issue	141,428,080	[**REDACTED**]
H Shares to be converted from Domestic Shares*(note)*	194,458,736	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[100]

Note: For details of the identities of the Shareholders whose Shares will be converted into H Shares upon [**REDACTED**], see "History, Development and Corporate Structure – [**REDACTED**]" in this document.

SHARE CLASSES

Upon completion of the Subdivision and the [**REDACTED**] and conversion of 194,458,736 Domestic Shares (after Subdivision) into H Shares, our Company would have Domestic Shares and H Shares. The Domestic Shares are Unlisted Shares which are currently not [**REDACTED**] or traded on any stock exchange or authorized trading facility. Both Domestic Shares and H Shares are ordinary shares in the share capital of our Company are regarded as the same classes of Shares. Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded among legal and natural persons of the PRC.

Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Upon completion of the [**REDACTED**], our Company will have two types of ordinary Shares, namely Domestic Shares and H Shares.

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Shares may be converted into H Shares, and such converted Shares may be [**REDACTED**] and traded on an overseas stock exchange provided that the conversion, [**REDACTED**] and trading of such converted Shares have been filed by the securities regulatory authorities of the State Council. In addition, such conversion, trading and [**REDACTED**] shall complete any requisite internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, [**REDACTED**] and traded as H Shares on the Stock Exchange, such conversion, [**REDACTED**] and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. Based on the procedures for the conversion of Domestic Shares into H Shares as described below, we may apply for the [**REDACTED**] of all or any portion of the Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong. Class shareholder voting is not required for the conversion of such Shares or the [**REDACTED**] and [**REDACTED**] of such converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our H Share register will be conditional on (a) our [**REDACTED**] lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates; and (b) the admission of the H Shares to [**REDACTED**] on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be [**REDACTED**] as H Shares.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such [**REDACTED**] are [**REDACTED**] and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [**REDACTED**] and [**REDACTED**], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the

China Securities Depository and Clearing Corporation Limited within 15 business days upon the [**REDACTED**] and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the [**REDACTED**] and [**REDACTED**] of our H Shares.

SHAREHOLDERS' GENERAL MEETING

Please see the sections headed "Appendix IV – Summary of Principal Legal and Regulatory Provisions – The PRC Company Law and the Trial Administrative Measures – Shareholders' General Meetings" and "Appendix V – Summary of Articles of Association – Shareholders and Shareholders' General Meeting" to this document for details of circumstances under which our general Shareholders' meeting is required.

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

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

OVERVIEW

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

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

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

Moreover, timely payment by our customers is crucial for our working capital and cash flow management. While customers have generally complied with payment schedules during the Track Record Period, unforeseen financial distress, such as the COVID-19 pandemic, may hinder timely payment, negatively impacting our financial condition and results of operations. Nonetheless, we have taken proactive measures to mitigate these risks, including customer engagement and collection settlement efforts. Our trade receivable turnover days remained stable at 81.3 days, 72.3 days, and 78.1 days in 2020, 2021, and 2022, respectively. Please also see the "Risk Factors – Risks Relating to Our Business and Industry –We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process" in this document.

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

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

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

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

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

Efficient Centralized Procurement and Effective Supply Chain Management

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

By consolidating our orders and negotiating bulk purchasing agreements, we streamline our procurement processes, reduce procurement costs, and secure favorable pricing and delivery terms. We also trade new and used forklifts to match diversified requirements of customers in China, thereby increasing customer adherence and broadening our customer base and streams of revenue. In addition, we sold around 320,000 types of intralogistics equipment parts to customers in China and to over 100 foreign countries, such as United States, Thailand, Brazil, etc.

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

Our Revenue and Service Mix

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

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

Our Ability to Enhance Operational Efficiency and Manage Operating Expenses

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

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

BASIS OF PRESENTATION

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

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

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Significant Accounting Policies

Revenue Recognition

Revenue From Contracts With Customers

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

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

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

Intralogistics Equipment Subscription Services

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

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

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

Maintenance and Repair Services

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

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

Sales of Intralogistics Equipment and Parts

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

Revenue From Other Sources

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

Other Income

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

Lease

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

Act as a Lessee

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

Right-of-Use Assets

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

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

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

Lease Liabilities

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

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

Short-Term Leases

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

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

Act as a Lessor

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

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

Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

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

Critical Accounting Judgements and Estimates

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

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

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

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

Provision for Expected Credit Losses on Trade Receivables

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

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

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

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

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

Leases – Estimating the Incremental Borrowing Rate

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

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

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

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

Note: *Less than 0.1%.

Revenues

Revenue by Business Segments

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

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

Intralogistics Equipment Subscription Services

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

During the Track Record Period, we experienced a growing demand for intralogistics equipment subscription services primarily because more and more customers recognized our services and brands, and chose us to subscribe more equipment to support their business operation and expansion. The average monthly equipment subscription price remained relatively stable during the Track Record Period. To be specific, our average monthly equipment subscription price (excluding VAT) was RMB1,965 per unit in 2020, RMB2,126 per unit in 2021, RMB2,085 per unit in 2022.

Maintenance and Repair Services

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

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
One-off repair	89,085	79.9	105,780	82.3	87,436	62.0
Maintenance and repair service plan	22,378	20.1	22,704	17.7	53,551	38.0
Total	111,463	100.0	128,484	100.0	140,987	100.0

Sales of Intralogistics Equipment and Parts

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

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

Cost of Sales

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

Selling and Distribution Expenses

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

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

Administrative Expenses

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

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

Other Income and Gains/(Expenses)

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

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

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

Finance Costs

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

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

Income tax Expenses

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

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

RESULTS OF OPERATIONS

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

Revenue

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

Intralogistics Equipment Subscription Services

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

Maintenance and Repair Services

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

Sales of Equipment and Parts

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Intralogistics Equipment Subscription Services

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

Maintenance and Repair Services

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

Sales of Equipment and Parts

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Income and Gains/(Expenses)

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

Finance Costs

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

Income tax Expenses

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

Profit for the Year and Total Comprehensive Income for the Year

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

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

Revenue

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

Intralogistics Equipment Subscription Services

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

Maintenance and Repair Services

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

Sales of Equipment and Parts

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Intralogistics Equipment Subscription Services

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

Maintenance and Repair Services

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

Sales of Equipment and Parts

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Income and Gains/(Expenses)

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

Finance Costs

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

Income tax Expenses

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

Profit for the Year and Total Comprehensive Income for the Year

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

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

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

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

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

Property, Plant and Equipment

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

Right-of-Use Assets

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

Investment in Associates

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

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

Prepayments, Deposits, and Other Receivables

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

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

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

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

Inventories

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

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

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

Note:

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

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

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

Trade and Bills Receivables

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

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

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

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

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

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

Note:

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

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

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

Cash and Cash Equivalents

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

Trade and Bills Payable

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

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

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

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

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

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

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

Note:

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

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

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

Other Payables and Accruals

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Cash Flows

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

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

Net Cash Generated From Operating Activities

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

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

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

Net Cash Used in Investing Activities

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

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

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

Net Cash Used in Financing Activities

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

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

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

Net Current Liabilities

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

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

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

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

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

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

INDEBTEDNESS

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

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

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

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

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

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

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

RELATED PARTY TRANSACTIONS

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest Rate Risks

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

Credit Risks

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

Liquidity Risks

We aim to maintain sufficient cash and credit lines to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt.

DIVIDENDS

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

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

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

DISTRIBUTABLE RESERVES

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

[REDACTED]

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

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

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

Notes:

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

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

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

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

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

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS AND PROSPECTS

See "Business – Our Strategies" in this document for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] being not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of the indicative [**REDACTED**], the [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$ [**REDACTED**].

Assuming an [**REDACTED**] at the mid-point of the [**REDACTED**], we currently intend to apply these net [**REDACTED**] for the following purposes:

- [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment. Specifically:

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to strengthen our marketing capabilities. We plan to expand our sales team and improve sales and marketing methods, including participating exhibitions and conducting online and offline advertising activities to increase brand awareness and attract additional customers from the manufacturing, logistics, and other targeted industries.

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to expand our service outlet, further enhancing our service efficiency and customer outreach. As of December 31, 2022, we established a nationwide service network with 161 service outlet covering 87 cities in China. In the upcoming years, we plan to increase the number of service outlets located in key manufacturing and logistics hubs across China to further improve our service coverage, reach more customers, and provide timely services to meet their various needs.

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to expand the scale and categories of our intralogistics equipment fleet. We plan to continuously invest in acquiring intralogistics equipment, expanding our categories of intralogistics equipment, and providing corresponding lifecycle solutions to increase our market shares and demonstrate our scale advantages. For instance, we plan to acquire additional intralogistics equipment, covering storage, sorting, and conveying equipment.

- [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to expand and upgrade our supply chain infrastructure. This includes both improving our existing supply chain facilities and constructing new supply chain bases according to our strategies. Specifically:

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to expand and upgrade our existing supply chain facilities, specifically for our equipment part warehouses at our headquarter and automated warehouses in local bases. We plan to enhance our current facilities by performing maintenance on our manufacturing processes, upgrading equipment and service capacities at our main supply chain bases, and renovating our equipment part warehouses to improve efficiency. Our aim is to streamline our supply chain by automating the storage and retrieval of parts, resulting in reduced manual labor and increased accuracy.

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to build new supply chain bases in strategic locations across China to better synergize our resources. We plan to improve our connectivity with both upstream and downstream industry sectors with high transportation efficiency and accessibility.

- [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to strengthen our technology capabilities and infrastructure. Specifically:

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to upgrade our IoT infrastructure. For example, we plan to launch more wearable devices and install multidimensional sensors to improve our IoT infrastructure. These upgrades will enable efficient tracking and recording of intralogistics equipment. Additionally, we plan to recruit additional employee and collaborate with research institutions and leading companies to establish a cooperative platform for IoT intelligent management.

  - [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to enhance our overall digital technology capabilities. We plan to enhance our data analysis by investing in big data, cloud computing, and other new software technologies.

- [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to conduct strategic mergers and acquisitions that align with our regional coverage, industry focus, and business priorities. We will particularly focus on participants that have strengths in terms of asset quality, service capacities, customer resources, market influence and talent pool that complement our business and strategy. As of the Latest Practicable Date, we had no specific acquisition plans nor identified any specific targets. We will seek collaboration opportunities in a sustainable and prudent manner after the [**REDACTED**].

- [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for our general working capital and general corporate purposes.

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] stated in this document.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). In the event that the [**REDACTED**] is exercised in full, we intent to apply the additional net [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, so long as it is deemed to be in the best interests of the Company, we may hold such funds in short-term demand deposits with licensed banks or authorized financial institutions in Hong Kong. We will issue an appropriate announcement if there is any material change to the above [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[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

		As at 31 December		
	Notes	**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

	Notes	Year ended 31 December 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 Direct	Indirect	Principal activities
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

	Current	Past due Less than 1 year	Past due 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

	Current	Past due Less than 1 year	Past due 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

	Current	Past due Less than 1 year	Past due 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

	Current	Past due Less than 1 year	Past due 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

	Current	Past due Less than 1 year	Past due 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	2021	2022
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.

The following information does not form part of the Accountants' Report from [●], Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The [**REDACTED**] *financial information should be read in conjunction with the "Financial Information" section in this document and the Accountants' Report set out in Appendix I to this document.*

A. [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "*Preparation of* [**REDACTED**] *Financial Information for inclusion in* [**REDACTED**]" issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 as if the [**REDACTED**] had taken place on that date.

The [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets of the Group had the [**REDACTED**] been completed as at 31 December 2022 or at any future date.

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

Notes:

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

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

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

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

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

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION ON HOLDERS OF SECURITIES

The following is a summary of certain PRC taxation consequences of the ownership of H Shares by an investor who purchases such H Shares in connection with the [**REDACTED**] and holds the H Shares as capital assets. This summary does not purport to address all potential taxation consequences of investment in the H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC in effect as of the date of this document, all of which are subject to change (or changes in interpretation) and may have retroactive effect.

This section does not address any aspect of PRC or Hong Kong taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

Dividend Tax

Individual Investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the "**IIT Law**") which was adopted and implemented by the National People's Congress (the "**NPC**") on September 10, 1980, and latest amended on August 31, 2018, and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) which was promulgated by the State Council on January 28, 1994, and latest amended on December 18, 2018, dividends paid by PRC companies to individual shareholders are generally subject to individual income tax at a uniform rate of 20%.

According to the Notice on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020) (關於個人所得稅若干政策問題的通知(財稅字[1994]020號)) issued on May 13, 1994 by the MOF and the SAT, overseas individuals are, as an interim measure, exempted from the individual income tax for the dividends and bonuses received from foreign-invested enterprises.

According to the Notice on Issues Concerning the Administration of Individual Income Tax Collection Following the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued on June 28, 2011 by the SAT, as for the income from dividends and bonuses obtained by foreign resident individual shareholders from the shares issued in Hong Kong by domestic non-foreign invested enterprises, the individual income tax shall be withheld by withholding agents according to the item of "income from interest, dividends and bonuses". Where a domestic non-foreign invested enterprise issues shares in Hong Kong, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and China as well as the provisions of tax arrangements between Mainland and Hong Kong (Macau). A domestic non-foreign invested enterprise that issues shares in Hong Kong may, for the purpose of distributing dividends and bonuses, withhold individual income tax at the rate of 10% in general, and the application procedure is not required. For situations where the tax rate for dividend is not 10%, the following regulations shall apply: where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, such individual can apply for refund according to the Announcement of the SAT on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35, 2019 of the SAT) (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告); where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonuses, and the application procedure is not required; where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with China or is under other situations, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

Enterprise Investors

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") which was adopted by the NPC on March 16, 2007, implemented on January 1, 2008, and latest amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on December 6, 2007, implemented on January 1, 2008, and amended on April 23, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

According to the Circular of the State Taxation Administration on the Withholding and Remitting of Enterprise Income Tax on the Dividend Distributed by Chinese Resident Enterprise to Overseas H-Share Non-resident Enterprise (Guo Shui Han [2008] No. 897) (國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知(國税函[2008]897號)) issued by the SAT and taking effect on November 6, 2008, where a Chinese resident enterprise distributes dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After receiving the dividends, a non-resident enterprise shareholder may, by itself or through an authorized agent or withholding agent, submit an application to the competent tax authority for enjoying any treatment under a relevant tax agreement (arrangement), and provide proof that it is an actual beneficial owner satisfying the requirements of the tax agreement (arrangement). If the application is justified upon verification, the competent tax authority shall refund the difference between the tax paid and the tax payable calculated at the tax rate under the tax agreement (arrangement).

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

Taxation Treaty

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC are entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Capital Gains Tax

Income Tax

Individual Investors

According to the IIT Law, gains from the transfer of personal property are subject to the income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (Cai Shui

Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the IIT Law, which latest amended and implemented on January 1, 2019 and its implementation provisions.

However, According to the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) jointly issued by the MOF, the SAT and CSRC on December 31, 2009, and taking effect on January 1, 2010, individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) jointly issued and implemented by such departments on November 10, 2010.

As of the Latest Practicable Date, no provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced pursuant to special arrangements or relevant agreements signed between the PRC and the jurisdictions where the non-resident enterprises are located.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC on (中華人民共和國印花稅法), which was issued by the Standing Committee of the NPC on June 10, 2021 and implemented on July 1, 2022, PRC stamp duty applies to taxable document executed or used within the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

Taxation Policy of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014 and November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transaction in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) and the Notice on the Relevant Taxation Policies for the Pilot Program of the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知). According to such Notices, Mainland enterprise investors' income from transfer price difference, dividends and bonuses of investment in stocks listed on the HKEx through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included into the total income and shall be subject to the enterprise income tax. Income of mainland resident enterprises obtained from dividends and bonuses by holding H shares for over twelve months consecutively shall be exempted from enterprise income tax according to the law. Enterprises of H shares shall not withhold income tax of dividends and bonuses for mainland enterprise investors. The taxes payable shall be declared and paid by enterprises on their own.

For dividends and bonuses obtained by individual mainland investors from investment in H shares listed on the HKEx through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, enterprises of H shares shall submit applications to China Securities Depository and Clearing Corporation Limited ("**CSDC**") so as to get the register of individual mainland investors and withhold the individual income tax at the tax rate of 20%. For taxes withheld abroad, individual investors may apply to competent taxation authorities of the CSDC for tax credit upon the strength of valid tax withholding vouchers. For dividends and bonuses obtained by mainland securities investment funds from investment in stocks listed on the HKEx through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated and levied in accordance with the above provisions.

On December 4, 2019, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets (Announcement 93, 2019 of the MOF) (關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告), which stipulates that from December 5, 2019 to December 31, 2022, the transfer price difference income that an individual investor from mainland China obtains by investing in stocks listed on the Stock Exchange of Hong Kong through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and by trading in Hong Kong fund shares through mutual recognition of funds will continue to be temporarily exempted from individual income tax.

MAIN PRC TAXES OF THE COMPANY

Please refer to "Regulatory Overview" of the document.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign currencies. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations"), which was issued by the State Council on January 29, 1996 and implemented on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. Pursuant to the Foreign Exchange Control Regulations amended on January 14, 1997 and August 5, 2008, the PRC will not impose restriction on international current payments and transfers.

According to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which was promulgated by the PBOC on June 20, 1996, it removes other restrictions on convertibility of foreign exchange under current items, while retaining existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (關於完善人民幣匯率形成機制改革的公告), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (國務院關於取消和調整一批行政審批項目等事項的決定) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of State Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which was issued by the SAFE on February 13, 2015 and came into effect on June 1, 2015, it has canceled two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (Hui Fa [2016] No. 16) (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Hui Fa [2017] No. 3) (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) was promulgated by the SAFE and implemented to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (Hui fa [2019] No. 28) (關於進一步促進跨境貿易投資便利化的通知), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV – Taxation and Foreign Exchange" to this document. For discussion of laws and regulations which are relevant to business of the Company, please refer to "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (中華人民共和國立法法), the NPC and its Standing Committee are empowered to exercise the legislative power of the State. The NPC shall develop and amend the basic laws on state authorities, civil matters, criminal matters, and others matters. The Standing Committee of the NPC shall develop and amend laws other than those developed by the NPC; and when the NPC is not in session, partially supplement and amend laws developed by the NPC, provided that the basic principles in such laws are not violated.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congress and its standing committee of a province, autonomous region, and municipality directly under the Central Government may, according to the specific circumstances and actual needs of the administrative region, develop local regulations, provided that such regulations do not contravene the Constitution, laws, and administrative regulations.

The people's congress and its standing committee of a districted city may, according to the city's specific circumstances and actual needs, develop local regulations on urban and rural development and administration, environmental protection, and historical culture protection, among others, provided that they do not contravene the Constitution, laws, administrative regulations, and the local regulations of the province or autonomous region where the city is located, unless a law provides otherwise for the development of local regulations by a districted city.

The people's congress of an ethnic autonomous area shall have the power to develop autonomous regulations and separate regulations based on the political, economic, and cultural characteristics of the local ethnicities.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and other divisions with administrative functions directly under the State Council may, in accordance with the laws and the administrative regulations, decisions, and orders of the State Council, develop rules within their respective power. The matters prescribed in State Council departmental rules shall be matters for the enforcement of laws or the administrative regulations, decisions, and orders of the State Council. The people's government of a province, an autonomous region, a municipality directly under the Central Government, a districted city, and an autonomous prefecture may develop rules in accordance with laws, administrative regulations, and the local regulations of the province, autonomous region, and municipality directly under the Central Government.

Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981. In cases where the limits of articles of laws and decrees need to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments. In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the Central Government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government.

THE PRC JUDICIAL SYSTEM

Under the Constitution, the Organic Law of the People's Courts of the PRC (中華人民共和國人民法院組織法) and the Organic Law of the People's Procuratorates of the PRC (中華人民共和國人民檢察院組織法), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at all levels, and special people's courts. The local people's courts at all levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court is the highest judicial organ and shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The people's procuratorates of the PRC are classified into the Supreme People's Procuratorate, local people's procuratorates at all levels, and special people's procuratorates such as the military procuratorates. The Supreme People's Procuratorate is the highest organ of legal supervision. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and special people's procuratorates, and people's procuratorates at higher levels shall direct the work of people's procuratorates at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law") prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile, and Parties to a contract may, by a written agreement, choose the people's court at the place of domicile of the defendant, at the place where the contract is performed or signed, at the place of domicile of the plaintiff, at the place where the subject matter is located or at any other place actually connected to the dispute to have jurisdiction over the dispute, but the provisions of this Law regarding hierarchical jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise and a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens, the legal person and other organizations, the PRC court may apply the same limitations to the citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the PRC, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court. If the judgment or ruling violates the basic principles of the laws of the PRC or the sovereignty, security or public interest of the PRC, the people's court shall not grant recognition and enforcement.

THE PRC COMPANY LAW AND THE TRIAL ADMINISTRATIVE MEASURES

The Company Law of the People's Republic of China (the "PRC Company Law") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The newly revised PRC Company Law has been implemented since October 26, 2018.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Administrative Measures"), which came into effect on March 31, 2023. The Trial Administrative Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities overseas for trading. On February 17, 2023, CSRC promulgated the Guidelines for the Application of Regulatory Rules – Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Administrative Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law and the Trial Administrative Measures.

General

A "joint stock limited company" refers to a corporate legal person incorporated in PRC under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. For companies established by promotion, the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant company registration authorities, and other documents as required by the law or administrative regulations.

For companies incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter offering shares to the public must publish a prospectus and prepare a subscription letter. Such promoter shall be underwritten by security companies established under PRC law and underwriting agreements shall be entered into. Such promoter shall also enter into agreements with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the deadline stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company.

A company's promoter shall assume the following liabilities: (1) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated; (2) the subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

Share Capital

Shareholders may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation on the value of the assets should be carried out; the assets should be verified; and the value shall not be overestimated or underestimated.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares shall carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company that seek to offer and list securities in overseas markets, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Pursuant to the requirements under the Company Law, a company issuing registered shares shall prepare a register of shareholders which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares to the public upon the approval by the CSRC, a new prospectus and a financial accounting report must be published and a subscription form must be prepared. After the new share issued by the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce share capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare balance sheet and inventory of assets; (2) the reduction of registered capital must be approved by shareholders in general meeting; (3) the company shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed; (4) the creditors of the company shall, within 30 days from the date they receive the written notice, or within 45 days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and (5) the company must register with the company registration authority for such alteration.

Repurchase of Shares

According to the Company Law, a company shall not repurchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company holding shares of this company; (3) using for employee stock ownership plan or equity incentives; (4) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares in circumstances as set out in items (1) and (2) above shall be subject to a resolution of the general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's articles of association or the authorization of the shareholders' general meeting.

After acquiring its own shares pursuant to the provisions above, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company acquiring its own shares shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC ("**the Securities Law**"). A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and changes in such shareholdings. The shares transferable by them during each year of their term of office shall not exceed 25 percent of their total shareholdings in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the Company Law, the rights of a shareholder include: (1) to receive a return on assets, participate in significant decision-making and select management personnel; (2) to request the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, regulations or the articles of association, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution; (3) to transfer the shares of the shareholders in accordance with the law; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights thereat; (5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of a company, which exercises the following powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors; (3) to consider and approve reports of the board of directors; (4) to consider and approve reports of the board of supervisors; (5) to consider and approve the company's proposed annual financial budget and final accounts; (6) to consider and approve the company's proposals for profit distribution and for recovery of losses; (7) to decide on any increase or reduction in the company's registered capital; (8) to decide on the issue of bonds by the company; (9) to decide on issues regarding to merger, division, dissolution, liquidation or change of the form of the company and other matters; (10) to amend the articles of association of the company; and (11) other powers specified in the articles of association of the company.

The shareholders' general meeting shall be held once a year within six months after the end of the previous financial year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances: (1) when the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association; (2) when the losses of the company which are not made up reach one-third of the company's total paid up share capital; (3) when shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) when deemed necessary by the board of directors; (5) when the board of supervisors proposes convening it; or (6) other matters as required by the company's articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice-chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by half or more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors within 10 days before the general meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall provide clear agenda and specific matters for a resolution is to be made. A general meeting shall not make any resolution in respect of any matter not set out in the notices. Holders of bearer share certificates who intend to attend a general meeting shall deposit their share certificates with the company during the time from five days before the meeting to the conclusion of the meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholder's general meeting, and shareholders may consolidate their votes when casting a vote.

Under the Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of a company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company and the other matters must be approved by way of resolution of the shareholder's general meeting, the board of directors shall convene a shareholder's general meeting promptly to vote on such matters by the shareholder's general meeting.

Minutes shall be prepared in respect of matters considered at the shareholder's general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by a company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected after his expiration of term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors' results in the number of directors being less than the quorum.

Under the Company Law, the board of directors shall be responsible for the shareholders' general meeting and exercises the following powers: (1) to convene the shareholders' general meeting and report on its work to the shareholders' general meetings; (2) to implement the resolution of the shareholders' general meeting; (3) to decide on a company's operational plans and investment proposals; (4) to formulate the company's proposed annual financial budget and final accounts; (5) to formulate the company's proposals for profit distribution and for recovery of losses; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds; (7) to prepare plans for the merger, division, dissolution or change of the form of a company; (8) to decide on the company's internal management structure; (9) to decide to appoint or dismiss the company's manager, and based on the manager's recommendation, to decide to appoint or dismiss deputy manager and financial officers of a company and to decide on their remuneration; (10) to formulate a company's basic management system; and (11) any other power given under the articles of association.

Meetings of the board of directors shall be convened at least twice each year, and the notice of each meeting shall be given to all directors and supervisors at least 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director to attend the meeting on his behalf by a written power of attorney specifying the scope of the authorization.

The board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting. The directors shall be responsible for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations, the company's articles of association or resolutions of the general meeting as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

According to the provisions of the Company Law, the following persons shall not serve as a director of a company: (1) persons without civil capacity or with restricted civil capacity; (2) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation; (3) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and (5) persons who have a relatively large amount of debt due and outstanding. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Pursuant to the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of Board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of all the supervisors. Directors and senior management members shall not act concurrently as supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings; where the chairman of the supervisory board is unable or fails to perform his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings; where the vice chairman of the supervisory board is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the meetings of the supervisory board.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum.

The supervisory board shall exercise the following powers: (1) to examine the company's financial affairs; (2) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, administrative regulations, articles of association or the resolutions of the shareholders' general meeting; (3) to require any director or senior management whose act is detrimental to the company's interests to rectify such act; (4) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding general meetings, to convene and preside over general meetings; (5) to propose any bills to shareholders' general meetings; (6) to bring proceedings against any directors or senior management personnel in accordance with the relevant provisions of the Company Law; and (7) other powers specified in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Managers and Other Senior Management

Pursuant to the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, pursuant to the relevant provisions of the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the Board of Directors and exercise the following powers: (1) taking charge of the management of the production and business operations of the company, organizing the implementation of resolutions of the board of directors; (2) organizing the implementation of the company's annual business and investment plans; (3) drafting plans for the establishment of the company's internal management structure; (4) drafting the basic administration system of the company; (5) formulating the company's basic regulations and rules; (6) proposing to hire or dismiss the company's vice manager(s) and the person in charge of finance; (7) deciding on the hiring or dismissal of the persons-in-charge other than those who shall be decided by the board of directors; and (8) other powers conferred by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their power in accepting bribes or other unlawful income and from misappropriating the company's property.

Meanwhile, directors and senior management are prohibited from: (1) misappropriation of company funds; (2) deposit of company funds into accounts under their own name or the name of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors; (4) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting; (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting; (6) accepting for their own benefit commissions from other parties dealing with the company; (7) unauthorized divulgence of confidential information of the company; or (8) other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of aforementioned regulations shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable to the company.

Where the attendance of a director, supervisor, or senior management is requested by the shareholders' general meeting, such director, supervisor, or other senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory board without obstructing the discharge of duties by the supervisory board.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisor violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving the abovementioned written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, senior management personnel of a company shall faithfully perform their duties and safeguard the best interests of the company and all its shareholders. Senior management of a company shall be liable for compensation in accordance with the law if they fail to faithfully perform their duties or breach their duty of good faith and cause damage to the interests of the company and holders of public shares.

Finance and Accounting

According to the Company Law, a company shall establish its own financial and accounting systems in accordance with laws, administrative regulations and the provisions of the financial department in charge under the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' general meeting. A company incorporated by public subscription must publish its financial statements.

When distributing current year's after-tax profits, the company shall set aside 10% of its profits for the company's statutory common reserve, except where the reserve has reached 50% of the company's registered capital. When the company's statutory common reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve. After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' meeting or shareholders' general meeting, the company may make an allocation to a discretionary common reserve from its after-tax profits. After the company has made up for its losses and make allocations to its statutory common reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium of a company from the issuance of stocks at a price above the par value of the stocks, and other incomes listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the capital of the company, but the capital common reserve shall not be used for making up the company's losses. When the statutory common reserve is changed to capital, the remainder of the common reserve shall not be less than 25% of the registered capital prior to the increase.

The company shall have no accounting books other than the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firm

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders' meeting or shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of data.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, the company engages an accounting firm that complies with the provisions of the Securities Law to carry out audit of accounting statements, verification of net assets and other related advisory services for a period of one year, which is renewable.

Profit Distribution

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved in any of the following events: (1) the term of its operation set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred; (2) the shareholders have resolved at a shareholders' general meeting to dissolve the company; (3) the company is dissolved by reason of its merger or division; (4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting. Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise the following powers during the liquidation period: (1) to handle the company's assets and to prepare the balance sheet and inventory of assets; (2) to notify creditors through notice or issue public announcement; (3) to deal with the outstanding business related to the liquidation; (4) to pay any tax overdue as well as tax expenses arising from the liquidation process; (5) to settle the company's claims and liabilities; (6) to handle the company's remaining assets after its debts have been paid off; and (7) to represent the company in civil lawsuits.

The liquidation committee shall notify the creditors within 10 days of its establishment and publish an announcement on newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for verification, and to the company registration authority for the cancellation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors.

In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

According to the Trial Administrative Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross-border RMB management.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

According to the Company Law, in the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and inventory of assets. The companies shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty-five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the parties involved shall be succeeded by the company that survives the merger or by the newly established company.

In a division, the asset of the company shall be split in an appropriate manner. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Where the merger or division of the company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Where the company is dissolved, the company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the company shall apply for registration of incorporation in accordance with the laws.

THE SECURITY LAWS AND REGULATIONS AND REGULATORY REGIMES

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) governing the application and approval procedures for public offerings of shares, issuing of and trading of shares, takeovers by listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Provisions of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law (中華人民共和國證券法) (the "Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest Securities Law came into force on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies and the duties and responsibilities of the securities exchanges, securities companies, securities clearing institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises shall satisfy the relevant requirements of the State Council when it issues shares or lists shares outside the PRC directly or indirectly. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (2017 Revised) (中華人民共和國仲裁法(2017修正)) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and the latest version was amended on September 1, 2017. It is applicable to contract disputes and other property disputes where the parties have entered into a written agreement to refer the matter to arbitrate before an arbitration committee constituted in accordance with the PRC Arbitration Law. An arbitration committee may, before the promulgation of arbitration rules by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have reached the arbitration agreement, a People's Court will refuse to handle a legal proceeding initiated by one of the parties at such People's Court, unless the arbitration agreement is invalid.

The Hong Kong Listing Rules requires an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, also in contracts between the company and each of the director and supervisor, to the effect that whenever any disputes or claims arises from any right or obligation provided in the articles of association, the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company between (1) holders of H Shares and the Company; (2) holders of H Shares and holders of domestic shares; or (3) holders of H Shares and the Company's directors, supervisors or other management personnel, such disputes or claims shall be referred to arbitration.

Each of the relevant parties may elect to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Pursuant to the Arbitration Law and the PRC Civil Procedure Law, a system of a single and final award shall be practiced for arbitration. The arbitration commission shall not accept any application for arbitration, nor shall a people's court accept any action submitted by the party in respect of the same dispute after an arbitral award has already been given in relation to that matter. If any party fails to comply with the arbitral awards, the other party to the award may apply to a people's court for its enforcement. However, a people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

If a party applies for enforcement of a legally effective arbitration award made by a foreign-related arbitration commission and if the party against whom the enforcement is sought or such party's property is not within the territory of the PRC, he shall directly apply to a competent foreign court for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of the PRC was reached. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. This arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, the awards made by PRC arbitral bodies pursuant to the Arbitration Law can be enforced in Hong Kong and the Hong Kong arbitral awards made pursuant to the Hong Kong Arbitration Ordinance can also be enforced in the Mainland. Where a court of Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against social public interests of the Mainland, the awards may not be enforced.

This appendix contains a summary of the principal provisions of the Articles of Association adopted by the Company on April 21, 2023, which will become effective on the date on which the H Shares are [**REDACTED**] *on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential* [**REDACTED**] *with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential* [**REDACTED**].

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB0.25.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights.

Shares of the same class issued at the same time shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares for which it or he or she subscribes for.

Increase/Decrease of Shares

Subject to the provisions of laws, regulations, listing rules of the place where the Company's shares are [**REDACTED**], the Company may, upon resolution by a shareholders' general meeting, increase its capital on the basis of its business and development needs and pursuant to the Articles of Association. The Company may increase its registered capital in the following ways:

1. offering new shares to non-specific investors;
2. placing new shares to existing shareholders;
3. distributing bonus shares to existing shareholders;
4. issuing new shares to certain investors;
5. converting the reserved funds into share capital;
6. other ways as approved by laws and regulations and the regulatory authorities.

After having been approved in accordance with the provisions of the Articles of Association, the increase of the company's capital by [**REDACTED**] shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations and listing rules of the stock exchange where the Company's shares are [**REDACTED**].

The Company may reduce its registered capital. When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, the Hong Kong Listing Rules and other relevant regulations and the Articles of Association.

Repurchase of Shares

The Company shall not buy back its shares, except in one of the following circumstances:

1. reducing the registered capital of the Company;

2. merging with another company that holds shares in the Company;

3. using shares for employee stock ownership plan or equity incentives;

4. shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares;

5. to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

6. where it is necessary for the Company to preserve its value and shareholders' interest.

The Company may repurchase its shares through public centralised trading or other methods recognised by laws, administrative regulations, the CSRC and the stock exchange where the Company's shares are [**REDACTED**], and shall comply with applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

Where the Company repurchases its shares under the circumstances set out in items 1 and 2 above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, a resolution may be passed at a Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorised by the general meeting. Where the securities regulatory rules of the place where the shares of the Company are [**REDACTED**] provide otherwise, such provisions shall prevail, provided that such provisions are not in violation of the Company Law, the Securities Law, the Administrative Measures and the Guidelines for the Articles of Association of Listed Companies.

Where the Company repurchases its shares under the circumstances set out in item 1 above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items 2 and 4, such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

Transfer of Shares

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company prior to the [**REDACTED**] of shares shall not be transferred within one year from the date on which the Company's shares are [**REDACTED**] and [**REDACTED**] on the Hong Kong Stock Exchange.

Directors, supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are [**REDACTED**] and [**REDACTED**]. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

If the Company's shareholders holding 5% (excluding the recognized clearing houses or their agents as defined in the relevant ordinances in force under the laws of Hong Kong from time to time) or above shares of the Company, Directors, Supervisors, senior management officers sell shares or other securities with an equity nature within six months after buying the same or buy shares or securities within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall recover such earnings. However, the restriction shall not be applicable to any sale of shares by a securities company holding 5% or above of the Company's shares as a result of its purchase and [**REDACTED**] of the untaken shares after [**REDACTED**] and other circumstances stipulated by CSRC.

The shares or other securities with an equity nature held by Directors, Supervisors, senior management officers and natural person shareholders referred to in the preceding paragraph include the shares or other securities with an equity nature held by their spouses, parents, children, and any of the above which is held by using others' accounts.

If the Company's Board does not comply with the provision of the first paragraph, the shareholders can request the Board to do so within 30 days. If the Board does not enforce such right within the aforesaid period, the shareholders are entitled to commence litigations in the people's court in their own names for the interests of the Company.

If the Company's Board does not enforce the provision of the first paragraph of this Article, the responsible Directors shall assume joint and severally liable in accordance with the laws.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Register of members

The Company shall establish a register of shareholders in accordance with the evidence provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company, except where there is evidence to the contrary.

When the Company convenes a general meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the general meeting shall determine the record date in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are [**REDACTED**]. Shareholders whose names appear on the register of shareholders after the [**REDACTED**] shall be the shareholders entitled to relevant interests.

Rights and Obligations of Shareholders

Shareholders of the Company shall enjoy the following rights:

1. to receive dividends and other distributions in proportion to the number of shares held;

2. to request, summon, preside over, attend or appoint a proxy to attend shareholders' general meetings and speak at the shareholders' general meetings in accordance with the laws, and to exercise the corresponding voting rights (except where a shareholder is required by the securities regulatory rules of the place where the Company's shares are [**REDACTED**] to abstain from voting on a particular matter);

3. to supervise the operation of the Company, making suggestions or enquiries;

4. to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

5. to review the Articles of Association, the register of members (including the register of holders of H Shares), counterfoils of corporate bonds, minutes of general meetings, resolutions of the Board meetings, resolutions of the Board of Supervisors meetings and financial and accounting reports;

6. in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

7. to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

8. other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to make divestment unless in the circumstances stipulated by laws and regulations;

4. not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

5. other obligations imposed by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

Restrictions on Rights of the Controlling Shareholders

The controlling shareholders and de facto controllers of the Company shall not use their connected relations to damage the interests of the Company. If the violation causes losses to the Company, it shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a capital contributor in strict compliance with the laws. The controlling shareholder shall not damage the legitimate rights and interests of the Company and public shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., and shall not use its controlling status to damage the interests of the Company and public shareholders.

General Provisions of the Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

1. to decide on the Company's business policies and investment plans;
2. to elect and replace directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors;
3. to consider and approve the reports of the Board;
4. to consider and approve the report of the Board of Supervisors;
5. to consider and approve the annual financial budgets and final accounts of the Company;
6. to consider and approve the Company's profit distribution plans and loss recovery plans;
7. to resolve on the increase or reduction of the registered capital of the Company;
8. to resolve on the issue of corporate bonds;
9. to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;
10. amendments to the Articles of Association;
11. to resolve on the appointment and dismissal of the accounting firm of the Company;
12. to consider and approve the guarantee matters that require approval by the shareholders' meeting in accordance with the provisions of this Articles of Association;
13. to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;
14. to consider and approve the change in use of proceeds;
15. to consider share incentive schemes and employee share ownership schemes;
16. to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association to be decided by the general meeting.

The above-mentioned powers of general meeting shall not be exercised by the Board or other institutions or individuals by way of authorization. In addition to the above matters, the general meeting may authorise or entrust the Board and/or its authorised persons to handle the matters authorised or entrusted by it without violating the laws and regulations. The general meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

1. the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

2. when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

3. when shareholders individually or jointly holding 10% or more of the Company's shares so request;

4. when deemed necessary by the Board, laws, regulations and regulatory rules of the place where the Company's shares are [**REDACTED**];

5. when proposed by the Board of Supervisors;

6. other circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

If the extraordinary general meeting is convened in accordance with the securities regulatory rules of the place where the Company's shares are [**REDACTED**], the actual date of the extraordinary general meeting may be adjusted according to the approval progress of the stock exchange where the Company's shares are [**REDACTED**] (if applicable).

Summoning of General Meetings

General meetings shall be summoned by the Board. The publication of the notice of the general meeting (including the supplemental notice) shall comply with the relevant laws and regulations and the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are

[**REDACTED**] and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Board of Supervisors.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the general meeting, and the Board of Supervisors may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are [**REDACTED**] and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and such proposal shall be made in writing.

If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Board of Supervisors will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Board of Supervisors and shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposal to announce the contents of the provisional proposal. For the publication of the supplementary notice of the general meeting, if there are special provisions in the securities regulatory rules of the place where the shares of the Company are [**REDACTED**], such provisions shall prevail, provided that such provisions are not in violation of the Company Law, the Securities Law, the Administrative Measures and the Guidelines for the Articles of Association of Listed Companies. If the general meeting is postponed due to the issuance of a supplementary notice of the general meeting pursuant to the securities regulatory rules of the place where the Company's shares are [**REDACTED**], the general meeting shall be postponed pursuant to the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

Except as provided in the preceding paragraph or the securities regulatory rules of the place where the Company's shares are [**REDACTED**], the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting

Notice of General Meeting

The convener shall notify all shareholders by way of announcement 21 days before the annual general meeting and shall notify all shareholders by way of announcement 15 days before the extraordinary general meeting.

A notice of the Company shall be given in the following manner:

1. by hand;

2. by mail;

3. by fax or e-mail;

4. by publishing on the websites designated by the Company and the Hong Kong Stock Exchange, subject to the laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are [**REDACTED**];

5. Other means agreed upon by the company or notified person in advance or recognized by the notified person after receiving the notice;

6. other means stipulated by laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

Convening of General Meetings

All shareholders registered on the record date or their proxies are entitled to attend the general meeting. They shall exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person may be represented at the meeting by its legal representative or a proxy appointed by it (which will be regarded as if the legal person shareholder was present in person) to exercise its rights (including the right to vote). If a legal representative attends the meeting, he/she should produce his/her identity card and valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card and documents proving that he/she has been appointed by such legal person.

The proxy form shall contain a statement that in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form is signed by a person authorised by the principal, the power of attorney or other authorization documents shall be notarized. The instrument appointing a proxy, the notarized power of attorney or other authorization documents shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or such person as is authorised by resolution of its board of directors or other governing body to act as its representative may attend the general meeting of the Company and exercise the shareholder's rights.

Resolutions of General Meetings

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

1. work reports of the Board and the Board of Supervisors;

2. profit distribution plans and loss recovery plans formulated by the Board;

3. appointment and removal of members of the Board and the Board of Supervisors, their remuneration and method of payment;

4. Annual budget and final accounts of the Company;

5. annual reports of the Company;

6. matters other than those required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are [**REDACTED**] or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

1. increase or reduction of the registered capital of the Company;

2. division, spin-off, merger, dissolution and liquidation of the Company;

3. amendments to the Articles of Association;

4. purchase or disposal of material assets or provision of guarantee by the Company within 12 consecutive months with an amount exceeding 30% of the latest audited total assets of the Company;

5. share incentive scheme;

6. other matters stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, the Rules of Procedure of the General Meeting, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the shareholders' general meeting, and may be removed by the shareholders' general meeting before the expiry of their terms of office. The term of office of the Directors shall be 3 years, and they may be re-elected and re-appointed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

The Board

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of 9 directors, including one chairman and 3 non-executive Directors.

The Board shall exercise the following powers:

1. to summon general meetings and report its work to the general meetings;

2. to implement the resolutions of the general meeting;

3. to decide on the Company's business plans and investment plans;

4. to formulate the Company's annual financial budgets and final accounts;

5. to formulate the Company's profit distribution plans and loss recovery plans;

6. to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and [**REDACTED**] plans;

7. to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

8. to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external donations and other matters within the scope authorised by the general meeting;

9. to decide on the establishment of the Company's internal management structure;

10. to decide on the appointment or dismissal of the Company's general manager, secretary to the Board and other senior management, and decide on their remuneration, rewards and punishments; to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management based on the nomination of the general manager, and decide on their remuneration, rewards and punishments;

11. to formulate the basic management system of the Company;

12. to formulate proposals for any amendment to the Articles of Association;

13. to manage the information disclosure of the Company;

14. to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

15. to listen to the work report of the general manager of the Company and inspect the work of the general manager;

16. other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

General Manager

The general manager shall be accountable to the Board and exercise the following powers:

1. to be in charge of the production, operation and management of the Company, organise the implementation of the resolutions of the Board and report to the Board;

2. to organise the implementation of the Company's annual business plan and investment plan;

3. to draft plans for the establishment of the Company's internal management structure;

4. to draft the basic management system of the Company;

5. to formulate the specific rules and regulations of the Company;

6. to propose to the Board to appoint or dismiss deputy general managers and financial controller of the Company;

7. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

8. to exercise other powers conferred by the Articles of Association or the Board.

The general manager is to attend board meetings.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the general meetings and Board meetings of the Company, keeping of documents, management of shareholders' information of the Company and handling matters such as information disclosure.

The secretary to the Board shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

BOARD OF SUPERVISORS

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three Supervisors and shall have one chairman. The chairman of the Board of Supervisors shall be elected by more than half of all Supervisors.

The board of supervisors shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third. The employee representatives of the Board of Supervisors shall be democratically elected by the Company's employees at the employee representative assembly, employee meeting or otherwise.

The Board of Supervisors exercises the following powers:

1. it shall review the regular reports of the Company prepared by the Board and to provide written review opinions;

2. to examine the financial affairs of the Company;

3. to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

4. to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

5. to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the Company Law;

6. to submit proposals to the general meeting;

7. to initiate proceedings against directors and senior management in accordance with Article 151 of the Company Law;

8. to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company.

Resolutions of the Board of Supervisors shall be passed by more than half of the supervisors.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The annual reports and interim reports of the Company are prepared in accordance with the relevant laws, administrative regulations, the requirements of the CSRC and the stock exchanges where the Company's shares are [**REDACTED**].

NOTICES

A notice of the Company shall be given in the following manner:

1. by hand;

2. by mail;

3. by fax or e-mail;

4. by publishing on the websites designated by the Company and the Hong Kong Stock Exchange, subject to the laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are [**REDACTED**];

5. Other means agreed upon by the company or notified person in advance or recognized by the notified person after receiving the notice;

6. other means stipulated by laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

1. the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

2. the shareholders' general meeting resolves to dissolve the Company;

3. dissolution is necessary due to merger or division of the Company;

4. the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

5. Where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

Where the Company is dissolved pursuant to items 1, 2, 4 and 5 above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in a newspaper recognised by the stock exchange where the Company's shares are [**REDACTED**] within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles of Association in any of the following circumstances:

1. After the amendments are made to the Company Law or relevant laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed;

2. there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

3. the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on December 5, 2007 and was converted into a joint stock company with limited liability on November 25, 2016 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB83,971,704.

Our Company has established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on May 16, 2023. Ms. Tang Ka Yan has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

2. Changes in Share Capital of Our Company

On December 5, 2007, our Company was established as a limited liability company with a registered capital of RMB500,000. On November 24, 2016, our Company was converted into a joint stock company with limited liability and renamed as Folangsi Co., Ltd. (廣州佛朗斯股份有限公司). The following sets out changes in the share capital of our Company within the two years immediately preceding the date of this document:

- On November 9, 2021, the registered capital of our Company increased from RMB80,484,062 to RMB83,971,704 with additional registered capital of RMB3,487,642 subscribed by certain Pre-[**REDACTED**] Investors under Nov-2021 Capital Increase;

3. Changes in the Share Capital of Our Subsidiaries

As of the Latest Practicable Date, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions of the Shareholders

Pursuant to a general meeting of our Shareholders held on [●], 2023, the following resolutions, among others, were passed by our Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB0.25 each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange be issued;

(b) the number of H Shares to be issued shall not be more than [25]% of the total issued share capital of our Company as enlarged by the [**REDACTED**], and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than [15]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) subject to the completion of the [**REDACTED**], the adoption of the Articles of Association which shall become effective on the [**REDACTED**], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(d) authorization of our Board to handle all relevant matters relating to, among other things, the issue and [**REDACTED**] of the H Shares.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) [**REDACTED**].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in the PRC, which we considered to be material to our business:

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
1.	Our Company	24486543	PRC	佛朗斯股份	35	September 21, 2018 – September 20, 2028
2.	Our Company	18228778	PRC	FolangSi	35	December 14, 2016 – December 13, 2026
3.	Our Company	11818763	PRC	KBZ	7	May 14, 2014 – May 13, 2024
4.	Our Company	10768549	PRC	KBZ	12	June 21, 2013 – June 20, 2033
5.	Our Company	10747362	PRC	KBZ	4	June 21, 2013 – June 20, 2033
6.	Our Company	9693465	PRC	凯必瑞	12	August 21, 2012 – August 20, 2032
7.	Our Company	9693464	PRC	KBZ	12	August 21, 2012 – August 20, 2032
8.	Our Company	8608277	PRC	佛朗斯	12	September 14, 2011 – September 13, 2031

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
9.	Our Company	6078528	PRC	FolangSi	12	December 7, 2009 – December 6, 2029
10.	Our Company	62736974	PRC	KBZ 凯必瑞	38	August 14, 2022 – August 13, 2032
11.	Our Company	62741418	PRC	凯必瑞	9	August 14, 2022 – August 13, 2032
12.	Our Company	62745514	PRC	KBZ 凯必瑞	42	August 14, 2022 – August 13, 2032
13.	Our Company	01557086	PRC	KBZ	12	January 1, 2013 – December 31, 2032
14.	Our Company	18250051	PRC	佛朗斯	35	February 21, 2017 – February 20, 2027

As of the Latest Practicable Date, we have applied for registration of the following trademarks, which we considered to be material to our business:

No.	Owner	Application No.	Place of Registration	Trademark	Class	Application Date
1.	Our Company	306185098	Hong Kong	FolangSi	12, 39	March 7, 2023
2.	Our Company	306185106	Hong Kong	FolangSi 佛丨朗丨斯	37	March 7, 2023

Patents

As of the Latest Practicable Date, we have registered the following patents, which we consider to be material to the business of our Group:

No.	Patent	Category	Patentee(s)	Patent Number	Place of Registration	Expiry date
1.	A forklift anti-loss positioning device (一種叉車防丟失定位裝置)	Utility model	Our Company	ZL201620107389.4	PRC	February 1, 2026
2.	A forklift intelligent card consumption and identification system (一種叉車智能刷卡消費及識別系統)	Utility model	Our Company	ZL201620107390.7	PRC	February 1, 2026
3.	An intelligent vehicle networking security management system (一種智能車聯網安全管理系統)	Utility model	Our Company	ZL201620107611.0	PRC	February 1, 2026
4.	A GPS driving navigation device based on wireless sensor networks (一種基於無線傳感器網絡的GPS行車導航裝置)	Utility model	Our Company	ZL202120201699.3	PRC	January 24, 2031
5.	An embedded GPS navigation and positioning receiver (一種嵌入式GPS導航定位接收機)	Utility model	Our Company	ZL202120200022.8	PRC	January 24, 2031
6.	A battery monitoring device (一種電池監控設備)	Utility model	Our Company	ZL202221751787.1	PRC	July 7, 2032
7.	Intelligent onboard vehicle controller (LS1.0) (智能車載控制儀(LS1.0))	Exterior design	Our Company	ZL202030434118.1	PRC	August 2, 2030
8.	Intelligent onboard vehicle locator (智能車載定位器)	Exterior design	Our Company	ZL202030433455.9	PRC	August 2, 2030
9.	A visual presentation method for object force and strain detection results (一種物體受力應變檢測結果的直觀呈現方法)	Invention patent	Our Company	ZL202110698476.7	PRC	June 22, 2041

Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be material to our Group's business:

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
1.	Dynamic monitoring and early warning system for leasing schemes (租賃方案動態監測預警系統)	2021SR1421859	Our Company	September 24, 2021
2.	Intelligent and autonomous asset allocation system (資產智能自助組配系統)	2021SR1424863	Our Company	September 24, 2021
3.	LE1.0 intelligent terminal electronic fence and area speed limit system (LE1.0智能終端電子圍欄和區域限速系統)	2022SR0608365	Our Company	May 20, 2022
4.	LS1.0 seat belt detection intelligent terminal system (LS1.0安全帶檢測智能終端系統)	2022SR0608362	Our Company	May 20, 2022
5.	A real-time/offline analysis software based on OpenCV image noise, grayscale histogram, interpolation bias, and speckle accuracy analysis (基於opencv圖像噪聲、灰度直方圖、插值偏差、散斑精度分析實時/離線分析軟件)	2022SR0608356	Our Company	May 20, 2022
6.	A speckle calculation software based on image and calibration (基於圖像、標定的散斑計算軟件)	2022SR0608355	Our Company	May 20, 2022
7.	A marker tracking software based on image and calibration (基於圖像、標定的標記點跟踪軟件)	2022SR0608354	Our Company	May 20, 2022
8.	A programmable image acquisition software for industrial camera (工業相機可編程圖像採集軟件)	2022SR0608367	Our Company	May 20, 2022
9.	An online public security alarm management platform software (公安聯網報警管理平台軟件)	2022SR0608353	Our Company	May 20, 2022
10.	A smart community management platform software (智慧社區管理平台軟件)	2022SR0608352	Our Company	May 20, 2022

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
11.	A real-time/offline image calibration software based on OpenCV dot calibration and checkerboard calibration (基於opencv圓點標定、棋盤標定的圖像實時/離線標定軟件)	2022SR0608351	Our Company	May 20, 2022
12.	A software of social video access management platform (社會視頻接入管理平台軟件)	2022SR0608350	Our Company	May 20, 2022
13.	A software for fracture toughness testing of hydraulic concrete three-point bending beam based on DIC technology (基於DIC技術的水工混凝土三點彎曲梁斷裂測試軟件)	2022SR0678723	Our Company	May 31, 2022
14.	A 3D imaging software based on point cloud data (基於點雲數據的三維成像軟件)	2022SR0608348	Our Company	May 20, 2022
15.	A multi-stage point cloud data frequency analysis software based on Fourier Transform (基於傅裏葉變化的多階段點雲數據頻率分析軟件)	2022SR0608347	Our Company	May 20, 2022
16.	A real-time data acquisition and offline data import software based on FLIR single/dual camera (基於FLIR單/雙相機的實時採集和離線導入軟件)	2022SR0608345	Our Company	May 20, 2022
17.	A spatial sequencing data analysis software based on single-stage point cloud data (基於單階段點雲數據的空序數據分析軟件)	2022SR0608344	Our Company	May 20, 2022
18.	A time series data analysis software based on multi-stage point cloud data (基於多階段點雲數據的時序數據分析軟件)	2022SR0608343	Our Company	May 20, 2022
19.	A software for wedge -splitting tests for tensile strength and fracture toughness of hydraulic concrete based on DIC technology (基於DIC技術的水工混凝土楔入劈拉斷裂測試軟件)	2022SR0608349	Our Company	May 20, 2022

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
20.	A extensometer calculation software based on image and calibration (基於圖像、標定的引伸計計算軟件)	2022SR0608366	Our Company	May 20, 2022
21.	Packaging graphic design of Folangsi's forklifts and related parts (佛朗斯叉車配件的包裝平面設計)	粵作登字-2017-F-00021311	Our Company	August 24, 2017
22.	Polybags graphic design of Folangsi's forklifts and related parts (佛朗斯叉車配件包裝膠袋平面設計)	粵作登字-2017-F-0021312	Our Company	August 24, 2017

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Owner	Domain Name	Registration Date	Expiry Date
1.	Our Company	fls123.com	March 26, 2009	March 26, 2024
2.	Our Company	folangsiforklift.com	December 21, 2007	December 21, 2030

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following completion of the Subdivision and the [**REDACTED**] (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Name	Position	Nature of Interest	Number and class of Shares held	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the [REDACTED][1]	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the [REDACTED][1]
				(%)	*(%)*
Mr. Hou[2]	Executive Director and chairman of the Board	Beneficial owner	15,876,204 H Shares	**[REDACTED]**	**[REDACTED]**
			37,044,480 Domestic Shares	**[REDACTED]**	
		Interest held jointly with another person	46,669,696 H Shares	**[REDACTED]**	
			88,162,484 Domestic Shares	**[REDACTED]**	
Mr. Hou Zebing (侯澤兵)[2]	Executive Director and general manager	Beneficial owner	15,243,384 H Shares	**[REDACTED]**	**[REDACTED]**
			35,567,896 Domestic Shares	**[REDACTED]**	
		Interest in controlled corporations	15,550,108 H Shares	**[REDACTED]**	
			15,550,108 Domestic Shares	**[REDACTED]**	
		Interest held jointly with another person	46,669,696 H Shares	**[REDACTED]**	
			88,162,484 Domestic Shares	**[REDACTED]**	

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Domestic Shares in issue and [**REDACTED**] H Shares (assuming the [**REDACTED**] is not exercised) in issue upon [**REDACTED**].

(2) Mr. Hou Zebing is the general partner of Guangzhou Daze. As such, Mr. Hou Zebing is deemed to be interested in the 31,100,216 Shares held by Guangzhou Daze under SFO. Mr. Hou and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou and Mr. Hou Zebing should defer to Mr. Hou's view and decision should there be different views between them on any matter considered at board meetings and general meetings of our Company.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the [**REDACTED**], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed "Substantial Shareholders" in this Document.

Save as set out above, our Directors are not aware of any other person (other than our Directors, Supervisors or chief executive) will, immediately following completion of the [**REDACTED**], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors has entered into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date of appointment; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval.

Each of our Supervisors has entered into a service contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, none of our Directors and Supervisors has or is proposed to have entered into any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and "Appendix I – Accountants' Report – II. Notes to The Historical Financial Information – 8. Directors', Chief Executive's and Supervisors' Remuneration" for the three financial years ended December 31, 2020, 2021 and 2022, none of our Directors or Supervisors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this document:

(a) save as disclosed in this document, none of our Directors, Supervisors or any of the parties listed in "Qualifications of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Company; or

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(b) save in connection with the [**REDACTED**] and the [**REDACTED**], none of the parties listed in "Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [**REDACTED**] on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; and

(d) so far as is known to our Directors, none of our Directors or Supervisors or their respective close associates (as defined under the Listing Rules) or Shareholders who owns more than 5% of the issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of our subsidiaries under the laws of the PRC.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the [**REDACTED**] of, and [**REDACTED**], our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. And Sole Sponsor will receive a fee of US$750,000 to act as a sponsor to our Company in connection with the [**REDACTED**].

4. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualifications
Haitong International Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities for the purpose of SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Jingtian & Gongcheng	PRC Legal Adviser
Zhong Lun Law Firm	PRC Legal Adviser
DLA Piper	International Sanctions laws legal adviser
China Insights Industry Consultancy Limited	Independent industry consultant

6. Consents

Each of the experts as referred to in the paragraph headed "5. Qualifications of Experts" of this Appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

7. Taxation of Holders of H Shares

(1) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to the section headed "Appendix IV – Taxation and Foreign Exchange" to this document.

(2) Consultation with professional advisers

Potential investors in the [**REDACTED**] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of [**REDACTED**] for, purchasing, holding or disposing of or [**REDACTED**] in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, [**REDACTED**], or any other person or party involved in the [**REDACTED**] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the [**REDACTED**], purchase, holding or disposal of, [**REDACTED**] in or the exercise of any rights in relation to our H Shares.

8. No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position of our Company since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Company were prepared).

9. Promoters

Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this document.

10. Restrictions on Repurchase

For details, please refer to the section headed "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association" to this document.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this document:

(a) within the two years preceding the date of this document, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any shares of our Company;

(b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(g) our Company is not presently [**REDACTED**] on any stock exchange or traded on any trading system; and

(h) our Company is a joint stock limited company and is subject to the PRC Company Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of the [**REDACTED**];

(ii) a copy of each of the material contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – Further Information about the Business of Our Company – 1. Summary of Material Contracts" in this document; and

(iii) the written consents referred to in the paragraph headed "Appendix VI – Statutory and General Information – Other Information – 6. Consents" in this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of our Company at **www.fls123.com** and on the website of the Stock Exchange at www.hkexnews.com up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2020, 2021 and 2022;

(d) the report prepared by Ernst & Young on the [**REDACTED**] financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the industry report issued by CIC referred to in the section headed "Industry Overview" in this document;

(f) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;

(g) the memorandum opinion issued by DLA Piper, our International Sanctions Legal Adviser, in respect of, among other things, the risk of exposure and potential penalties imposed under the International Sanctions laws and regulations;

(h) the material contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – Further Information about the Business of our Company – 1. Summary of Material Contracts" in this document;

(i) the service contracts referred to in the paragraph headed "Appendix VI – Statutory and General Information – Further Information about Our Directors, Supervisors and Substantial Shareholders – 3. Service Contracts" in this document;

(j) the written consents referred to in the paragraph headed "Appendix VI – Statutory and General Information – Other Information – 6. Consents" in this document; and

(k) the PRC Company Law together with unofficial English translations thereof.