

Folangsi

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)

Stock Code : 2499

GLOBAL OFFERING



Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers
(In no particular order)



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain professional independent advice.

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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)

Global Offering

- Number of Offer Shares under the Global Offering** : 12,136,000 H Shares (subject to the Over-allotment Option)
- Number of Hong Kong Offer Shares** : 1,213,600 H Shares (subject to reallocation)
- Number of International Offer Shares** : 10,922,400 H Shares (subject to reallocation and the Over-allotment Option)
- Maximum Offer Price** : HK\$16.18 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** : RMB0.25 per H Share
- Stock code** : 2499

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers
(In no particular order)



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VII – Documents Delivered to the Registrar of Companies and Available on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, November 3, 2023 (Hong Kong time) and, in any event, not later than Thursday, November 9, 2023 (Hong Kong time). The Offer Price will not be more than HK\$16.18 per Offer Share and is currently expected to be not less than HK\$14.18 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Thursday, November 9, 2023 (Hong Kong time) between the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Sole Overall Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (being HK\$14.18 per Offer Share to HK\$16.18 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price 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 Hong Kong Public Offering. For further details, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please see the section headed "Underwriting" in this prospectus.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may be offered or sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION
We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.fls123.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

October 31, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.fls123.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

IMPORTANT

Please see the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
200	3,268.63	4,000	65,372.71	60,000	980,590.52	300,000	4,902,952.59
400	6,537.27	5,000	81,715.87	70,000	1,144,022.27	350,000	5,720,111.35
600	9,805.90	6,000	98,059.06	80,000	1,307,454.02	400,000	6,537,270.12
800	13,074.54	7,000	114,402.23	90,000	1,470,885.78	450,000	7,354,428.89
1,000	16,343.17	8,000	130,745.39	100,000	1,634,317.54	500,000	8,171,587.66
1,200	19,611.81	9,000	147,088.58	120,000	1,961,181.03	606,800 ⁽¹⁾	9,917,038.78
1,400	22,880.44	10,000	163,431.75	140,000	2,288,044.54		
1,600	26,149.08	20,000	326,863.51	160,000	2,614,908.05		
1,800	29,417.72	30,000	490,295.27	180,000	2,941,771.55		
2,000	32,686.35	40,000	653,727.01	200,000	3,268,635.05		
3,000	49,029.52	50,000	817,158.76	250,000	4,085,793.83		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk, and the Company at www.fl123.com, respectively.

Hong Kong Public Offering commences 9:00 a.m. on Tuesday,
October 31, 2023

Latest time for completing electronic applications under
the **HK eIPO White Form** service through (a) the **IPO App**,
which can be downloaded by searching “**IPO App**”
in App Store or Google Play or download at
www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp,
or (b) the designated website www.hkeipo.hk⁽²⁾ 11:30 a.m. on Friday,
November 3, 2023

Application Lists open⁽³⁾ 11:45 a.m. on Friday,
November 3, 2023

Latest time for (a) completing payment of **HK eIPO**
White Form applications by effecting internet banking
transfer(s) or PPS payment transfer(s) and (b) giving
electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday,
November 3, 2023

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application Lists close⁽³⁾ 12:00 noon on Friday,
November 3, 2023

Expected Price Determination Date⁽⁵⁾ Friday,
November 3, 2023

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.fl123.com on or before⁽¹⁰⁾ Thursday,
November 9, 2023

EXPECTED TIMETABLE⁽¹⁾

- (2) Announcement of the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fls123.com⁽⁶⁾ (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from⁽¹⁰⁾ Thursday, November 9, 2023

Results of allocations in the Hong Kong Public Offering will be available at "IPO Results" function in the **IPO App** or at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult with a "search by ID" function from⁽¹⁰⁾ 8:00 a.m. on Thursday, November 9, 2023 to 12:00 midnight on Wednesday, November 15, 2023

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾⁽¹⁰⁾ Thursday, November 9, 2023

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ Thursday, November 9, 2023

Dealings in the H Shares on the Stock Exchange expected to commence at⁽¹⁰⁾ 9:00 a.m. on Friday, November 10, 2023

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the IPO App or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the Application Lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 3, 2023, the Application Lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying Through the **CCASS EIPO Service**” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, November 3, 2023 and, in any event, not later than Thursday, November 9, 2023. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and us by Thursday, November 9, 2023, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund cheque. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on the **HK eIPO White Form** service for 500,000 or more Hong Kong Offer Shares may collect any refund cheques and/or H Share certificates in person from the Company’s H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong between 9:00 a.m. and 1:00 p.m. on Thursday, November 9, 2023 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should see the section headed “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Share Certificate/e-Auto Refund Payment Instruction/Refund Cheque(s) – Personal Collection – (ii) If You Apply Through the **CCASS EIPO Service**” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 500,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Share Certificate/e-Auto Refund Payment Instruction/Refund Cheque(s) – Personal Collection – (ii) If You Apply Through the **CCASS EIPO Service**” in this prospectus.

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, October 31, 2023 to Friday, November 10, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

EXPECTED TIMETABLE⁽¹⁾

The above expected timetable is a summary only. You should see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. 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 invest in the H Shares.

There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set forth in “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are a leading intralogistics equipment solution provider in China. During the Track Record Period, we primarily provided intralogistics equipment subscription services, which contributed 65.2%, 63.0%, 61.8% and 55.9% of the total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023. In addition, we also provided maintenance and repair services, and sales of intralogistics equipment and parts.

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, conveyors, etc. Subscription of forklifts, including counterbalanced forklifts, reach trucks, and walkie stackers, is important in the Company’s intralogistics equipment subscription services. According to CIC, forklifts comprised around 92.9% of all intralogistics equipment in intralogistics equipment subscription services in 2022 in PRC. 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 solution provider in China in terms of revenue for 2022, accounting for 7.7% of the total market. Furthermore, we have established a service network aiming for coordinated equipment engagement and management. As of April 30, 2023, we had 67 offline service outlets in 47 cities throughout China, managing over 40,000 units of intralogistics equipment. During the Track Record Period, as part of the intralogistics equipment subscription services, the Company provided management optimization services to its customers, such as monitoring and management of the subscribed intralogistics equipment’s operation, without extra charges in addition to intralogistics equipment subscription fees.

Intralogistics equipment utilization and management present inherent challenges, including high purchase and maintenance costs, a need for specialized expertise, and significant management complexity. However, it is not easy for enterprises to have satisfying services from traditional service providers which only provide equipment with limited maintenance services, as most enterprises are not experts in intralogistics equipment, and may need assistance in monitoring, checking and maintaining, and operating such equipment. Our customers are offered with different subscription arrangements in terms of equipment portfolio,

SUMMARY

equipment operation guidance, scheduled maintenance and repair, and real-time operation monitoring, which help customers to save costs related to fixed asset procurement and maintenance afterwards. According to CIC, intralogistics equipment solutions can help enterprises reduce costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode.

According to CIC, despite the growing demand for intralogistics equipment 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 solutions in China is expected to reach RMB34.9 billion by 2027, representing a CAGR of 25.0% from 2022 to 2027. See “Business – Overview” for more information.

OUR BUSINESS MODEL

We invested in developing and improving our intralogistics equipment solutions, which comprise the following three business segments during the Track Record Period:

- **Intralogistics Equipment Subscription Services:** We provide intralogistics equipment to customers for their usage with value-added services, including but not limited to, equipment selection, on-site operation training, general and necessary maintenance and repair, and real-time monitoring of equipment status and operation through our Intelligent Asset and Operation Management Platform. In managing this business segment, we charge customers services fees mainly based on types and configurations of equipment selected, duration they use the subscribed intralogistics equipment, and customization of related services (if applicable).
- **Maintenance and Repair Services:** In this business segment, we generate revenue from providing on-site 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.
- **Sales of Intralogistics Equipment and Parts:** We sell new and used intralogistics equipment to enterprises in China; and intralogistics equipment parts to enterprises in China and abroad. We conduct sales through our own sales team directly to end customers. We had a broad range of customers, such as manufacturers, logistics companies, and trading companies, with intralogistics need, including movement of heavy goods and material in indoor and limited outdoor spaces.

For details, see “Business – Our Business” in this prospectus.

SUMMARY

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

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	639,701	65.2	739,176	63.0	738,001	61.8	236,373	68.2	243,944	55.9
Maintenance and repair services	111,463	11.4	128,484	11.0	140,987	11.8	35,172	10.1	54,539	12.5
Sales of intralogistics equipment and parts	229,479	23.4	304,522	26.0	315,221	26.4	75,264	21.7	137,808	31.6
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0

The following table sets forth a breakdown of our revenue by geographic locations for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Northern Region ⁽¹⁾	133,153	13.6	159,361	13.6	144,464	12.1	42,978	12.4	47,573	10.9
East Central Region ⁽²⁾	495,579	50.5	566,548	48.3	555,363	46.5	172,205	49.7	213,757	49.0
Southern Region ⁽³⁾	198,209	20.2	257,309	22.0	272,634	22.8	73,467	21.2	90,676	20.8
Western Region ⁽⁴⁾	59,275	6.0	78,452	6.7	89,260	7.5	25,668	7.4	26,822	6.1
Overseas Region ⁽⁵⁾	94,427	9.7	110,512	9.4	132,488	11.1	32,491	9.3	57,463	13.2
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0

Notes:

- (1) Including Beijing, Tianjin, Hebei province, Shanxi province, Inner Mongolia province, Heilongjiang province, Jilin province, and Liaoning province.
- (2) Including Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province, Shandong province, Henan province, Hubei province, Hunan province, Shaanxi province, Gansu province, Qinghai province, Ningxia province, and Xinjiang province.
- (3) Including Guangdong province, Guangxi province, Hainan province, Hong Kong Special Administration Region, Macau Special Administration Region, and Taiwan province.
- (4) Including Sichuan province, Chongqing, Guizhou province, Yunnan province, and Tibet province.
- (5) Including over 100 foreign countries, such as United States, Thailand, Brazil, etc. In addition, all of the revenue from overseas regions was attributable to the sales of intralogistics equipment parts.

SUMMARY

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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Intralogistics equipment subscription services	228,175	35.7	250,672	33.9	226,087	30.6	67,120	28.4	70,270	28.8
Maintenance and repair services	45,585	40.9	52,359	40.8	57,698	40.9	13,916	39.6	21,201	38.9
Sales of intralogistics equipment and parts	56,420	24.6	71,136	23.4	77,879	24.7	19,863	26.4	30,743	22.3
Total gross profit/overall gross profit margin	330,180	33.7	374,167	31.9	361,664	30.3	100,899	29.1	122,214	28.0

(unaudited)

Leveraging our extensive experience in intralogistics equipment subscription business, we aim to offer one-stop intralogistics equipment 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:



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 solutions in China;
- continuous improvement of intralogistics equipment operational efficiency benefited from highly synergistic service portfolio;

SUMMARY

- 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;
- service network with online and offline coverage serving multiple industries and large customer base; and
- visionary management team with profound industry experience.

OUR STRATEGIES

To establish ourselves as the first choice for enterprises' intralogistics equipment utilization and management, we plan to 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; and
- to explore strategic collaboration with various industry participants.

OPERATIONAL PERFORMANCE

During the Track Record Period, we achieved significant growth in equipment fleet size. As of December 31, 2020, 2021, 2022 and April 30, 2023, we had 31,213 units, 36,257 units, 39,145 units and 40,644 units of intralogistics equipment, respectively. Our customer base has also grown steadily. The number of our customers increased from 7,477 in 2020 to 7,929 in 2021, and further to 8,170 in 2022. For the four months ended April 30, 2022 and 2023, the number of our customers increased from 5,237 to 5,711. In particular, a significant portion of our customer base comprises of manufacturing and logistics enterprises. In 2020, 2021, 2022 and for the four months ended April 30, 2023, in our customers, manufacturing enterprises amounted for 3,042, 3,094, 3,290 and 2,541, respectively; logistics enterprises amounted for 1,814, 1,929, 1,916 and 1,440, respectively.

In terms of our intralogistics equipment subscription service business, considering the customer's contribution to us individually, certain customers are deemed KA customers under our intralogistics equipment subscription service business segment. KA customer means a customer who (i) subscribed 50 units or more in that particular year/period, 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/period under our intralogistics equipment

SUMMARY

subscription service business segment. KA customer retention rate equals total number of KA customers at the end of the given 12-month period carving out total number of new KA customers in that given 12-month period, divided by the number of KA customers as of the beginning date of the given 12-month period. We calculate net dollar retention rate in a given 12-month period by starting with all KA customers in the prior 12-month period. We calculate the revenue from the returning KA customers in the given 12-month period. We then divide the given 12-month period revenue by the prior 12-month period revenue contributed by the returning KA customers to arrive at our net dollar retention rate.

For the years ended December 31, 2020, 2021, and 2022 and the four months ended April 30, 2023, we had 87, 122, 123 and 118 KA customers, respectively, with their total revenue contribution of RMB314.9 million, RMB363.1 million, RMB332.8 million, and RMB117.9 million, respectively; representing approximately 49.2%, 49.1%, 45.1% and 48.3% of the total revenue derived from intralogistics equipment subscription services in the same period, respectively. Additionally, we have maintained a KA customer retention rate of 87%, 99%, 98% and 87% for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively, and net dollar retention rate of KA customers at 98%, 99%, 97% and 100% for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, 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 subscription volume in and revenue derived from our intralogistics equipment subscription services by equipment types for the periods indicated:

	Year ended December 31,									Four months ended April 30,					
	2020			2021			2022			2022			2023		
	Equipment Subscription Volume ⁽¹⁾	Revenue	Percentage of Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Percentage of Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Percentage of Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Percentage of Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Percentage of Revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	
	<i>(unaudited)</i>														
Counterbalanced Forklifts	135,245	388,136	60.7	150,936	439,920	59.5	150,274	455,567	61.7	45,306	146,587	62.0	46,637	153,647	63.0
Reach Trucks	27,846	70,607	11.0	27,088	74,316	10.1	26,879	69,739	9.4	8,045	23,196	9.8	8,255	21,980	9.0
Walkie Stackers	160,569	172,755	27.0	167,159	199,643	27.0	174,799	180,564	24.5	51,832	62,951	26.6	56,385	63,264	25.9
Others	1,930	8,203	1.3	2,476	25,297	3.4	2,087	32,131	4.4	2,407	3,639	1.5	451	5,053	2.1
Total	325,590	639,701	100.0	347,659	739,176	100.0	354,039	738,001	100.0	107,590	236,373	100.0	111,728	243,944	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.

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For details, see “Business – Our Equipment Fleet”, “Business – Our Customers and Suppliers – Our Customers” and “Business – Our Business – Intralogistics Equipment Subscription Services” in this prospectus.

As of April 30, 2023, the backlog of intralogistics equipment subscription service agreements on hand amounted to RMB746.9 million. Looking forward, RMB348.9 million is expected to mature in 2023, RMB233.2 million is expected to mature in 2024, RMB100.5 million is expected to mature in 2025, RMB49.2 million is expected to mature in 2026, and RMB15.1 million is expected to mature in 2027.

The following table sets forth the movement of backlog of our on-hand equipment subscription service agreements during the Track Record Period and up to August 31, 2023:

	Year ended December 31,			Four months ended April 30,	Subsequent to Track Record Period until August 31, 2023
	2020	2021	2022	2023	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Opening balance of backlog	644,131	724,795	748,883	695,157	746,930
Aggregate estimated revenue of new service contracts executed	720,365	763,264	684,275	295,717	208,543
Less: (aggregated revenue recognized for completed works) ⁽¹⁾	(639,701)	(739,176)	(738,001)	(243,944)	(259,229)
Closing balance of backlog	724,795	748,883	695,157	746,930	696,244

Note: The amount of “aggregated revenue recognized for completed works” here equals to the amount of revenue derived from intralogistics equipment subscription services in the same year/period.

All backlog of intralogistics equipment subscription service agreements on-hand as of August 31, 2023 is expected to mature by 2027.

OUR EQUIPMENT FLEET

As of April 30, 2023, we managed a fleet of 40,644 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 prospectus.

SUMMARY

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. As of December 31, 2020, 2021 and 2022, and April 30, 2023, our equipment fleet size was 31,213 units, 36,257 units, 39,145 units and 40,644 units, respectively. During the Track Record Period, our utilization rates of intralogistics equipment were 78.9%, 78.5%, and 73.1% for 2020, 2021, and 2022, and 72.7% for the four months ended April 30, 2023, respectively. The slight down trend of the utilization rates was mainly affected by the negative impact of COVID-19 during this period and our proactive expansion of our fleet size for the prompt response to our customers’ needs.

We typically have a lower volume of business around off season, i.e., 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. During off season, the utilization rate of our fleet was around 75.6%, 75.4%, 70.7% and 71.4%, in 2020, 2021, 2022 and for the eight months ended August 31, 2023, respectively.

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. During peak seasons, the utilization rate of our fleet was around 84.1%, 82.2%, 76.1% and 78.8%, in 2020, 2021, 2022 and for the eight months ended August 31, 2023, respectively.

The following table sets forth the number of intralogistics equipment by types as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Equipment Volume				
Counterbalanced				
Forklifts	12,805	14,514	15,610	15,940
Reach Trucks	2,450	2,618	2,694	2,743
Walkie Stackers	15,864	18,989	20,609	21,533
Others	94	136	232	428
Total	31,213	36,257	39,145	40,644

SUMMARY

The following table sets forth details of our intralogistics equipment by ownership as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
Equipment Volume				
Self-owned Equipment				
– Without payment obligations ⁽¹⁾	5,846	7,925	8,823	9,876
– With bank loan obligations ⁽¹⁾	1,963	4,475	4,544	5,245
– With finance lease obligations ⁽²⁾	22,664	23,640	25,469	25,273
Leased Equipment	740	217	309	250
Total	31,213	36,257	39,145	40,644

Notes:

- (1). The legal titles of intralogistics equipment procured either with our own capital or proceeds from bank loans belong to us under the PRC laws.
- (2). The legal titles of intralogistics equipment with finance lease obligations belong to the financial institutions as of the dates indicated, which shall be immediately transferred to us at nil or nominal consideration upon maturity of the respective finance leases. Notwithstanding that under PRC laws, the legal titles belong to the financial institutions temporarily during the terms of the finance leases, the Directors of the Company is of the view that the Group is reasonably certain to obtain ownership of the leased assets upon the maturity of the lease terms. Thus, the Group recognized these leased hold intralogistics equipment as right-of-use assets since the beginning of the finance lease arrangements, in accordance with the relevant accounting policies as set forth on page I-20 of the Prospectus.

In 2020, 2021, 2022 and the first four months of 2023, our gross profit margin for the self-owned equipment without payment obligation was 34.6%, 29.4%, 27.5% and 27.6%, respectively. For the same period, our gross profit margin for the self-owned equipment with bank loan obligations was 32.3%, 27.0%, 24.7% and 25.9%, respectively, and the gross profit margin for the self-owned equipment under finance lease was 36.9%, 36.4%, 32.6% and 29.4%, respectively. In general, equipment under finance lease often demonstrates superior financial performance in terms of gross profit margin when compared equipment that is procured with our own capital or proceeds from bank loans. One primary reason is that equipment under finance lease typically represents newer equipment with a higher utilization rate. During the Track Record Period, the gross profit margin for our self-owned equipment generally showed a declining trend. This downturn was largely due to a reduction in the utilization rate, which was affected by the negative impact of COVID-19 during this period. Furthermore, we are dedicated to maintaining a healthy utilization rate by promptly responding to our customers' needs and ensuring a consistent supply of diverse intralogistics equipment. Additionally, in 2020, 2021, 2022 and the first four months of 2023, our gross profit margin for leased equipment was 16.2%, 30.1%, 15.1% and 34.6%, respectively. The gross profit margin for leased equipment might vary based on the total gross profit, which can be influenced by specific customer demands at given times.

SUMMARY

During the Track Record Period, we recorded RMB73.2 million, RMB81.2 million, RMB76.4 million and RMB24.7 million in interest expenses in relation to the procurement of our equipment, respectively, which accounted for 11.5%, 11.0%, 10.4% and 10.1%, respectively, of our revenue of intralogistics equipment subscription services in the same period. Such ratio generally showed a decline during the Track Record Period primarily because we continue to actively manage such interest expenses to control our finance costs. Considering our relatively stable portion of interest expenses to revenue, our Directors are of the view that there is a manageable impact on our business in relation to our interest expenses. For risks in relation to interest expenses, 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. Changes in interest rates of such bank loans and other borrowings could have a material adverse impact on our business, results of operations and financial condition.”

We conduct sensitivity analysis on interest rate to measure the potential impact of a reasonably possible change in interest rates on profit and profit margin, assuming all other variables were constant. Assuming a parallel change in interest rate without taking into account any possible risk management activities that may be taken by management to reduce the relevant risks, our sensitivity analysis is as follows:

	Year ended December 31,						Four months ended April 30,	
	2020		2021		2022		2023	
	Increase/ Increase/ (decrease) in net profit	(decrease) in net profit margin	Increase/ Increase/ (decrease) in net profit	(decrease) in net profit margin	Increase/ Increase/ (decrease) in net profit	(decrease) in net profit margin	Increase/ Increase/ (decrease) in net profit	(decrease) in net profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Changes in interest rates								
Decrease 100 basis point	8,613	1.4	8,295	1.1	8,476	1.2	2,805	1.2
Decrease 50 basis point	4,307	0.7	4,148	0.6	4,238	0.6	1,403	0.6
Increase 50 basis point	(4,307)	(0.7)	(4,148)	(0.6)	(4,238)	(0.6)	(1,403)	(0.6)
Increase 100 basis point	(8,613)	(1.4)	(8,295)	(1.1)	(8,476)	(1.2)	(2,805)	(1.2)

SUMMARY

The following table sets forth the movement of the number of intralogistics equipment by ownership during the Track Record Period:

	Year ended December 31,						Four months ended April 30,	
	2020		2021		2022		2023	
	Self- owned	Leased	Self- owned	Leased	Self- owned	Leased	Self- owned	Leased
Equipment Volume at the Beginning of the Year/Period	23,664	1,419	30,473	740	36,040	217	38,836	309
Increase ⁽¹⁾	7,215	567	6,773	587	4,640	677	2,186	116
Decrease ⁽²⁾	406	1,246	1,206	1,110	1,844	585	628	175
Equipment Volume at the End of the Year/Period	30,473	740	36,040	217	38,836	309	40,394	250

Notes:

1. The increase in self-owned intralogistics equipment represented newly procured from suppliers or obtained by way of finance leasing arrangement; the increase in leased intralogistics equipment represented newly leased equipment from equipment rental companies.
2. The decrease in self-owned intralogistics equipment represented used equipment sold to end users; the decrease in leased intralogistics equipment represented equipment returned to the lessors at the end of the lease terms.

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. 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 and approximately 91.7% for the four months ended April 30, 2023.

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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 Global Offering (assuming the Over-allotment Option is not exercised), Mr. Hou will be entitled to exercise voting rights attached to the 52,920,684 Shares directly held by him representing approximately 15.21% 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 23.54% of the total issued share capital of our Company through (i) 50,811,280 Shares directly held by him, representing approximately 14.60% of the total issued share capital of our Company, and (ii) 31,100,216 Shares held by Guangzhou Daze of which he is a general partner, representing approximately 8.94% 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 have agreed to continue to act in concert and reach consensus 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 38.74% voting rights in our Company and will be considered as the Controlling Shareholders of our Company upon Listing.

PRE-IPO INVESTMENTS

Throughout the development of our Group, we have entered into several rounds of financing agreements with our Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors, see “History, Development and Corporate Structure – Pre-IPO Investments” in this prospectus.

SUMMARY

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 prospectus, including the related notes. Our consolidated financial information was prepared in accordance with HKFRS.

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
	<i>(unaudited)</i>									
Revenue	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0
Cost of sales	(650,463)	(66.3)	(798,015)	(68.1)	(832,545)	(69.7)	(245,910)	(70.9)	(314,077)	(72.0)
Gross profit	330,180	33.7	374,167	31.9	361,664	30.3	100,899	29.1	122,214	28.0
Other income and gains	4,853	0.5	4,022	0.3	6,276	0.5	2,693	0.8	1,753	0.4
Selling and distribution expenses	(72,270)	(7.4)	(84,018)	(7.2)	(86,072)	(7.2)	(27,873)	(8.0)	(26,431)	(6.1)
Administrative expenses	(120,746)	(12.3)	(143,199)	(12.2)	(156,858)	(13.1)	(50,625)	(14.6)	(52,213)	(12.0)
Impairment loss on financial assets	(6,808)	(0.7)	(4,498)	(0.4)	(4,178)	(0.3)	(884)	(0.3)	(2,106)	(0.5)
Other expenses	(197)	–*	(262)	–*	(2,750)	(0.2)	(719)	(0.2)	(12,684)	(2.9)
Finance costs	(73,604)	(7.5)	(81,838)	(7.0)	(83,609)	(7.0)	(27,398)	(7.9)	(27,308)	(6.3)
Share of profits/(losses) of associates	(228)	–*	(4,929)	(0.4)	948	0.1	(1,041)	(0.3)	(762)	(0.2)
Profit/(loss) before tax	61,180	6.2	59,445	5.1	35,421	3.0	(4,948)	(1.4)	2,463	0.6
Income tax credit/(expenses)	(6,970)	(0.7)	(4,267)	(0.4)	(20)	–*	2,396	0.7	918	0.2
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>54,210</u>	<u>5.5</u>	<u>55,178</u>	<u>4.7</u>	<u>35,401</u>	<u>3.0</u>	<u>(2,552)</u>	<u>(0.7)</u>	<u>3,381</u>	<u>0.8</u>
Attributable to:										
Owners of the Company	<u>54,210</u>	<u>5.5</u>	<u>55,178</u>	<u>4.7</u>	<u>35,401</u>	<u>3.0</u>	<u>(2,552)</u>	<u>(0.7)</u>	<u>3,381</u>	<u>0.8</u>

Note:

* Less than 0.1%.

SUMMARY

During the Track Record Period, our gross profit margin was 33.7%, 31.9%, 30.3%, 29.1% and 28.0% in 2020, 2021, 2022 and the first four months of 2022 and 2023. The decrease in our gross profit margin in 2021 was primarily due to (i) the lower utilization rates resulted from the negative impact of COVID-19 and (ii) the increasing staff costs in relation to our expansion of intralogistics equipment business in that period. The decrease in our gross profit margin in 2022 was primarily due to the facts that we closed relevant service outlets due to the COVID-19, while fixed costs, such as staff costs, depreciation charges and other operation related expenses, continued to incur during the corresponding period. The decline in the first four months of 2023 was contributed to business mix, where in that period, we have experienced an increase in sales of intralogistics equipment and parts, which carried a relatively lower gross profit margin compared to our intralogistics equipment subscription services and maintenance and repair services.

The net profit for the year ended December 31, 2021 increased by RMB1.0 million compared to the year ended December 31, 2020. This increase was mainly attributable to revenue growth stemming from business expansion. Conversely, the net profit for the year ended December 31, 2022, decreased by RMB19.8 million from the prior year. The decline was primarily due to a drop in gross profit following the re-emergence of COVID-19, combined with an increase in administrative expenses. The higher administrative expenses was driven by increased research and development costs, higher depreciation charges, and increased rental expenses.

We recorded net loss of RMB2.6 million for the four months ended April 30, 2022 and net profit of RMB3.4 million for the four months ended April 30, 2023. The change was primarily because there was a significant increase in our revenue in the four months ended April 30, 2023 mainly due to the subsequent recovery of the manufacturing industry, which led to a surge in demand for our maintenance and repair services, as well as increased demand for high-quality equipment and parts in the first four months of 2023.

The resurgence of the COVID-19 pandemic in multiple regions of China in 2022 had a significant impact on our business operations and financial performance. Temporary suspensions of operations at certain affected service outlets limited our ability to provide services to customers. For example, in 2022, 45 outlets were temporarily closed for less than 30 days, 7 outlets were closed temporarily for a period between 30 to 50 days, and 8 outlets were closed for more than 50 days. Furthermore, the closures and reduced operations of our customers during the re-emergence of COVID-19 resulted in an overall subdued demand for our services. Consequently, our overall gross profit margin decreased from 31.9% in 2021 to 30.3% in 2022. This decline can be attributed to the combined effects of limited service availability and subdued customer demand caused by the pandemic. Despite the decrease in services we provided, our fixed costs, including staff costs, depreciation charges, and other operation-related expenses, continued to be incurred. As a result, our revenue during the corresponding period increased at a lower rate than the costs of sales. Additionally, there was an increase in administrative expenses due to an increase in research and development expenses, depreciation charges, and rental expenses. Consequently, our net profit decreased from RMB55.2 million in 2021 to RMB35.4 million in 2022.

SUMMARY

Being a leading intralogistics equipment solution provider in China and considering the growing demand for these solutions in China according to CIC, our Directors believe that we are able to mitigate risks associated with price pressure. In particular, in line with its business strategy, we intend to continue to enhance our business growth and profitability through: (i) improving our customer coverage and expanding the categories of our intralogistics equipment based on our study on market demand trends; (ii) optimizing our cost and expense structure to improve net profit margins; and (iii) increasing operation leverage through economies of scale and optimized supply chain management capability.

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,			As of
	2020	2021	2022	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
				<i>RMB'000</i>
Total non-current assets	1,674,443	1,889,224	2,026,436	2,019,284
Total current assets	500,649	669,909	636,054	722,580
Total current liabilities	(801,919)	(818,594)	(903,435)	(946,866)
Net current liabilities	(301,270)	(148,685)	(267,381)	(224,286)
Total non-current liabilities	(689,612)	(876,479)	(859,594)	(892,156)
Net assets	683,561	864,060	899,461	902,842
Share capital	80,484	83,972	83,972	83,972
Reserves	603,077	780,088	815,489	818,870
Total equity	<u>683,561</u>	<u>864,060</u>	<u>899,461</u>	<u>902,842</u>

We recorded net assets of RMB683.6 million, RMB864.1 million, RMB899.5 million and RMB902.8 million as of December 31, 2020, 2021 and 2022 and April 30, 2023. The significant increase of net assets in 2021 was primarily due to (i) the issuance of additional ordinary shares amounting to RMB130.0 million; and (ii) an increase in profit of RMB55.2 million for the year ended December 31, 2021. The increase of net assets in 2022 was primarily due to an increase in profit of RMB35.4 million for the year ended December 31, 2022. The slight increase of net assets in the first four months of 2023 was due to an increase in profit of RMB3.4 million for the four months ended April 30, 2023.

SUMMARY

We recorded net current liabilities and relatively high gearing ratio as of December 31, 2020, 2021, 2022, and April 30, 2023, due to our substantial investments in capital expenditures, including property, plant, equipment, and right-of-use assets, which were classified as non-current assets, leading to a net current liability position. Simultaneously, to finance these investments, we relied on external borrowings, leading to a high gearing ratio. While this situation creates short-term financial pressures, it stems from our strategy of prioritizing long-term capital investments. 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 prospectus, taking into account our financial resources, including internally generated funds, the proceeds from the Global Offering, and available facilities from bank and other borrowings. In addition, our Directors are of the view that we are able to match our loans and borrowings to support our long-term operational needs. 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, RMB522.2 million, and RMB155.3 million in 2020, 2021, 2022 and the first four months of 2023, respectively. This steady cash flow is a testament to our execution capabilities, as well as the industry recognition we have received. In the future, by expanding into untapped markets and streamlining our cost structures, we foresee the continuation of this positive cash flow trend. Furthermore, we are placing a renewed emphasis on enhancing communication with both our suppliers and customers.
- **Bank and other borrowings:** As of August 31, 2023, we had unutilized facilities for bank and other borrowings of RMB1,436.8 million, providing us with additional financial resources. We believe that our long-term and healthy relationships with banks and financial institutions will continue to support our borrowing needs in the future. In the upcoming quarters, we are geared to engage in negotiations to secure more favorable borrowing terms. We believe that our commitment to financial prudence will enable us to navigate any economic uncertainties that may arise while seizing growth opportunities.
- **Proceeds from the Global Offering:** We expect to receive proceeds from the Global Offering of approximately HK\$126.8 million, after deducting underwriting commissions, fees, and estimated expenses payable by us in connection with the Global Offering. These proceeds 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. We prioritize planned and systematic cash flow management and match short-term loans with our operational needs to ensure we have sufficient liquidity to cover its immediate expenses while maintaining flexibility for future investments in equipment. During the Track Record Period, our trade receivable turnover days remained relatively stable around 80 days, and as of August 31, 2023, RMB244.5 million, or 80.7%, of our trade receivables as of April 30, 2023, had been settled.

SUMMARY

For more information, see “Financial Information – Liquidity and Capital Resources – Net Current Liabilities” in this prospectus.

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,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	451,583	527,631	522,192	143,611	155,268
Net cash flows used in investing activities	(157,637)	(285,358)	(226,168)	(75,263)	(103,710)
Net cash flows used in financing activities	(328,375)	(137,722)	(363,548)	(85,538)	(38,899)
Cash and cash equivalents at end of the year/period	83,611	188,162	120,638	170,972	133,297

KEY FINANCIAL RATIOS

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

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	Current ratio ⁽¹⁾	0.6	0.8	0.7
Gearing ratio ⁽²⁾	171.8%	153.9%	152.0%	154.9%

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.

SUMMARY

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 and the four months ended April 30, 2023, revenue generated from our five largest customers in each year/period during the Track Record Period amounted to RMB166.3 million, RMB184.7 million, RMB166.2 million, and RMB69.7 million, respectively, representing 17.0%, 15.8%, 13.9%, and 16.0% of our total revenue, respectively. For the years ended December 31, 2020, 2021 and 2022 and for the four months ended April 30, 2023, revenue generated from our largest customer in each year/period during the Track Record Period amounted to RMB60.2 million, RMB75.8 million, RMB69.2 million and RMB19.9 million, respectively, representing 6.1%, 6.5%, 5.8% and 4.6% of our total revenue, respectively. For more information, please see “Business – Our Customers and Suppliers – Our Customers” in this prospectus.

During the Track Record Period, we primarily procured intralogistics equipment and parts. Our suppliers primarily consisted of intralogistics equipment and parts manufacturers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, procurement from our five largest suppliers in each year/period during the Track Record Period amounted to RMB395.0 million, RMB420.0 million, RMB379.5 million and RMB137.9 million, respectively, representing 50.7%, 49.0%, 46.7% and 41.2% of our total purchases, respectively; and procurement from our largest supplier in each year/period during the Track Record Period amounted to RMB161.4 million, RMB151.5 million, RMB179.8 million and RMB44.8 million, respectively, representing 20.7%, 17.7%, 22.1% and 13.4% of our total purchases, respectively. For more information, please see “Business – Our Customers and Suppliers – Our Suppliers” in this prospectus.

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 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 prospectus.

COMPETITIVE LANDSCAPE

We are the largest intralogistics equipment solution provider in China, with total revenue from intralogistics equipment solutions of RMB0.9 billion in 2022, accounting for 7.7% of the total market. The intralogistics equipment 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 solutions in China is expected to reach RMB34.9 billion by 2027, representing a CAGR of 25.0% from 2022 to 2027.

For details, please see “Industry Overview – Intralogistics Equipment Solution Market in China – Competitive Landscape of the Intralogistics Equipment Solution Market in China” in this prospectus.

SUMMARY

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 – Legal Proceedings and Compliance” 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 prospectus for more information. According to our PRC Legal Adviser, 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. For more information, see “Risk Factors – Risks Relating to Our Business and Industry – We may be demanded to pay the outstanding contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities” in this prospectus.

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, and for the four months ended April 30, 2023, our revenue generated from transactions related to Relevant Regions was approximately RMB13.9 million, RMB19.0 million, RMB24.0 million and RMB13.8 million, respectively, representing approximately 1.4%, 1.6%, 2.0% and 3.2% of our total revenue for the same periods, respectively.

In particular, in 2020, 2021 and 2022 and for the four months ended April 30, 2023, our revenue generated from transactions related to Iran was approximately RMB3.8 million, RMB7.2 million, RMB6.9 million and RMB2.8 million, respectively, representing approximately 0.4%, 0.6%, 0.6% and 0.6% of our total revenue for the same periods, respectively.

In addition, in 2020, 2021 and 2022 and for the four months ended April 30, 2023, our revenue generated from transactions related to Syria was approximately RMB127,000, RMB122,000, RMB108,000 and nil, respectively, representing approximately 0.01%, 0.01%, 0.01% and nil of our total revenue for the same periods, respectively.

SUMMARY

In 2020, 2021 and 2022 and for the four months ended April 30, 2023, our total revenue generated from sales to customers in Belarus, Russia, and Venezuela was RMB10.0 million, RMB11.7 million, RMB17.0 million, and RMB11.0 million respectively, representing approximately 1.0%, 1.0%, 1.4% and 2.5% of our total revenues for the same periods, respectively.

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, we 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 in USD for certain sales to Iran (“**Iran USD Sales**”) and certain sales to Syria (“**Syria USD Sales**”). The Iran USD Sales include 69 distinct transactions to 15 distinct Iran customers with delivery dates between December 2019 and April 2023, in which we received approximately USD1.8 million in payments denominated in USD to our 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 we received approximately USD26,200 in payments denominated in USD to our 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 made a supplemental VSD report regarding these transactions to OFAC on September 19, 2023.

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 sales activities with customers in relation to countries subject to International Sanctions. As a result, the Directors confirm that there is no financial impact to the Group’s profit and loss regarding recognition of the potential penalties since the expenses recognized is fully offset by the gain arising from the aforesaid indemnity.

SUMMARY

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 USD912,000, 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 USD912,000 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 us arising from the Iran USD Sales and Syria USD Sales.

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

With respect to Primary Sanctions Risks under U.S. law, our International Sanctions Legal Adviser has advised us that our export sales to customers in the Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) the Track Record Period 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 under U.S. law. As advised by our 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”).

With respect to Secondary Sanctions Risks under U.S. law, the Iran USD Sales and Syria USD Sales would likely be addressed as Primary Sanctioned Activity rather than Secondary Sanctionable Activity. The remaining sales did not involve the parties, sectors, industries, or activities likely to result in the imposition of Secondary Sanctions under U.S. law. Accordingly, our activities during the Track Record Period (excluding the Iran USD Sales and Syria USD Sales) pose a low risk of being deemed to include Secondary Sanctionable Activities.

Our International Sanctions Adviser has advised us that International Sanctions enacted by the U.K., E.U., and Australia are Primary Sanctions that generally apply within territory of such jurisdictions, to entities or nationals of such jurisdictions, or to business within such jurisdictions. Accordingly, the risk that our sales of Chinese manufactured products to customers in the Relevant Regions might be subject to the jurisdiction of U.K., E.U., and Australia sanctions is low. Our customers within the U.K., E.U., and Australia during the Track Record Period, moreover, did not include Sanctioned Targets under U.K., E.U., and Australia law. The U.K., E.U., and Australia generally do not utilize Secondary Sanctions.

SUMMARY

For reasons, our International Sanctions Legal Adviser has advised us on the assumption that the customer lists and other information provided by us is accurate, complete, and not misleading, that (a) the Iran USD Sales and Syria USD sales likely constituted Primary Sanctioned Activity; and (b) the risk that our sales to the Relevant Regions (excluding Iran USD Sales and Syria USD sales) during the Track Record Period might constitute Sanctioned Activity under International Sanctions enacted by Relevant Jurisdictions is low.

Sanctions Risks to Relevant Persons Resulting from Participation in Global Offering

Given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Adviser is of the view that parties involved in the Global Offering will not be implicated by any applicable International Sanctions, 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 Global Offering, 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 listing, trading, and clearing of our Shares (including the Stock Exchange, the Listing Committee and related group companies) as a result of such involvement in the Global Offering is low.

Please refer to "Risk Factors – Risks Relating 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 prospectus.

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 invest in 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) we incurred bank loans and other borrowings to invest in the expansion of our equipment fleet during the Track Record Period. Changes in interest rates of such bank loans and other borrowings could have a material adverse impact on our business, results of operations and financial condition; (iv) significant fluctuations in the price for our intralogistics equipment subscription services may adversely affect our business, results of operations, financial condition, and prospects; (v) 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; (vi) our historical results may not be indicative of our future prospects and results of operations; and (vii) changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

SUMMARY

RECENT DEVELOPMENTS

Selected Operating and Financial Data for the Eight Months Ended August 31, 2023

Our business operations have maintained an overall growth trend during the Track Record Period. Subsequent to the Track Record Period, we have successfully implemented our development strategies, leading to steady growth of our business and quick recovery from the COVID-19 pandemic. The following table sets forth a summary of the utilization rate for the eight months ended August 31, 2023 in our management account:

	For the eight months ended August 31,	
	2022	2023
	<i>(unaudited)</i>	
Utilization rate	72.9%	74.0%

As of August 31, 2023, our equipment fleet size expanded to 42,012 units.

As compared with revenue for the eight months ended August 31, 2022, revenue for the same period in 2023 increased by 18.0%, primarily due to an increase in revenue from intralogistics equipment subscription services mainly driven by the post-COVID-19 business recovery, and growing customer base. As compared with gross profit for the eight months ended August 31, 2022, gross profit for the same period in 2023 increased by 20.2%.

Our utilization rate of intralogistics equipment increased from 72.9% to 74.0% from the eight months ended August 31, 2022 to the same period in 2023 primarily due to the increase of our intralogistics equipment subscription service orders in line with the post-COVID-19 recovery of economy and our acquisition of new customers. In addition, we continued to strategically expand our fleet size in line with our strategy to keep improving customer coverage and expanding the categories of intralogistics equipment.

Although we maintained a general growing trend in revenue during the Track Record Period and for the eight months ended August 31, 2023, we cannot assure you that we will be able to maintain the revenue growth rates in future periods. We expect to see a decrease in our net profit in 2023 as compared to 2022, primary because we incurred large amount of listing expenses in 2023. In addition, our business may be affected negatively by various factors, including but not limited to increasing competition, emergence of alternative business models, decreasing demand for our services, increasing regulatory costs, or changes in general economic conditions. If any of the foregoing were to occur, we may face fluctuations in our revenue growth or even decrease in our revenue.

SUMMARY

Regulatory Development

The regulatory environment in China has been undergoing a number of recent changes and reforms in various areas.

The Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises

On February 17, 2023, the CSRC promulgated the Administrative Trial Implementation Measures for Filing 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》) and the Notice on the Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (collectively, the “Overseas Listing Trial Measures”), which require indirect overseas offering and listing by PRC domestic companies to be subject to the CSRC’s filing requirement starting from March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing by PRC domestic companies and will regulate both direct and indirect overseas offering and listing by PRC domestic companies.

As advised by our PRC Legal Adviser, we are subject to the CSRC filing as the Listing constitutes a direct overseas offering and listing by domestic companies under the Overseas Listing Trial Measures. On August 18, 2023, the CSRC publicly informed us that they have confirmed the Company’s overseas offering and listing information submitted to them, and therefore, we have completed the CSRC filing for application of listing of the Shares on the Stock Exchange and Global Offering.

Effects of the COVID-19 Pandemic

Our business operations and financial performance were affected by COVID-19 pandemic in multiple regions in China, especially in Guangzhou from October to November 2022, and in Shanghai from March to June 2022. In 2022, 45 service outlets were temporarily closed for less than 30 days, 7 service outlets were closed temporarily for a period between 30 to 50 days, and 8 service outlets were closed for more than 50 days.

During the COVID-19 pandemic, we took several steps to support our customers during these challenging times. Between 2020 and 2021, we occasionally offered informal discounts with a total amount of approximately RMB2.7 million as a gesture to alleviate the financial burdens many of our clients faced due to the pandemic. The exact amount of informal discounts granted to any customer would be subject to the negotiation between us and our customers, and normally, the informal discount granted would not exceed 2% of that customer’s monthly billing with us. This approach became formalized in 2022 when we offered discounts totaling approximately RMB10.0 million to customers. The discounts were based on the weakening of the customer’s economic activity, their equipment downtime, or the duration they were affected by the epidemic, reflecting our response to the ongoing economic challenges posed by COVID-19. However, throughout this period, we did not terminate any material contracts with our customers because of our inability to provide services resulting from the pandemic’s impact.

SUMMARY

Trademark Right Infringement Dispute

In July 2023, a PRC company brought legal proceedings against us at the Intermediate People's Court of Weifang in Shandong Province, the PRC, claiming that we had infringed its trademark rights. See “Risk Factors – Risks Relating to Our Business and Industry – We may be subjected to litigations, legal or contractual disputes, government investigations or administrative proceedings” and “Business – Legal Proceedings and Compliance – Trademark Right Infringement Dispute” in this prospectus.

Construction Work Dispute

With respect to the construction work dispute as disclosed under “Business – Legal Proceedings and Compliance – Construction Work Dispute”, on October 16, 2023, the Hefei Intermediate Court ruled that the Claimant had withdrawn its appeal, and the judgment made by the Feixi Court became effective. In addition, we have fully settled the payment required by the Feixi Court to the plaintiff, which payment had no material impact on our liquidity considering our business scale. For more information about the legal proceedings, please see “Business – Legal Proceedings and Compliance – Construction Work Dispute” in this prospectus.

Fire Incident Dispute

With respect to the fire incident dispute as disclosed under “Business – Legal Proceedings and Compliance – Fire Incident Dispute”, on August 24, 2023, the Shanghai Financial Court issued a judgment, reducing the amount that we were initially ordered to compensate in the ruling of the Qingpu Court. Shanghai Financial Court's judgment ruled that we and the lessor shall each respectively pay approximately RMB877,300 to the plaintiff, and both parties shall be jointly and severally liable for the aforementioned compensation. In addition, we have fully settled such payment to the plaintiff, which payment had no material impact on our liquidity considering our business scale. For more information about the legal proceedings, please see “Business – Legal Proceedings and Compliance – Fire Incident Dispute” in this prospectus.

No Material Adverse Change

Our Directors confirm that up to the date of this prospectus, other than as disclosed under the “Recent Developments – No Material Adverse Change” in the “Summary” section in this prospectus, there had been no material adverse change in our financial, operational or prospects since April 30, 2023, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this prospectus.

DIVIDENDS

No dividend has been paid or declared by us during the Track Record Period. After completion of the Global Offering, 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 prospectus.

SUMMARY

THE GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 1,213,600 H Shares, or Hong Kong Offer Shares, for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and
- the offer by us of initially 10,922,400 H Shares, or International Offer Shares, outside the U.S. (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S, referred to in this prospectus as the International Offering.

The number of Hong Kong Offer Shares and International Offer Shares, or together, Offer Shares, is subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus.

GLOBAL OFFERING STATISTICS

	Based on the Offer Price of HK\$14.18	Based on the Offer Price of HK\$16.18
Market capitalization of our Shares (<i>approximation</i>) ⁽²⁾	HK\$4,935 million	HK\$5,631 million
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$3.13	HK\$3.19

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option are not exercised.
- (2) The calculation of market capitalization is based on 348,022,816 Shares expected to be in issue immediately after completion of the Subdivision and the Global Offering (assuming the Over-Allotment Option is not exercised).
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in “Financial Information – Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$126.8 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming the Over-Allotment Option being not exercised and an Offer Price of HK\$15.18 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds from the Global Offering for the following purposes: (i) 45.0%, or approximately HK\$57.0

SUMMARY

million, will be used to enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment; (ii) 20.0%, or approximately HK\$25.4 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) 15.0%, or approximately HK\$19.0 million, will be used to strengthen our technology capabilities and infrastructure; (iv) 10.0%, or approximately HK\$12.7 million, will be used to conduct strategic mergers and acquisitions that align with our regional coverage, industry focus, and business priorities; and (v) 10.0%, or approximately HK\$12.7 million, will be used for our general working capital and general corporate purposes.

LISTING EXPENSES

Our listing expenses mainly include sponsor's fee, underwriting commissions, professional fees paid to legal advisers, the reporting accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB52.7 million (HK\$57.4 million), representing 31.2% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. Our listing expenses are categorized into underwriting-related expenses of approximately RMB12.1 million (HK\$13.2 million) and non-underwriting-related expenses of approximately RMB40.6 million (equivalent to HK\$44.2 million), representing 7.2% and 24.0%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. The non-underwriting-related expenses can be further classified into fees and expenses of legal advisors and accountants of approximately RMB26.5 million (HK\$28.9 million) and other fees and expenses of approximately RMB14.1 million (HK\$15.3 million), representing 15.7% and 8.3%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses in aggregate of RMB19.6 million (equivalent to HK\$21.4 million), of which RMB12.4 million (equivalent to HK\$13.6 million) was charged to the consolidated statements of profit or loss and RMB7.2 million (equivalent to HK\$7.8 million) was deducted from equity as of April 30, 2023. We expect to incur additional listing expenses of approximately RMB33.1 million (equivalent to HK\$36.0 million), of which approximately RMB30.3 million (equivalent to HK\$33.0 million) is expected to be charged to the consolidated statements of profit or loss and approximately RMB2.8 million (equivalent to HK\$3.0 million) is expected to be recognized as a deduction in equity directly upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DEFINITIONS

In this prospectus, 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 Listing (as amended from time to time), a summary of which is set out in Appendix V to this prospectus
“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
“Capital Market Intermediary(ies)” or “capital market intermediary(ies)” or “CMI(s)”	the capital market intermediary(ies) as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“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

DEFINITIONS

“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request
“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 prospectus, 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

DEFINITIONS

“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 prospectus
“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
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“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

DEFINITIONS

“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
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“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 Listing
“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 listed foreign ordinary share(s) in the share capital of our Company with a nominal value of RMB0.25 each, which are to be subscribed for and traded in Hong Kong dollars and to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“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

DEFINITIONS

“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 Ferretto Intelligent, which in turn is held as to 28.5% by our Company
“HKFRS”	Hong Kong Financial Reporting Standard
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or on designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App and on the designated website at www.hkeipo.hk
“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
“Hong Kong Offer Shares”	the 1,213,600 H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong, on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“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

DEFINITIONS

“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 30, 2023 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Sole Overall Coordinator and the Hong Kong Underwriters as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus
“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
“International Offer Shares”	the 10,922,400 H Shares being initially offered by us for subscription under the International Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) together with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“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
“International Sanctions Legal Adviser” or “DLA Piper”	DLA Piper Singapore Pte. Ltd., our legal adviser as to International Sanctions laws in connection with the Global Offering

DEFINITIONS

“International Underwriters”	the group of underwriters, led by the Sole Overall Coordinator, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Sole Overall Coordinator, the International Underwriters and our Company on or about the Price Determination Date, as further described in the section headed “Underwriting – International Offering” in this prospectus
“ IPO App ”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and Parties involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and Parties involved in the Global Offering” in this prospectus
“Latest Practicable Date”	October 23, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, November 10, 2023, on which the H Shares are listed and on which dealings in the H Shares are first permitted to commence on the Hong Kong Stock Exchange
“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)

DEFINITIONS

“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 Listing
“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)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee 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%) of not more than HK\$16.18 and expected to be not less than HK\$14.18 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the International Underwriters exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 1,820,400 additional H Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“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)
“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 Adviser”	Jingtian & Gongcheng
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO 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 prospectus
“Pre-IPO 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 prospectus
“Price Determination Date”	the date, expected to be on or around Friday, November 3, 2023 (Hong Kong time) on which the Offer Price is determined, or such later time as our Company, and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) may agree, but in any event not later than Thursday, November 9, 2023
“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 listing 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
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Relevant Jurisdiction”	any jurisdiction that is relevant to a listing 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 dealing 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 listing, trading, clearing and settlement of its shares, including the Stock Exchange and related group companies
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“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)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“Secondary Sanctionable Activity”	certain activity by a listing 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 listing 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 RMB0.25 each after Subdivision, including both Unlisted 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
“Sole Global Coordinator”	the sole global coordinator as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“Sole Sponsor”	Haitong International Capital Limited
“Sole Sponsor-Overall Coordinator” or “Sole Overall Coordinator”	Haitong International Securities Company Limited
“Stabilizing Manager”	Haitong International Securities Company Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

“Subdivision”	the subdivision of each authorized issued and unissued 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, 2022 and the four months ended April 30, 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB0.25 each after Subdivision, which are not listed on any stock exchange
“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
“VAT”	value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise

DEFINITIONS

“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 prospectus 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 prospectus 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
“Bohai Economic Rim”	the economic region surrounding Tianjin, which also includes areas in Hebei, Liaoning and Shandong surrounding the Bohai Sea
“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

GLOSSARY OF TECHNICAL TERMS

“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
“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/period, 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/period under our intralogistics equipment subscription service business segment
“KA customer retention rate”	KA customer retention rate equals total number of KA customers at the end of the given 12-month period carving out total number of new KA customers in that given 12-month period, divided by the number of KA customers as of the beginning date of the given 12-month period, multiplied by 100%

GLOSSARY OF TECHNICAL TERMS

“Net dollar retention rate”	net dollar retention rate, a metric used to measure a company’s capability to generate revenue from returning KA customers by comparing the amount of revenue that a company brings in a given period from the previous period’s KA customers. We calculate net dollar retention rate in a given 12-month period by starting with all KA customers in the prior 12-month period. We calculate the revenue from returning KA customers in the given 12-month period, which includes the revenue from new KA 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 returning KA 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.

GLOSSARY OF TECHNICAL TERMS

“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 prospectus 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 prospectus. 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 prospectus.

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 prospectus 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.

FORWARD-LOOKING STATEMENTS

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 prospectus 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 prospectus. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment 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 investment. 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 prospectus.

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; and (ii) risks relating to the Global Offering. 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.

During the Track Record Period, we generated our revenue primarily from providing intralogistics equipment solutions to customers across different industry sectors in China. In 2020, 2021, 2022 and for the four months ended April 30, 2023, revenue derived from intralogistics equipment subscription services accounted for 65.2%, 63.0%, 61.8% and 55.9%. With our intralogistics equipment subscription service customers mainly comprising of manufacturers, logistics companies, and trading companies, any material turbulences or downturn in such customers’ industries may reduce their demands for our services, which in turn, may have a material impact on our business operations and financial conditions. For example, if the consumers’ demands for the goods or products produced by our manufacturer customers decrease, such customers’ demands for intralogistics equipment, in turn, may decrease as well, as they handle or transport fewer products and materials in warehousing, transportation or production operations. In addition, for enterprises engaged in trading industries, any slow-down in the general economy, or market trend that is relevant to their businesses, may cause reduced business activities from their end, which in turn, may reduce their needs for intralogistics equipment used in warehousing or transportation.

Furthermore, the future growth of our business depends on several factors, including our ability to maintain our market position, to maintain our KA customers, and to expand our customer portfolio and service network. We cannot guarantee that our services and our technologies can satisfy the customers’ evolving needs. For example, if our competitors

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managed to develop more advanced technologies, their intralogistics equipment solutions could become more competitive, which in turn could lead to a decrease in the demand for our services. 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. If there is a reduction in demand for our services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, relevant regulations and policies, competing solutions or services or otherwise, our revenue and gross profit margins would be adversely affected, which would in turn materially affect our business, growth and prospects.

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

As a leading intralogistics equipment solution provider, 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. For example, an economic slow-down can lead to decreased mass consumption across the nation, affected by which, manufacturing and logistics demands may decrease as well. Demands for subscribing intralogistics equipment, thus, may be affected. In particular, in 2022, affected by the resurgence of COVID-19 pandemic, some of our customers' stores or sites are temporarily closed or had reduced operations, as a result, the demands for our services were reduced. For details, please also see "Business – Impact of COVID-19 on our Operations". Our customers' demands for our services are also affected by conditions and prospects of industries that they are engaged in and related industries. For instance, the significant growth of e-commerce business in China has fueled the business development of logistics services in recent years, which had a meaningful contribution to the growth of our intralogistics equipment subscription service business. However, there is no assurance that such industries will continue to grow in the future.

In addition, any deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and future prospects. For instance, some of our customers may face difficulties in making payments to us. These customers may not complete their payments as quickly as they had in the past, if at all, which may have adverse impact on our working capital. Furthermore, in an economic downturn, we may not be able to promptly adjust our expenses in response to changing market demands and it may be more difficult to match our staffing levels to our business needs. Therefore, in the event of an industry downturn, unfavorable economic and market conditions may lead to a decline in the overall 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.

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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 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.

We incurred bank loans and other borrowings to invest in the expansion of our equipment fleet during the Track Record Period. Changes in interest rates of such bank loans and other borrowings 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. A major portion of our intralogistics equipment for subscription was purchased with financial lease obligations. As of December 31, 2020, 2021 and 2022, and April 30, 2023, we had current and non-current interest-bearing bank loans and other borrowings of RMB1,174.1 million, RMB1,329.8 million, RMB1,367.2 million, and RMB1,398.2 million, respectively. Our bank loans and other borrowings bore interest at rate equivalents ranging from approximate 3.7% to 9.9% per year. As of December 31, 2020, 2021 and 2022, and April 30, 2023, we recorded RMB73.2 million, RMB81.2 million, RMB76.4 million and RMB24.7 million of interest expenses in relation to the procurement of our equipment, respectively. We are exposed to interest rate risk of our bank loans and other borrowings in relation to the expansion of our equipment fleet during the Track Record Period.

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During the Track Record Period, some of the equipment in the equipment fleet had finance lease obligations. With respect to the equipment with finance lease obligations, if there are increase in the interest rates of such finance leases, our interest expenses may increase, which could in turn adversely affect the profit and profit margin for the equipment. For more information, see “Business – Our Equipment Fleet – Source and Ownership of Our Fleet” and “Business – Our Equipment Fleet – Measures to Maintain Quality and Profitability” in the prospectus.

In addition, 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’ 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.

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%, 61.8%, and 55.9% of our total revenue in 2020, 2021, 2022, and the four months ended April 30, 2023, respectively, amounting to RMB639.7 million, RMB739.2 million, RMB738.0 million, and RMB243.9 million. We offer a wide variety of intralogistics equipment brands and models to customers through our intralogistics equipment subscription services. For our intralogistics equipment subscription services, we charge customers fees based on duration they use our intralogistics equipment, where they make payments generally on monthly or yearly basis. In addition to duration that customers use the subscribed equipment, we also consider other factors in determining the subscription price, such as equipment types, subscription term, equipment’s depreciation, maintenance and repair expenses, and operating expenses. 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 and RMB2,183 per unit for the four months ended April 30, 2023, 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.

RISK FACTORS

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, and for the four months ended April 30, 2023, our revenue generated from transactions related to Relevant Regions was approximately RMB13.9 million, RMB19.0 million, RMB24.0 million and RMB13.8 million, respectively, representing approximately 1.4%, 1.6%, 2.0% and 3.2% of our total revenue for the same periods, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2023, our revenue generated from transactions related to Iran was approximately RMB3.8 million, RMB7.2 million, RMB6.9 million and RMB2.8 million, respectively, representing approximately 0.4%, 0.6%, 0.6% and 0.6% of our total revenue for the same periods, respectively. In addition, in 2020, 2021, 2022 and the four months ended April 30, 2023, our revenue generated from transactions related to Syria was approximately RMB127,000, RMB122,000, RMB108,000 and nil, respectively, representing approximately 0.01%, 0.01%, 0.01% and nil of our total revenue for the same periods, respectively. Similarly, in 2020, 2021, 2022 and the four months ended April 30, 2023, our total revenue generated from sales to customers in Belarus, Russia, and Venezuela was RMB10.0 million, RMB11.7 million, RMB17.0 million and RMB11.0 million, respectively, representing approximately 1.0%, 1.0%, 1.4% and 2.5% of our total revenues for the same periods, respectively.

As advised by our International Sanctions Legal Advisors, we received payments in USD for certain sales to Iran (“**Iran USD Sales**”) including 69 distinct transactions to 15 distinct Iran customers with delivery dates between December 2019 and April 2023, in an aggregate amount of approximately USD1.8 million, and payments 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 USD26,200. These payments appear to be potential violations of U.S. sanctions regulations that are applicable to transactions with Iran and Syria.

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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 USD912,000, 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 USD912,000 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 us 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 Prospectus.

We have implemented numerous internal control and risk management measures by October 2, 2023 to control and monitor our exposure to sanction risks, and undertakes to the Stock Exchange and its related group companies with respect to sanction risks. For more details of related internal control measures and our undertakings 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 prospectus. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

Sanction 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 undertakings 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 prospectus.

RISK FACTORS

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, RMB1,194.2 million and RMB436.3 million in 2020, 2021, 2022 and the four months ended April 30, 2023, 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. 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 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 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 prospectus. 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 resources, and better understanding and insight on industry trend and policies 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. In addition, 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.

RISK FACTORS

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%, 73.1% and 72.7% for 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. The utilization rate for a particular year/period is arrived at by dividing the aggregation of the number of subscribed equipment in each day during the given year/period, by the aggregation of the number of equipment in the fleet each day during same year/period. For details, please see “Business – Our Equipment Fleet” in this prospectus. Our ability to maintain or increase the utilization rate of our intralogistics equipment depends on the overall development trend in the intralogistics equipment 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 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”). In 2020, 2021, 2022 and the four months ended April 30, 2023, the aggregate amount of third-party payments (the “Third-Party Payments”) we received from Third-Party Payers was RMB5.3 million, RMB10.4 million, RMB17.9 million and RMB6.2 million, which respectively accounted for 0.5%, 0.9%, 1.5% and 1.4% of our Group’s total revenue for the corresponding year/period. 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.

RISK FACTORS

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 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 April 30, 2023, we have established a nationwide service network consisting of 67 service outlets, covering 47 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, better understanding and insight on industry trend and policies, 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.

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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 prospectus. 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. 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.

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Various factors, such as trade disputes and industry policies and trends, 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 rely on a number of key suppliers to supply our intralogistics equipment and parts.

In 2020, 2021, 2022 and the four months ended April 30, 2023, our five largest suppliers in each year/period during the Track Record Period accounted for 50.7%, 49.0%, 46.7% and 41.2% of our total purchases, respectively. In particular, our largest supplier in each year/period during the Track Record Period accounted for 20.7%, 17.7%, 22.1% and 13.4% of our total purchases in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We may rely on our key suppliers to provide us with intralogistics 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. For further information, see “Regulatory Overview” and “Business – Certificates, Licenses and Permits” in this prospectus. The certificates, licenses, approvals and permits that we had obtained during the Track Record Period and as of the Latest Practicable Date 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 in the future. As advised by our PRC Legal Adviser, the PRC laws and regulations may continue to evolve, which exposes 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 solution industry may continue to evolve, we are also subject to laws, regulations and related compliance requirements, as amended in the future.

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We are subject to 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 public company, 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 regulatory measures under applicable laws. Our efforts to comply with new 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.

In addition, compliance measures and practice is subject to guidance and interpretation on relevant laws and policies, which may change in the future. 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.

On March 1, 2023, a PRC company (the "Claimant") initiated legal proceedings against Anhui Folangsi (the "Anhui Folangsi Proceedings") in the People's Court of Feixi County in Hefei of Anhui Province, the PRC (the "Feixi Court"), pursuant to which the Claimant alleged that (the "Claims") Anhui Folangsi had failed to pay the Claimant for certain construction work performed for Anhui Folangsi. On June 8, 2023, the Feixi Court ordered Anhui Folangsi to pay the Claimant an aggregated amount of RMB376,000 and dismissed other claims of the Claimant. Both we and the Claimant appealed to the Intermediate People's Court of Hefei in Anhui Province (the "Hefei Intermediate Court"). On October 16, 2023, the Hefei Intermediate Court ruled that the Claimant had withdrawn its appeal, and the judgment made by the Feixi Court became effective. In addition, we have fully settled the payment required by the Feixi Court to the plaintiff, which payment had no material impact on our liquidity considering our business scale.

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On March 15, 2021, a PRC insurance company (the “Insurance Company”) initiated legal proceedings against us in the People’s Court of Qingpu District in Shanghai, the PRC (the “Qingpu Court”), pursuant to which the Insurance Company claimed that we should be liable for the losses caused by a fire that broke out at the factory. On March 7, 2022, the Qingpu Court ruled that we and the lessor of the factory where the fire occurred (the “Lessor”) shall each respectively pay approximately RMB1.46 million to the plaintiff, and both parties shall be jointly and severally liable for the aforementioned compensation. On March 22, 2022, we appealed to the Shanghai Financial Court. The Insurance Company, the Lessor and the company that leased the factory involved from the Lessor (“Lessee”) have also appealed. The Shanghai Financial Court issued a judgment on August 24, 2023, reducing the amount we were initially ordered to compensate by the Qingpu Court. The judgment ruled that we and the lessor shall each respectively pay approximately RMB877,300 to the plaintiff, and both parties shall be jointly and severally liable for the aforementioned compensation. In addition, we have fully settled such payment to the plaintiff, which payment had no material impact on our liquidity considering our business scale. For more information about the legal proceedings, please see “Business – Legal Proceedings and Compliance” in this prospectus.

In May, 2023, a PRC company (the “Claimant”) reported us to Weifang High-tech Zone Market Supervision Bureau, claiming that we had infringed the Claimant’s trademark rights by placing the Claimant’s trademark on 13 forklifts (the “Alleged Infringement Action”) provided by us to the relevant equipment subscription client (the “Client A”). The Weifang High-tech Zone Market Supervision Bureau, after investigating the said claims, had issued its decision in June, 2023, ruling in favor of us and having found that there had not been infringement of the Claimant’s trademark right by us (the “Decision”). However, in July, 2023, the Claimant had brought proceedings against us at the Intermediate People’s Court of Weifang in Shandong Province, the PRC (the “Weifang Court”), claiming that we had infringed its trademark rights by placing a trademark owned by the Claimant on 13 forklifts that we provided to Client A (the “Relevant Proceedings”). Pursuant to the Relevant Proceedings, the Claimant has requested that: (i) we cease Alleged Infringement Action which the Claimant allege to be an infringement of its trademark right, and (ii) compensate the Claimant for the economic loss and the costs incurred by the Claimant in relation to such claims in the total amount of RMB3,912,800. In addition, the 13 forklifts relating to the Alleged Infringement Action have been seized pursuant to a injunctive order granted by Weifang Court in June. The Weifang Court had held a first hearing on September 19, 2023, but had not granted any judgment on the Relevant Proceedings yet.

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 the above-mentioned legal proceedings, 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.

RISK FACTORS

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 may be amended in the future. 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 Measures for Cybersecurity Review (《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 Measures for Cybersecurity Review, 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. The interpretation and applicability of the Measures for Cybersecurity Review shall be determined in accordance with the laws and regulations in force at the time, 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 the Administration of Cyber Data Security (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. 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 amendments. The future supervision of companies like us depends on the laws and regulations in force at the time. 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.

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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 prospectus. 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 may not be able to complete the cybersecurity review in the future or meet the requirements of relevant laws and regulations in force at the time. 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 investigations, fines, penalties, suspension of our non-compliant operations, which could materially and adversely affect our business and results of operations.

These and other similar legal and regulatory developments could 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, investigation and penalty 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.

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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, RMB267.4 million, and RMB224.3 million as of December 31, 2020, 2021 and 2022, and April 30, 2023, respectively. As of December 31, 2020, 2021 and 2022, and April 30, 2023, we recorded interest-bearing bank loans and other borrowings of RMB1,174.1 million, RMB1,329.8 million, RMB1,367.2 million, and RMB1,398.2 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, to RMB84.5 million as of December 31, 2022, and further to RMB95.2 million as of April 30, 2023. 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.

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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, and April 30, 2023, our trade and bills receivables amounted to RMB239.9 million, RMB269.6 million, RMB294.0 million, and RMB321.7 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.

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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, increased to 78.1 days in 2022, and remained stable at 78.6 days in the four months ended April 30, 2023. As of December 31, 2020, 2021, 2022 and April 30, 2023, our impairment on trade and bills receivables were RMB21.0 million, RMB15.9 million, RMB19.0 million and RMB21.0 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, RMB10.6 million, and RMB9.8 million as of December 31, 2020, 2021 and 2022, and April 30, 2023 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.

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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, RMB1.5 million, and RMB1.0 million in 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively. In addition, we have benefited from preferential tax treatments from the PRC government during the Track Record Period. Our government grants mainly represented subsidies received from the local governments in connection with the business development and rewards for financial and employment contributions. As the determination and granting of such subsidies are subject to the discretion of the government and are non-recurring in nature, the receipt of such subsidies is varied from period to 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.

We may suffer from impairment losses for prepayments, deposits and other receivables.

We recorded prepayments, deposits and other receivables of RMB168.1 million, RMB184.4 million, and RMB202.5 million as of December 31, 2020, 2021 and 2022, and RMB210.7 million as of April 30, 2023, respectively. 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 listing expenses, 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. For details, see “Financial information – Discussion of Certain Selected Items From the Consolidated Statements of Financial Position – Prepayments, Deposits, and Other Receivables” in this prospectus. There can be no assurance that we will not have bad debts in the future. In the event that the actual recoverability of prepayments, deposits and other receivables is lower than the expected level, we may need to make provision for impairment of prepayments, deposits and other receivables, which could adversely affect our cash flow position and our ability to meet our working capital requirements, thereby materially and adversely affecting our business, financial position and results of operations.

RISK FACTORS

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 74 properties in various locations with an aggregated GFA of approximately 71,132.1 sq.m. As of the Latest Practicable Date, we had not register 65 of our leased properties, with an aggregated GFA of approximately 36,462.6 sq.m., which were used as office buildings and warehouses. As of the Latest Practicable Date, none of the relevant properties are used as our headquarter or supply chain bases, except for our main supply chain base in Foshan, Guangdong. 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 a maximum penalty of RMB0.65 million 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 nine of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents to us, representing approximately 5.4% 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 prospectus. 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

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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.

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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 and relevant regulations, which cover the validity, enforceability and scope of protection of intellectual property rights, may be subject to amendments in the future, 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 may be time consuming and 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,

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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 demanded to pay the outstanding contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.

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 December 31, 2020, 2021 and 2022, and April 30, 2023, our aggregate outstanding amount of social insurance and housing provident fund contributions were approximately RMB270,000, RMB334,000, RMB442,000 and RMB431,000. As of the Latest Practicable Date, no 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. 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. 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. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding contributions of the housing provident fund within a stipulated deadline. If we fail to make such payments within the stipulated deadline, the relevant authorities may apply to the court for compulsory enforcement. In addition, as the interpretation and implementation of labor laws and regulations may be subject to amendments in the future, we cannot assure you that our employment practice policy will be deemed to be in full compliance with labor-related laws and regulations in China. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur relevant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

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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 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, 2022 and the four months ended April 30, 2023, our employee benefit expenses (excluding directors' and supervisors' remunerations) were RMB149.6 million, RMB197.6 million, RMB215.1 million and RMB71.0 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 prospectus. 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

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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 cannot guarantee that our customers will properly operate our equipment afterwards. If accidents happen in relation to our equipment after such equipment is delivered to our customers, 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 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.

With the social development, the PRC government or the relevant government authorities in the PRC may impose more stringent environmental, occupational health and safety laws, regulations and government policies in the future, and we cannot assure you that we will be deemed to be in full compliance with relevant laws, regulations and government policies in force at that time. 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 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.

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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 prospectus. 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 trading price 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 share price. 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.

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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 prospectus. 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 may not be available for us 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, 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.

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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 prospectus. 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. Any material and adverse change could lead to a significant revenue decline. 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 solutions. As a result, our results of operations and financial condition could in turn be materially and adversely affected.

Any catastrophe could severely disrupt our business operations.

Health pandemics, such as the COVID-19 outbreak or other similar diseases, may adversely impact in the long term, on the economy and social conditions globally, which may cause temporary decrease in service demand for intralogistics equipment subscription services and maintenance and repair service, and adversely affect our business, financial condition and operations. For details, please see “Business – Impact of COVID-19 on Our Operations” in this prospectus.

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.

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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 weakness, including 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;
- significant adverse changes in local currency exchange rates; and
- business interruptions resulting from geo-political actions and cultural climate or economic condition, including war and acts of terrorism, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires, or the impact of public health pandemics or epidemics.

Furthermore, global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors, including extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

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Changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects.

We shall comply with the applicable PRC laws, rules and regulations. With the social development, the relevant PRC laws, rules and regulations in force at present may be amended in the future, and their interpretation and implementation shall be determined in accordance with relevant laws and regulations in force at the time. Any non-compliance with any existing or new laws and regulations 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.

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") which was taken into effect on August 1, 2008. Pursuant to 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 mainland court is expressly selected as the court having sole jurisdiction for the dispute.

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On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed 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 (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong SAR and the mainland China. The New Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong SAR. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective, it may be difficult to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

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 (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT, effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from

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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.

Therefore, 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.

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 tax laws and regulations may continue to evolve. 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 refinement of PRC tax laws and regulations could also have an adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, 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 Global Offering. The initial Offer Price for our H Shares to the public will be the result of negotiations between us and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering.

We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price 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 issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue 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.

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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 Offer Price.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares 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 Offer Price 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 investment.

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 proceeds from the Global Offering, 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.

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the global economy and the intralogistics equipment solution industry in China and overseas 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, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMI, the Underwriters 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 prospectus relating to the PRC, the global economy and intralogistics equipment solution industry in China and overseas 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 prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, after the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering 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 prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, 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 Rule 3.05 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;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (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 listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date 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 Listing Date. Our compliance adviser will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 3A.23 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;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (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 Listing Date 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.

WAIVERS FROM STRICT COMPLIANCE WITH 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 Listing Date. 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 Listing Date 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

CSRC FILING

We have submitted a filing to the CSRC to apply for listing of the H Shares (including H Shares to be converted from Unlisted Shares) on the Stock Exchange and the Global Offering on May 30, 2023. The CSRC confirmed our completion of filing on August 18, 2023. No other approvals from the CSRC are required to be obtained for the listing of the H shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,213,600 Offer Shares and the International Offering of initially 10,922,400 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed “Structure of the Global Offering” in this prospectus and, in the case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement, subject to us and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is managed by the Sole Overall Coordinator and is expected to be fully underwritten by the International Underwriters pursuant to the terms of the International Underwriting Agreement which is expected to be entered into on or about the Price Determination Date. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed “Underwriting” in this prospectus.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMIs, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering (including its conditions) and the arrangements relating to the Over-allotment Option and stabilization, are set out in the sections headed “Structure of the Global Offering” and “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Unlisted Shares. Our Unlisted Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in the section headed “Share Capital” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, November 10, 2023. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought as of the Latest Practicable Date.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (1) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association;
- (2) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences, disputes and claims arising from our Articles of Association or any rights or obligations

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

conferred or imposed by the PRC Company Law or other relevant laws and regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

- (3) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and
- (4) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined under the Listing Rules) of any of the Directors, Supervisors or any existing Shareholders of our Company or a nominee of any of the foregoing.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All of the Offer Shares will be registered on our H Share register of members to be maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our headquarter in the PRC.

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company in Hong Kong, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder of our Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMI, the Underwriters, any of their respective directors, officers,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

employees, partners, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.1792 to US\$1.00, being the PBOC rate prevailing on October 23, 2023, (ii) the translations between Hong Kong dollars and Renminbi were made at the rate of RMB0.9174 to HK\$1.00, being the PBOC rate prevailing on October 23, 2023; and (iii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8257 to US\$1.00.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed in any table, chart or elsewhere in this prospectus are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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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
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Mr. Hou Zebing (侯澤兵)	Room 1502, Building 3 No. 138 Jinxiu Road Panyu District Guangzhou City, Guangdong Province PRC	Chinese
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Mr. Qian Xiaoxuan (錢曉軒)	Madian Village Villager Group Zhandian Village, Leqiao Town Lujiang County Anhui Province PRC	Chinese
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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
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Non-executive Directors

Mr. Zhu Yingchun (朱迎春)	Room 301, No. 39 Lane 131, Lanping Road Minhang District Shanghai City PRC	Chinese
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Mr. Shu Xiaowu (舒小武)	Room 1704 No. 138, Taojin Dong Road Dongshan District Guangzhou City, Guangdong Province PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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 prospectus.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING**Sole Sponsor**

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

Sole Sponsor-Overall Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sole Overall Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sole Global Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F The Center
99 Queen's Road Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers**Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited

29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F The Center
99 Queen's Road Central
Hong Kong

Capital Market Intermediaries**Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited

29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F The Center
99 Queen's Road Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Company

As to Hong Kong law and U.S. law:

O'Melveny & Myers

31/F, AIA Central

1 Connaught Road Central

Hong Kong

As to PRC law:

Jingtian & Gongcheng

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, #48-01 UOB Plaza 1

Singapore 048624

As to PRC litigation laws:

AllBright Law Firm (Shenzhen)

22, 23/F, Tower 1

Excellence Century Center, FuHua 3 Road

Futian District Shenzhen

PRC 518048

Shandong Hanhui Law Firm

5th Floor, Building 11, Financial Square

No. 4899 Dongfeng East Street

High-tech Zone, Weifang City

Shandong Province

PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Sole Sponsor
and Underwriters**

As to Hong Kong law:

Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

King & Wood Mallesons
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
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

Receiving Banks

CMB Wing Lung Bank Limited

45 Des Voeux Road Central
Hong Kong

**China Construction Bank (Asia)
Corporation Limited**

26/F, China Construction Bank Building
3 Connaught Road Central
Central
Hong Kong

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	<u>www.fl123.com</u> <i>(Information contained on this website does not form part of this prospectus)</i>
Joint Company Secretaries	<p>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</p> <p>Ms. Tang Ka Yan (鄧嘉欣) <i>(Chartered Secretary, Chartered Governance Professional, Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong</p>
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

CORPORATE INFORMATION

	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) (<i>Chairman</i>) Dr. Fan Xia (樊霞) Mr. Zhu Yingchun (朱迎春)
Remuneration Committee	Dr. Fan Xia (樊霞) (<i>Chairman</i>) Mr. Wang Chuanbang (王傳邦) Mr. Hou Zebing (侯澤兵)
Nomination Committee	Mr. Hou Zekuan (侯澤寬) (<i>Chairman</i>) Dr. Fan Xia (樊霞) Mr. Chiang Edward (蔣福誠)
Strategy Committee	Mr. Hou Zekuan (侯澤寬) (<i>Chairman</i>) 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
H Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
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

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus 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, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMIs, the Underwriters or any other parties (other than CIC) involved in the Global Offering 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 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 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,

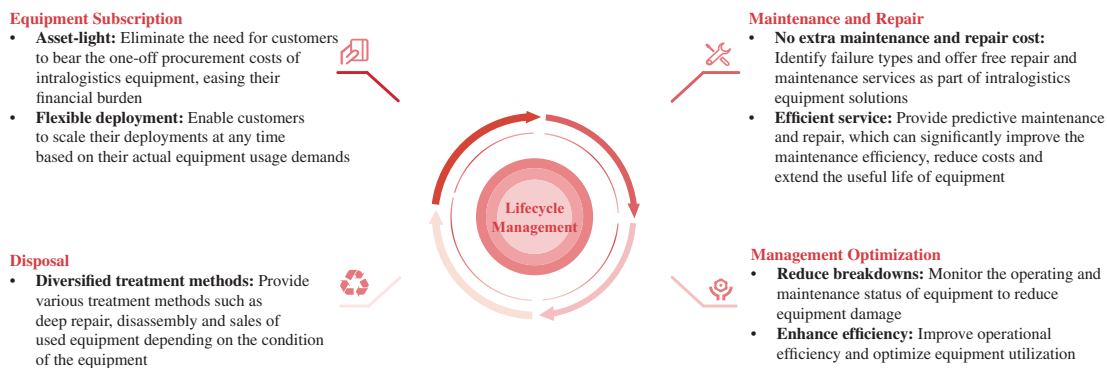
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moving or stacking heavy objects over short distances. Forklifts are highly standardized and can be deployed flexibly, as they have low requirements in terms of the type of goods to be carried and the space available at the operating site, and have 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 solutions have been introduced to address the above pain points of the traditional intralogistics equipment procurement mode. Intralogistics equipment 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:



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Leveraging the comprehensive service coverage, intralogistics equipment 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 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 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 solutions have now become a recent trend for intralogistics equipment management.

Market Size of the Intralogistics Equipment Solution Market in China

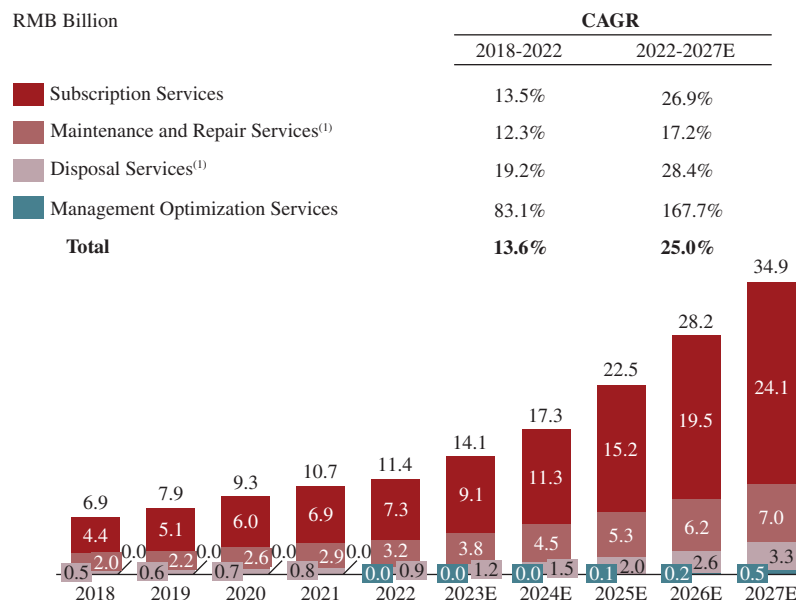
According to CIC, the intralogistics equipment solution market in China is still in the early-stage development. Compared with developed countries and regions, such as the United States, the penetration rate of intralogistics equipment solutions in China is relatively low. The estimated penetration rate of intralogistics equipment solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment solutions in China was approximately 3.5% in 2018 and approximately 3.7% in 2022, indicating huge growth potential for the intralogistics equipment solution market in China. The penetration rate of intralogistics equipment solutions in China is expected to increase to 5.9% in 2027.

The intralogistics equipment 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%. The intralogistics equipment solution market in China is expected to further increase to RMB34.9 billion in 2027 at a CAGR of 25.0% from 2022 to 2027 driven by the development of manufacturing and logistics industries and the increasing demands for cost reduction and efficiency improvement. China's logistics and manufacturing industries have developed rapidly and will continue to grow in the future. China's manufacturing industry added value and the total cost of social logistics are expected to increase to RMB47.4 trillion and RMB22.9 trillion by 2027, from RMB33.4 trillion and RMB17.8 trillion in 2022, with a CAGR of 7.2% and 5.2%, respectively. The development of manufacturing and logistics industries has created a strong demand for intralogistics equipment, which further boosts the growth of the intralogistics equipment solution market. Meanwhile, 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 solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected to be more widely adopted by enterprises. According to CIC, intralogistics equipment solutions can help enterprises reduce operating costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode.

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

Market size of China's intralogistics equipment solutions, 2018-2027E



Source: CIC report

Notes:

- (1) 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 solution market.

Intralogistics Equipment Subscription Services

Intralogistics equipment subscription services enable customers to subscribe a broad portfolio of intralogistics equipment 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.

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Maintenance and Repair Services

Maintenance and repair services mainly target the equipment that is still in its useful life. Intralogistics equipment solution providers offer professional maintenance and repair services to ensure the smooth operation of equipment and to extend its useful life. 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 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 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

Unlike maintenance and repair services, which focus on equipment that still in use, disposal services targets old, idle equipment. Disposal services include refurbishment of intralogistics equipment, parts disassembly and sales of used equipment. Through disposal services, intralogistics equipment solution providers can either restore the old equipment back to working condition by the refurbishing intralogistics equipment, or dispose of the used equipment by disassembling and selling of the equipment, thus maximizing the value of 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 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, with a revenue of less than RMB0.01 billion in 2022. However, the management optimization services market has great potential. With the growth of the business scale and fleet size, logistics and manufacturing companies face more difficulties and labor costs in managing equipment. In order to better improve the operational efficiency, a growing number of logistics and manufacturing companies will need real-time monitoring of equipment operation and maintenance status. As technologies such as IoT, big data, and AI become increasingly sophisticated, more intralogistics equipment solution providers are expected to leverage their technical capabilities to provide management optimization services to logistics and manufacturing companies to further reduce equipment damage and improve operational efficiency. The market size of management optimization services is expected to reach RMB0.5 billion in 2027, with a CAGR of 167.7% from 2022 to 2027. During the Track Record Period, as part of the intralogistics equipment subscription services, the Company provided management optimization services to its customers, such as monitoring and management of the subscribed intralogistics equipment's operation, without extra charges in addition to intralogistics equipment subscription fees.

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Key Growth Drivers for the Intralogistics Equipment 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 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 solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected to 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 solution providers can further analyze the data collected and enhance their service quality and efficiency, and therefore, the development of the intralogistics equipment 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 solutions.

Competitive Landscape of the Intralogistics Equipment Solution Market in China

According to the CIC, in 2022, the top five market players in the intralogistics equipment 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 solution providers in the market, each of which provides services with less than 100 units of intralogistics equipment for subscription.

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We are the largest provider of intralogistics equipment 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 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 table illustrates the market shares of the top five market players in China in terms of revenue in 2022:

Ranking	Name	Intralogistics		Equipment Fleet Size, 2022 '000
		Equipment Solution Business Revenue ⁽¹⁾ , 2022 RMB billion	Market Share ⁽²⁾ , 2022	
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 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 solution and the market size of intralogistics equipment 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 solution provider.

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Entry Barriers

- *Abundant supply chain resources.* Intralogistics equipment solution providers should be able to build deep collaborative relationships with, and gain strategic 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 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.
- *Broad service network.* When customers request for services of intralogistics equipment solutions, the providers must respond promptly to address customers' demand, which requires a broad 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 a broad service network and a well-trained management team.

Threats and Challenges

The major threats and challenges posed to the intralogistics equipment solutions market in China include the following aspects:

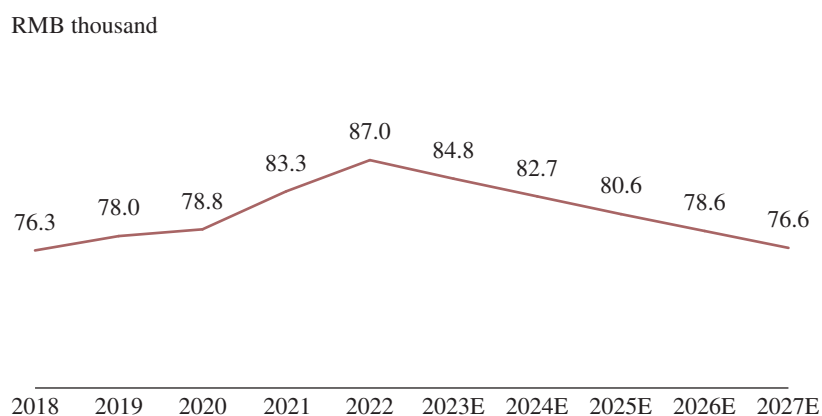
- (i) The slowdown of economic growth in China may adversely affect the manufacturing, logistics and e-commerce industries, which in turn may reduce the demand for intralogistics equipment solutions;
- (ii) The low penetration rate of intralogistics equipment solutions in China indicates that the solution providers need to invest more time to increase the market acceptance of intralogistics equipment solutions among enterprise customers;
- (iii) It may be difficult for solution providers to obtain sustainable, stable, sufficient and low-cost financing resources.

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Cost Structure of the Intralogistics Equipment Solution Market

The cost of intralogistics equipment solution mainly consists of the cost of intralogistics equipment procurement and labor cost. Specifically, with respect to the intralogistics equipment procurement cost, China's producer price index (PPI) of industrial equipment for general use is relatively stable, fluctuating around PPI 100 over the past decade, and is expected to remain at this level in the years ahead. In recent years, the cost of intralogistics equipment has risen as a result of the increased adoption of new energy equipment, the price of which is usually slightly higher than the price of traditional energy equipment. In addition, the price of lithium battery raw materials has fluctuated due to the surge in demand for lithium batteries in the automobile and other industries, which has also affected the equipment procurement cost. Regarding the labor cost, the average annual salary in the subscription and business services industry has risen from RMB81,393 in 2017 to RMB102,537 in 2021, and is expected to reach RMB137,409 in 2027. In the future, as upstream production capacity expands, the cost of intralogistics equipment is expected to decline. The intralogistics equipment procurement cost has increased from RMB76,300 in 2018 to RMB87,000 in 2022, but is expected to decrease to RMB76,600 in 2027. The following chart illustrates the historical and forecasted intralogistics equipment procurement costs.

Intralogistics Equipment Procurement Costs, 2018-2027E



Source: CIC report

Note:

- * The above intralogistics equipment procurement costs are calculated or estimated based on the price of counterbalanced forklifts, including ICE-powered counterbalanced forklifts and electric counterbalanced forklifts.

Future Trends of the Intralogistics Equipment Solution Market in China

- *Continuous increase in market concentration.* The intralogistics equipment 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

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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 solution providers will gain larger market shares and the market will further consolidate.

- *Growing penetration rate.* The penetration rate of the intralogistics equipment 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 solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment solutions in China was approximately 3.7% in the same year. As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment 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 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 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 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

According to CIC, many market players in the intralogistics equipment 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. However, along with the increasing demand of downstream enterprises for cost reduction and efficiency improvement, and considering development of e-commerce platforms and intensification of market competition in the intralogistics equipment and parts sales market, these market players are thus gradually evolving into intralogistics equipment solution providers by expanding their business to include intralogistics equipment subscription services as well as maintenance and repair services to meet the demands of customers.

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Market Size of the Intralogistics Equipment And Parts Sales Market In China

The intralogistics equipment and part sales market includes the sales of new intralogistics equipment and parts. 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.

Future Trends of the Intralogistics Equipment And Parts Sales Market In China

- *Intelligent development.* Currently, industrial intelligence has become a key strategy for the development of manufacturing and logistics industries. With the rapid development of innovative technologies such as industrial internet, AI, and cloud computing, intelligent logistics equipment has further been developed and downstream applications are supported by these technologies to achieve real-time monitoring, intelligent scheduling, and unmanned operation, thereby further improving supply chain management efficiency and reducing labour costs. Therefore, the trend towards intelligence is expected to continue to drive the development of the intralogistics equipment and parts sales market.
- *Domestication of intralogistics equipment and parts.* In recent years, leading domestic manufacturers have accelerated the transformation of research results into products that can be applicable to various industries. They have gradually achieved domestication of sensors, power systems, and core components, and steadily reduced the procurement price and comprehensive delivery costs by building industrial chain clusters and production bases. In the future, the comprehensive competitiveness of leading domestic suppliers is expected to be further improved, and the process of domestication is expected to accelerate.

Competitive Landscape of the Intralogistics Equipment And Parts Sales Market In China

In the intralogistics equipment and parts sales market in China, the sales network is relatively diversified, including direct sales by intralogistics equipment manufacturers, and indirect sales by authorized and franchised dealers including intralogistics equipment service providers, dealers, agents, and e-commerce platforms, etc. Intralogistics equipment manufacturers typically serve customers with more concentrated orders through direct sales channels, and meet the relatively dispersed order demand through non-direct sales channels. As of 2022, approximately 37.1% of the market was sold through non-direct sales channels, according to the CIC report. The market size of the intralogistics equipment and parts sales market in China in the non-direct sales channel increased from approximately RMB31.8 billion in 2018 to RMB57.5 billion in 2022, and is expected to further grow to RMB110.1 billion in

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2027. As intralogistics equipment manufacturers usually restrict the geographic coverage of their authorized dealers, and may restrict them from carrying out equipment from other manufacturers, the market of non-direct sales channels is highly fragmented, with more than 3,000 market participants scattered across the country. Only a few distributors are able to cover the market at multiple provincial levels in the non-direct sales channel. According to the CIC report, in the non-direct sales channels of the intralogistics equipment and parts sales market in China, we ranked first in terms of sales revenue of intralogistics equipment and parts in 2022. The following table illustrates the market shares of the top five market players in China in terms of sales revenue in 2022.

Ranking	Name	Intralogistics Equipment and Part Sales Revenue, 2022 <i>RMB billion</i>	Market Share ⁽¹⁾ , 2022
1	Company	0.3	~0.2%
2	Company E ⁽²⁾	0.1	<0.1%
3	Company F ⁽³⁾	<0.1	<0.1%
4	Company G ⁽⁴⁾	<0.1	<0.1%
5	Company H ⁽⁵⁾	<0.1	<0.1%

Source: CIC report

Notes:

- (1) The market shares are estimated based on each company's revenue generated from sales of new intralogistics equipment and parts and the market size of intralogistics equipment and part sales in China in the corresponding year.
- (2) Company E, an unlisted company established in 1993 with its headquarter in Guangdong, is an intralogistics equipment sales company covering southern China regional markets.
- (3) Company F, an unlisted company established in 2003 with its headquarter in Beijing, is an intralogistics equipment sales company covering the regional markets of Beijing and its surrounding areas.
- (4) Company G, an unlisted company established in 2015 with its headquarter in Tianjin, is an intralogistics equipment and part sales company covering northern China regional markets.
- (5) Company H, an unlisted company established in 2001 with its headquarter in Beijing, is an intralogistics equipment and parts sales company covering northern and central China regional markets.

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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, “special equipment” includes boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting machinery, passenger ropeways, large-scale amusement devices, and non-road motor vehicles, which pose a relatively high risk to personal and property safety, as well as other special equipment as provided for by PRC laws and administrative regulations, which generally refers to the equipment provided for under the Special Equipment Catalogue (《特種設備目錄》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of PRC on 19 January 2004 with the latest amendment taking effect on 30 October 2014.

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Special Equipment Safety Law provides that 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

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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.

Other than the business license, we are not required to possess any other license for providing special equipment leasing services under the applicable PRC laws and regulations. However, in addition to the intralogistics equipment subscription services, we also provide intralogistics equipment inspection and repair services to our customers, for which services, we shall obtain the Production License of Special Equipment (特種設備生產許可證) as required by applicable PRC laws and regulations. As of the Latest Practicable Date, we and our subsidiary Anhui Folangsi, and Guangzhou Pengze have obtained the Production License of Special Equipment PRC (特種設備生產許可證) for purposes of conducting our business with respect to repair and inspection of special equipment as required by the Special Equipment Safety Law. See “Business – Certificates, Licenses and Permits” for details.

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.

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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.

We and our subsidiary Guangzhou Pengze have obtained the PRC Customs Declaration Unit Registration Certificate (海關報關單位註冊登記證書) for import and export of goods. See “Business – Certificates, Licenses and Permits” for details.

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.

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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.

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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.

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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 file 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.

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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

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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 “CIIO(s)”) 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.

Since as of the date of this prospectus, (i) we only collect and process limited type of data such as operating data of subscribed intralogistics equipment (such as, location, speed, working time), and service process of our technicians in the ordinary course of our business and we have in place a robust data protection policy to ensure our compliance with the applicable laws and regulations, (ii) we are not the CIIO or the Network Platform Operator under the Measures for Cybersecurity Review, (iii) we did not hold, control or process more than one million users’ personal information, (iv) we had not been notified by any authority of being classified as a data processor carrying out data processing activities that affect or may affect national security, or that our listing affects or may affect national security, and (v) we have never been involved in any investigations on cybersecurity review by the CAC, nor have we received any regulatory inquiries, notice, warnings, sanctions or penalties in relation to cybersecurity and data protections regulations, our Directors are of the view that the Measures for Cybersecurity Review will not have a material adverse impact on us in material aspects, and the Sole Sponsor concurs with the Directors’ view based on the reasons above.

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However, we cannot guarantee whether we will be subject to the cybersecurity review in the future if new rules or regulations promulgated in the future impose additional compliance requirements on us. Further, the cybersecurity review office could initiate a cybersecurity review against any entity after completing necessary procedures in accordance with the Measures for Cybersecurity Review, if the members of the cybersecurity review working mechanism consider that an entity's data processing activities affect or may affect national security. The interpretation and application of the Measures for Cybersecurity Review shall be determined in accordance with the then applicable laws and regulations in force.

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

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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.

At present, the Draft Data Security Regulations provide no clear definition of “listed overseas”. According to mainstream opinions, “listing overseas” does not include “listing in Hong Kong”. In addition, the Draft Data Security Regulations provides no further explanation or interpretation for “affects or may affect national security”. It is also possible that there may be major differences between the officially promulgated regulations and the drafted version.

Since as of the date of this prospectus, (i) we only collect and process limited type of data such as operating data of subscribed intralogistics equipment (such as, location, speed, working time), and service process of our technicians in the ordinary course of our business and we have in place a robust data protection policy to ensure our compliance with the applicable laws and regulations, (ii) we did not hold, control or process more than one million users’ personal information, (iii) we had not been notified by any authority of being classified as a data processor carrying out data processing activities that affect or may affect national security, or that our listing affects or may affect national security, and (iv) we have never been involved in any investigations on cybersecurity review by the CAC, nor have we received any regulatory inquiries, notice, warnings, sanctions or penalties in relation to cybersecurity and data protections regulations, our PRC Legal Adviser did not foresee any material impediment for us to comply with the relevant requirements if the Draft Data Security Regulations are implemented in their current form.

However, since the Draft Data Security Regulations have been solicited public opinions recently and some of the requirements shall be subject to more specific rules, the requirements under the Draft Data Security Regulations on our business shall be determined in accordance with the then applicable laws and regulations in force. Therefore, it is hard for the PRC Legal Adviser to preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on us which we may be unable to comply with. As advised by the PRC Legal Adviser, we shall pay close attention to legislative developments of the Draft Data Security Regulations as well as its specific provisions or implementation standards. After the Draft Data Security Regulations and relevant rules come into effect, we shall strictly follow the requirements under the applicable legal requirements at that time accordingly.

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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.

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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.

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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

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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, 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).

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.

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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.

REGULATORY OVERVIEW

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 the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. “Full circulation” shall comply with relevant regulations of the CSRC and the shareholders of domestic unlisted shares shall entrust the domestic company to report the “Full circulation” with CSRC by filing materials on key compliance issues, including whether the “Full circulation” has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the “Full circulation” involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, and industry supervision, and if so, whether such approval or filing procedures have been performed.

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

REGULATORY OVERVIEW

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.

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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.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leading intralogistics equipment solution provider in China. 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 (chief executive) 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 prospectus.

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-IPO 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-IPO 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

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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 prospectus.

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

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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. The then shareholders of Foshan Folangsi were Mr. Yang Ziyun (楊自雲), Mr. Hou's brother-in-law, and Ms. Zhu Xiaotao (朱曉濤), Mr. Hou's spouse, with 80% and 20% equity interest in Foshan Folangsi, 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 1, 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.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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-IPO 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-IPO 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-IPO 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

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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-IPO 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**”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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-IPO 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-IPO 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**”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

12. Joint-Stock Reform in November 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-IPO 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**”).

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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-IPO 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-IPO 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

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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-IPO 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 (RMB)	Corresponding equity interest in our Company (upon completion of the capital increase and subscription) (%)
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

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Shareholders	Number of Shares	Equity interest (%)
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-IPO 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

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17. Equity Transfer in June 2018

On February 20, 2018, Shenzhen Xinyu and Mr. Yang Tao (楊濤), a Pre-IPO 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
Jiaying 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-IPO 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**”).

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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-IPO 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**”).

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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-IPO 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 (RMB)	Corresponding equity interest in our Company (upon completion of the capital increase) (%)
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

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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:

- 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-IPO 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**”).

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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,

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Mr. Hou (an executive Director and chairman of our Board and owned approximately 17.75% partnership interest in Guangzhou Daze), Mr. Qian Xiaoxuan (錢曉軒) (cousin of Mr. Hou and Mr. Hou Zebing and an executive Director and deputy general manager of our Company and owned approximately 6.06% partnership interest in Guangzhou Daze), Ms. Ma Li (馬麗) (an executive Director and secretary of our Board and owned approximately 1.47% partnership interest in Guangzhou Daze), Ms. Li Xiaolan (李小蘭) (a Supervisor of our Company, chairman of the Supervisory Committee and director of procurement center of our Company and owned approximately 1.34% partnership interest in Guangzhou Daze), Mr. He Xiaocheng (賀小成) (a Supervisor and director of asset center of our Company and owned approximately 0.68% partnership interest in Guangzhou Daze), Mr. Zhou Limin (周利民) (deputy general manager of our Company and owned approximately 2.91% partnership interest in Guangzhou Daze), Mr. Yang Qingyuan (楊慶元) (deputy general manager of our Company and owned approximately 3.05% partnership interest in Guangzhou Daze), Mr. Pan Fei (潘菲) (the chief financial officer of our Company and owned approximately 1.07% partnership interest in Guangzhou Daze), 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 with approximately 1.81% partnership interest in Guangzhou Daze after Guangzhou Pengze acquired Changchun Guanting in August 2012. Subsequently, Changchun 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. (上海槓灝設備租賃有限公司) (“**Shanghai Zhenhao**”) and became a limited partner of Guangzhou Daze with approximately 3.34% partnership interest in Guangzhou Daze after the Company acquired certain assets of Shanghai Zhenhao in August 2018; and (iii) Mr. Li Changlin (李長麟), a friend of Mr. Hou and Mr. Hou Zebing who has extensive experience in business management, became acquainted with Mr. Hou in 2007 and has provided valuable assistance, such as introducing business resources and advice on how to conduct intralogistics equipment subscription business segment, to our Group during the early stage of our development, while we were commencing our intralogistics equipment subscription business in 2015, who expressed his optimistic outlook on the development of our Company and interest in being a limited partner of Guangzhou Daze and became a limited partner of Guangzhou Daze with approximately 3.71% partnership interest in Guangzhou Daze in November 2015. Ms. Wu Aihua had first expressed her interest in becoming an investor of our Company in November 2010, when at the time of such communication in 2010, Guangzhou Daze had yet to be established. During the equity acquisition of Changchun Guanting, Ms. Wu Aihua negotiated with our Company again regarding her wish to invest in the Company. During the assets acquisition of Shanghai Zhenhao, Mr. Yao Daqi expressed his optimistic outlook on the development of our Company and interest in investment of our Company. Taking into account their contributions to Changchun Guanting and Shanghai Zhenhao’s development and the assistance during transitional period of respective acquisitions (for example, the overseeing and procurement of asset and documentation transfer by relevant personnel, and continued liaising with relevant customers regarding contract transfer or novation), each of Ms. Wu Aihua and Mr. Yao Daqi became a limited partner of Guangzhou Daze. Since it is at the early development stage of the Company and a minor interest in Guangzhou Daze represented a

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passive investment interest in the Company, the Company agreed to grant Ms. Wu Aihua a right to subscribe for Guangzhou Daze's partnership interest at such price with reference to the negotiated then valuation of the Company in November 2010. To the best knowledge of our Directors, each of Ms. Wu Aihua, Mr. Yao Daqi and Mr. Li Changlin is an Independent Third Party and there are no other past or present relationship (whether business, employment, family, trust, fund flow, financing or otherwise) between each of Ms. Wu Aihua, Mr. Yao Daqi and Mr. Li Changlin and the Company, our subsidiaries, Shareholders, Directors or senior management, or any of the respective associates.

Certain employees who hold partnership interest in Guangzhou Daze are family members of Mr. Hou and Mr. Hou Zebing, including: (i) Ms. Hou Zeyan (侯澤燕), cousin of Mr. Hou and Mr. Hou Zebing, holds approximately 1.80% partnership interest in Guangzhou Daze; (ii) Mr. Zhu Xiaodong (朱曉東), brother of Mr. Hou's wife, holds approximately 15.83% partnership interest in Guangzhou Daze; (iii) Mr. Yang Ziyun (楊自雲), husband of Mr. Hou and Mr. Hou Zebing's sister, holds approximately 1.46% partnership interest in Guangzhou Daze; (iv) Mr. Hou Zezhao (侯澤照), brother of Mr. Hou and Mr. Hou Zebing, holds approximately 1.39% partnership interest in Guangzhou Daze; (v) Mr. Ma Nanyu (馬南余), cousin of Mr. Hou and Mr. Hou Zebing, holds approximately 1.94% partnership interest in Guangzhou Daze; (vi) Mr. Zhang Lijie (張立杰), son of Mr. Hou and Mr. Hou Zebing's sister, holds approximately 0.13% partnership interest in Guangzhou Daze; and (vii) Ms. Li Zhenglan (李正蘭), daughter of Mr. Hou and Mr. Hou Zebing's cousin, holds approximately 0.49% partnership interest in Guangzhou Daze.

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

PRE-IPO 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-IPO 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-IPO Investments

The following table⁽¹⁾ summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Nov-2011	Oct-2012	Jun-2013	Jul-2014	Dec-2015	Dec-2016	Jan-2017	Nov-2017	Sep-2018	Nov-2021
	Capital Increase	Capital Increase	Capital Increase	Capital Increase	Capital Increase	Capital Increase	Capital Increase	Capital Increase	Capital Increase	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-IPO 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 Offer Price (approximation) ⁽²⁾	97.1%	96.8%	90.8%	89.2%	84.4%	82.0%	79.9%	61.4%	44.7%	33.1%

Basis of determination of the valuation and consideration
 Lock-up period

The valuation and consideration for each round of the Pre-IPO Investments were determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the business, operations and status of our business and operating entities.
 Pursuant to the applicable PRC law, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them within 12 months following the Listing Date.

Use of proceeds from the Pre-IPO Investments

We utilized the proceeds from the Pre-IPO 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 proceeds from the Pre-IPO Investments paid to our Company had been utilized.

Strategic benefits to our Company brought by the Pre-IPO Investors

At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional funds provided by the Pre-IPO Investors' investments in our Company and the knowledge and experience of the Pre-IPO 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-IPO 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\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Jun-2013 Transfer is approximately 97.1%. 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-IPO Investors. The cost per Share of the Jul-2014 Transfer was approximately RMB1.39 with the post-money valuation of our Company was approximately RMB320 million. Based on the indicative price of HK\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Jul-2014 Transfer is approximately 90.0%. 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-IPO Investors. The cost per Share of the Mar-2015 Transfer was approximately RMB1.39 with the post-money valuation of our Company was approximately RMB320 million. Based on the indicative price of HK\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Mar-2015 Transfer is approximately 90.0%. 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-IPO 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\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Jan-2018 Transfer is approximately 61.4%. 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-IPO 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\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Jun-2018 Transfer is approximately 61.4%. 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-IPO 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\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Offer Price of the Nov-2021 Transfer is approximately 46.1%. 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-IPO 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\$15.18 (being the mid-point of the proposed range of the Offer Price as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174, the discount of the Jul-2022 Transfer is approximately 42.6%. 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\$15.18 (being the mid-point of the indicative Offer Price of as stated in this prospectus) and the indicative exchange rate of HK\$1.00=RMB0.9174.
- (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 solution provider.

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Pre-IPO Investors' Rights

Pursuant to the capital increase agreements during the Pre-IPO Investments, the Pre-IPO 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-IPO Investors either ceased to be effective since June 27, 2019, being the date on which the Shanghai Stock Exchange accepted our listing application or having been *void ab initio* as agreed among relevant Shareholders.

Information About the Pre-IPO Investors

The background information of our Pre-IPO 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) (上海鼎聳企業管理諮詢中心(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).

As of the Latest Practicable Date, Eastern Bell II had 15 limited partners and the interest held by the limited partners in Eastern Bell II ranged from 0.66% to 31.20% with Ningbo Eastern Bell Zeya Venture Capital Partnership (Limited Partnership) (寧波鐘鼎澤亞創業投資合夥企業(有限合夥)) (“**Ningbo Eastern Bell**”) as the largest limited partner with 31.20% interest in Eastern Bell II. The general partner of Ningbo Eastern Bell was Mr. Zhu Yingchun (an non-executive Director of our Company) with approximately 0.64% interest in Ningbo Eastern Bell. The limited partner of Ningbo Eastern Bell was 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)) which was ultimately controlled by Mr. Yan Li (嚴力) with approximately 99.36% interest in Ningbo Eastern Bell.

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As of the Latest Practicable Date, Eastern Bell III had 25 limited partners and the interest held by the limited partners in Eastern Bell III ranged from 0.6% to 18% with Guochuang Kaiyuan Equity Investment Fund (Limited Partnership) (國創開元股權投資基金(有限合夥)) (“**Kaiyuan Fund**”) as the largest limited partner with 18% interest in Eastern Bell III. The general partner of Kaiyuan Fund is CDB Kaiyuan Equity Investment Fund Management Co., Ltd. (國開開元股權投資基金管理有限公司) (“**CDB Kaiyuan**”) whose equity interest was owned as to 70% and 30% by CDB Capital Co., Ltd. (國開金融有限責任公司) (“**CDB Capital**”) (a company wholly owned by China Development Bank (國家開發銀行) (“**CDB**”)) and Suzhou Yuanhe Holding Co., Ltd. (蘇州元禾控股股份有限公司) (“**Suzhou Yuanhe**”), respectively. Suzhou Yuanhe was ultimately controlled by Suzhou Industrial Park Management Committee (蘇州工業園區管理委員會).

To the best knowledge of our Directors, each of Kaiyuan Fund, CDB Kaiyuan, CDB Capital, CDB, Suzhou Yuanhe and Suzhou Industrial Park Management Committee is an Independent Third Party.

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 Global Offering (assuming the Over-allotment Option is not exercised), Mr. Yan Li would control approximately 18.52% 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 prospectus.

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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 prospectus.

As of the Latest Practicable Date, Dachen Chuanglian had 47 limited partners and the interest held by the limited partners in Dachen Chuanglian ranged from 0.07% to 20.20% with Wuhu Shengbin Investment Center (Limited Partnership) (蕪湖勝賓投資中心(有限合夥)) (“**Wuhu Shengbin**”) as the largest limited partner with 20.20% interest in Dachen Chuanglian. The general partner of Wuhu Shengbin was Shanghai Gefei Asset Management Co., Ltd. (上海歌斐資產管理有限公司) (“**Shanghai Gefei**”) which was an indirectly wholly-owned subsidiary of Shanghai Nuoya Investment Management Co., Ltd. (上海諾亞投資管理有限公司) (“**Nuoya Investment**”) who was owned as to 46% and 25% by Ms. Wang Jingbo (汪靜波) and Mr. He Boquan (何伯權), respectively.

As of the Latest Practicable Date, Dachen Chuangtong had 43 limited partners and the interest held by the limited partners ranged from 0.28% to 20.43% with Zhuhai Junfei Equity Investment Center (Limited Partnership) (珠海君斐股權投資中心(有限合夥)) (“**Zhuhai Junfei**”) as the largest limited partner with 20.43% interest in Dachen Chuangtong. The general partner of Zhuhai Junfei was Gefei Asset Management Co., Ltd. (歌斐資產管理有限公司) (“**Gefei Asset**”) which was a wholly-owned subsidiary of Nuoya Investment.

To the best knowledge of our Directors, each of Wuhu Shengbin, Shanghai Gefei, Nuoya Investment, Zhuhai Junfei and Gefei Asset is an Independent Third Party.

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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).

As of the Latest Practicable Date, Huangpu Digital had 6 limited partners and the interest held by the limited partners in Huangpu Digital ranged from approximately 1.67% to 41.67% with two limited partners namely Changzhou Yongyuan as the largest limited partner with approximately 41.67% interest in Huangpu Digital and Huangpu Investment Holdings (Guangzhou) Co., Ltd. (黃埔投資控股(廣州)有限公司) (“**Huangpu Investment**”) with approximately 33.33% interest in Huangpu Digital. Huangpu Investment was indirectly wholly owned by Guangzhou Development District Committee (廣州開發區管委會).

As of the Latest Practicable Date, Jiaxing Yongzhong had 32 limited partners and the interest held by the limited partners in Jiaxing Yongzhong ranged from approximately 0.62% to 18.49% with Ru Heng (茹恒) as the largest limited partner with approximately 18.49% interest in Jiaxing Yongzhong.

As of the Latest Practicable Date, Changzhou Yongyuan had 36 limited partners and the interest held by the limited partners in Changzhou Yongyuan ranged from approximately 0.68% to 13.64% with Shenzhen Zhiling Investment Holdings Co., Ltd. (深圳市智領投資控股有限公司) (“**Shenzhen Zhiling**”) as the largest limited partner with approximately 13.64% interest in Changzhou Yongyuan. Shenzhen Zhiling was owned as to 50% and 50% by Cao Shuhan (曹樹漢) and Yang Yuanchao (楊遠超), respectively.

As of the Latest Practicable Date, Jiaxing Yongli had 9 limited partners and the interest held by the limited partners in Jiaxing Yongli ranged from approximately 6.67% to 16.67% with each of Xiong Siming (熊四明), Feng Yueqi (豐月琦) and Zhuo Jinde (卓金德) as the largest limited partners with 16.67% interest in Jiaxing Yongli.

As of the Latest Practicable Date, Changzhou Yongcai had 6 limited partners and the interest held by the limited partners in Changzhou Yongcai ranged from approximately 4.45% to 71.41% with Changzhou Xiangnong Industrial Investment Partnership (Limited Partnership) (常州祥農實業投資合夥企業(有限合夥)) (“**Changzhou Xiangnong**”) as the largest limited partner with approximately 71.41% interest in Changzhou Yongcai. The general partner of Changzhou Xiangnong was Han Mingxiang (韓明祥) with 50% interest in Changzhou Xiangnong. Changzhou Xiangnong had one limited partner, namely Xu Taofen (徐桃芬), with 50% interest in Changzhou Xiangnong.

To the best knowledge of our Directors, each of Huangpu Digital, Jiaxing Yongzhong, Changzhou Yongyuan, Jiaxing Yongli and Changzhou Yongcai, Huangpu Investment, Guangzhou Development District Committee, Ru Heng, Shenzhen Zhiling, Cao Shuhan, Yang Yuanchao, Xiong Siming, Feng Yueqi, Zhuo Jinde, Changzhou Xiangnong, Han Mingxiang and Xu Taofen 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.

As of the Latest Practicable Date, Shenzhen Xinyu had 12 limited partners, all of whom were individuals, and the interest held by the limited partners in Shenzhen Xinyu ranged from 1.67% to 25.00% with Mr. Liang Qingchao (梁慶朝) as the largest limited partner with 25.00% interest in Shenzhen Xinyu. To the best knowledge of our Directors, Mr. Liang Qingchao 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) (“**Xinghe Wealth**”), which was owned by Fujian Innovation and Venture Capital Management Co., Ltd. (福建省創新創業投資管理有限公司) (“**Fujian Innovation**”) and Chen Xiaodong (陳曉東), Lin Shushun (林書順), Yan Hui (鄢輝) and Chen Jinrong (陳晉榕) as to 30%, 30%, 20%, 15% and 5%, respectively. Fujian Innovation was 70% indirectly owned by State-owned Assets Supervision and Administration Commission of the People’s Government of Fujian Province (福建省人民政府國有資產監督管理委員會). As of the Latest Practicable Date, Xinghe Yuanjing had 9 limited partners and the interest held by the limited partners in Xinghe Yuanjing ranged from approximately 3.85% to 23.08% with Seewell International Art Development Group Co., Ltd. (威獅國際藝術發展集團有限公司) (“**Seewell International**”) as the largest limited partner with approximately 23.08% interest in Xinghe Yuanjing. Seewell International was 90% owned by Chen Qijie (陳齊傑). To the best knowledge of our Directors, each of Xinghe Yuanjing, Xinghe Wealth, Chen Xiaodong, Fujian Innovation, Lin Shushun, Yan Hui, Chen Jinrong (陳晉榕), Seewell International and Chen Qijie 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. (廣發証券股份有限公司), 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) (“**Hengqin Investment**”) which was 90% owned by Guangzhou 01 Wotu Internet Financial Information Service Co., Ltd. (廣州零壹沃土互聯網金融信息服務有限公司) (“**Guangzhou Wotu**”). As of the Latest Practicable Date, Guangzhou Wotu had 12 shareholders with the largest shareholder, namely Zhuhai Hengqin Xingcheng Times Investment Partnership (Limited Partnership) (珠海橫琴行程時代投資合夥企業(有限合夥)) (“**Hengqin Times**”), with approximately 16.14% interest in Guangzhou Wotu. Wotu No. 10 had 4 limited partners and the interest held by the limited partners in Wotu No. 10 ranged from approximately 15.50% to 49.60% with Zhuhai Hengqin Zhongke Lingyi Angel Fund Partnership (L.P.) (珠海橫琴中科零壹天使基金合夥企業(有限合夥)) (“**Hengqin Zhongke**”) as the largest limited partner with approximately 49.60% interest in Wotu No. 10. Hengqin Investment is also the general partner of Hengqin Zhongke and it held 0.85% partnership interest. Hengqin Zhongke has 9 limited partners with Mr. ZHANG Keqiang (張克強) and 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) holding approximately 26.96% and 26.09% partnership interests, respectively. The partnership interests held by the remaining 7 limited partners ranged from 2.61% to 13.04%. To the best knowledge of our Directors, each of Wotu No. 10, Hengqin Investment, Guangzhou Wotu, Hengqin Times and Hengqin Zhongke 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.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- 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.
- Jiaying Dace**
- Jiaying 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, Jiaying 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.
- Jiaying Tengyin**
- Jiaying 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, Jiaying 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.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Compliance With Interim Guidance and Guidance Letter

On the basis that (i) the consideration for the Pre-IPO Investments has been settled more than 28 clear days before the date of our submission of the listing application to the Stock Exchange; and (ii) the special rights granted to the Pre-IPO 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-IPO investments as described above are in compliance with (i) the Interim Guidance on pre-IPO 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 RMB0.25 each with effective from the Listing Date. Immediately following the Subdivision of our Shares, the share capital of our Company will be RMB83,971,704 divided into 335,886,816 Shares with a par value of RMB0.25 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 40.64% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), or approximately 40.43% of our total issued Shares upon exercise of the Over-allotment Option 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 Unlisted Shares which will not be converted into H Shares and listed upon completion of the Global Offering.

As of the Latest Practicable Date, the 27,783,612 Unlisted 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 31.93% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), or approximately 31.77% of our total issued Shares upon exercise of the Over-allotment Option in full, will be converted into H Shares and listed upon completion of the Global Offering. As these Shareholders will constitute core connected persons of our Company upon Listing, 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 Listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, the 20,831,072 Unlisted 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 23.94% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), or approximately 23.82% of our total issued Shares upon exercise of the Over-allotment Option in full, will be converted into H Shares and listed upon completion of the Global Offering. As these Shareholders will not constitute core connected persons of our Company upon Listing, 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 Listing.

Based on the above, it is expected that immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the total number of listed H Shares (including H Shares to be converted from Unlisted Shares) of our Company held by the public represents 27.43% of the total number of issued Shares of our Company. Therefore, our Company will be able to meet the minimum public float 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 prospectus and the Listing Date (assuming the Over-Allotment Option is not exercised):

Shareholders	Number of Shares as of the date of this prospectus	Number of Shares after Subdivision as of the Listing Date	Ownership percentage as of the date of this prospectus (%)	Ownership percentage as of the Listing Date (%)
Mr. Hou ⁽³⁾	13,230,171	52,920,684	15.76	15.21
Mr. Hou Zebing ⁽³⁾	12,702,820	50,811,280	15.13	14.60
Eastern Bell II ⁽²⁾	13,885,413	55,541,652	16.54	15.96
Guangzhou Daze ⁽³⁾	7,775,054	31,100,216	9.26	8.94
Shenzhen Xinyu ⁽³⁾	5,638,994	22,555,976	6.72	6.48
Dachen Chuanglian ⁽¹⁾	5,360,231	21,440,924	6.38	6.16
Dachen Chuangtong ⁽¹⁾	4,867,988	19,471,952	5.80	5.60
Eastern Bell III ⁽²⁾	2,000,000	8,000,000	2.38	2.30
Aeon Life ⁽²⁾	1,858,213	7,432,852	2.21	2.14
Xinghe Yuanjing ⁽³⁾	1,836,927	7,347,708	2.19	2.11
GF Qianhe ⁽²⁾	1,786,743	7,146,972	2.13	2.05
Mr. Yang Tao ⁽²⁾	1,411,100	5,644,400	1.68	1.62
Wotu No. 10 ⁽²⁾	1,320,951	5,283,804	1.57	1.52
Shanghai Xingfu ⁽²⁾	1,100,764	4,403,056	1.31	1.27

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholders	Number of Shares as of the date of this prospectus	Number of Shares after Subdivision as of the Listing Date	Ownership percentage as of the date of this prospectus (%)	Ownership percentage as of the Listing Date (%)
Lantu Tianxing ⁽²⁾	973,597	3,894,388	1.16	1.12
Jiaxing Dace ⁽²⁾	952,334	3,809,336	1.13	1.09
Changzhou Yongcai ⁽²⁾	938,981	3,755,924	1.12	1.08
Mr. Wang Jing ⁽³⁾	918,762	3,675,048	1.09	1.06
Jiaxing Yongzhong ⁽²⁾	858,497	3,433,988	1.02	0.99
Zhongke No. 1 ⁽²⁾	593,768	2,375,072	0.71	0.68
Changzhou Yongyuan ⁽²⁾	536,560	2,146,240	0.64	0.62
Shanghai Zezhen ⁽¹⁾	536,023	2,144,092	0.64	0.62
Huangpu Digital ⁽²⁾	482,904	1,931,616	0.58	0.56
Longwin Jingjie ⁽²⁾	464,553	1,858,212	0.55	0.53
Zhongke Baiyun ⁽²⁾	409,495	1,637,980	0.49	0.47
Jiaxing Tengyin ⁽²⁾	348,764	1,395,056	0.42	0.40
Ms. Zheng Ying ⁽²⁾	329,386	1,317,544	0.39	0.38
Jiaxing Yongli ⁽²⁾	321,936	1,287,744	0.38	0.37
TZGF ⁽²⁾	300,000	1,200,000	0.36	0.34
Shanghai Dingmin ⁽²⁾	230,775	923,100	0.27	0.27
Investors taking part in the Global Offering	–	12,136,000	–	3.49
Total	83,971,704	348,022,816	100.00	100.00

Notes:

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

PREPARATION FOR POTENTIAL A SHARE LISTINGS

Our Company submitted an application for listing 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 Applications**”). With regard the A-Share Listing Applications, our Company has addressed certain enquiries received from the Shanghai Stock Exchange and the Shenzhen

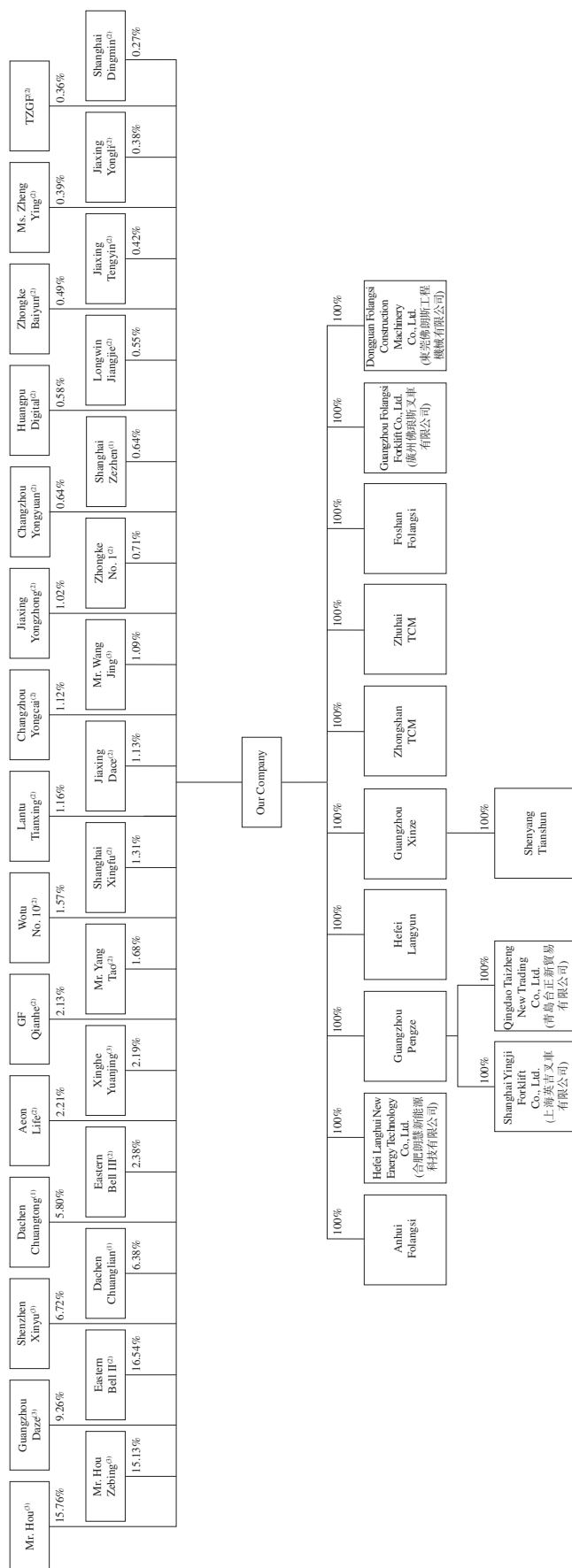
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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 Listing on the Stock Exchange. To the best of their knowledge and belief, our Directors are of the view that, to which the Sole Sponsor concurs, (i) there are no matters relating to the A-Share Listing Applications that might potentially affect the suitability of our Company to be listed on the Stock Exchange; and (ii) there are no matters relating to the A-Share Listing Applications that ought to be drawn to the attention of the potential investors and the Stock Exchange. As advised by our PRC Legal Adviser and based on relevant applicable rules and regulations, we, may at our sole and absolute discretion, withdraw our listing application at any time during the A-Share Listing Applications and the withdrawal of the A-Share Listing Applications did not constitute contravention of regulatory requirements applicable to the A-Share Listing Applications.

Due to the general market sentiment and the change in the overall strategic development of our Company and our observation of the successful listing 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 Listing on the Stock Exchange.

OUR SHAREHOLDING AND CORPORATE STRUCTURE Corporate Structure Immediately Before Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately before completion of the Subdivision and the Global Offering:

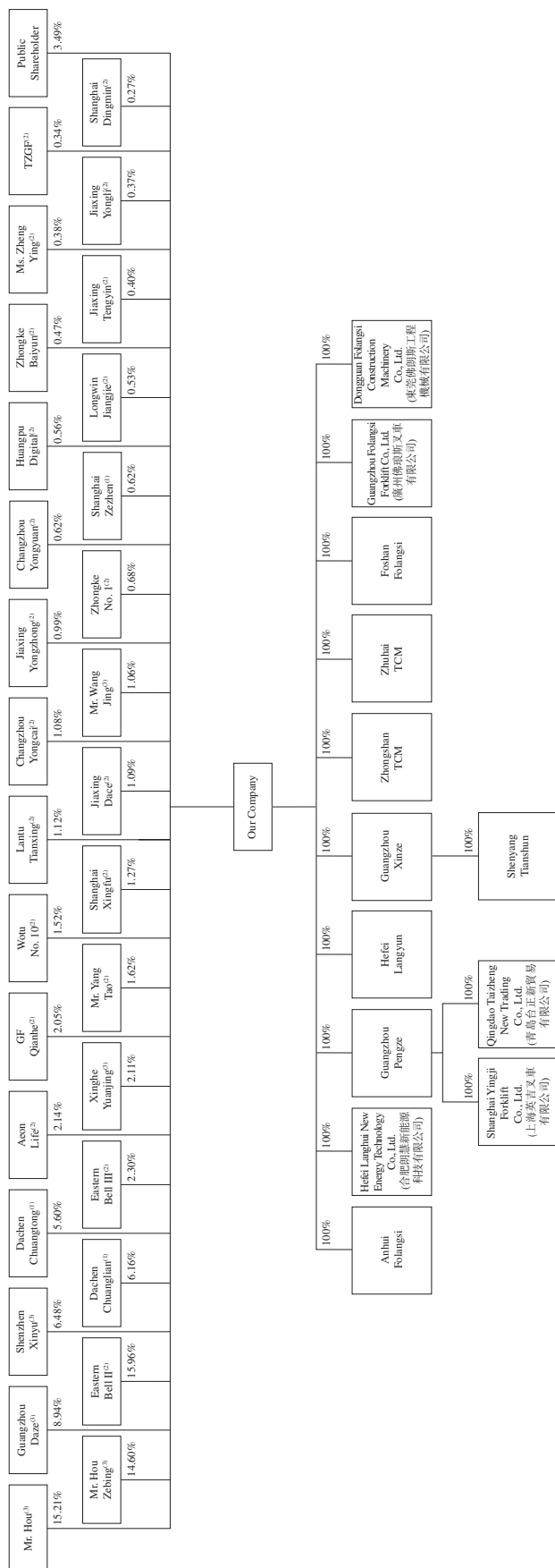


Notes:

- (1) The Shares held by these Shareholders are Unlisted Shares and will remain as Unlisted Shares upon Listing.
- (2) The Shares held by these Shareholders are Unlisted Shares which will be converted into H Shares upon Listing.
- (3) Upon the Completion of Subdivision and the Global Offering, among (i) the 52,920,684 Unlisted Shares held by Mr. Hou, 15,876,204 Shares will be converted into H Shares upon Listing; (ii) the 50,811,280 Unlisted Shares held by Mr. Hou Zebing, 15,243,384 Shares will be converted into H Shares upon Listing; (iii) the 31,100,216 Unlisted Shares held by Guangzhou Daze, 15,550,108 Shares will be converted into H Shares upon Listing; (iv) the 22,555,976 Unlisted Shares held by Shenzhen Xinyu, 18,555,976 Shares will be converted into H Shares upon Listing; (v) the 7,347,708 Unlisted Shares held by Xinghe Yangjiao, 2,939,080 Shares will be converted into H Shares upon Listing; and (vi) the 3,675,048 Unlisted Shares held by Mr. Wang Jing, 1,875,048 Shares will be converted into H Shares upon Listing.

Corporate Structure Immediately After Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately after completion of the Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

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

OVERVIEW

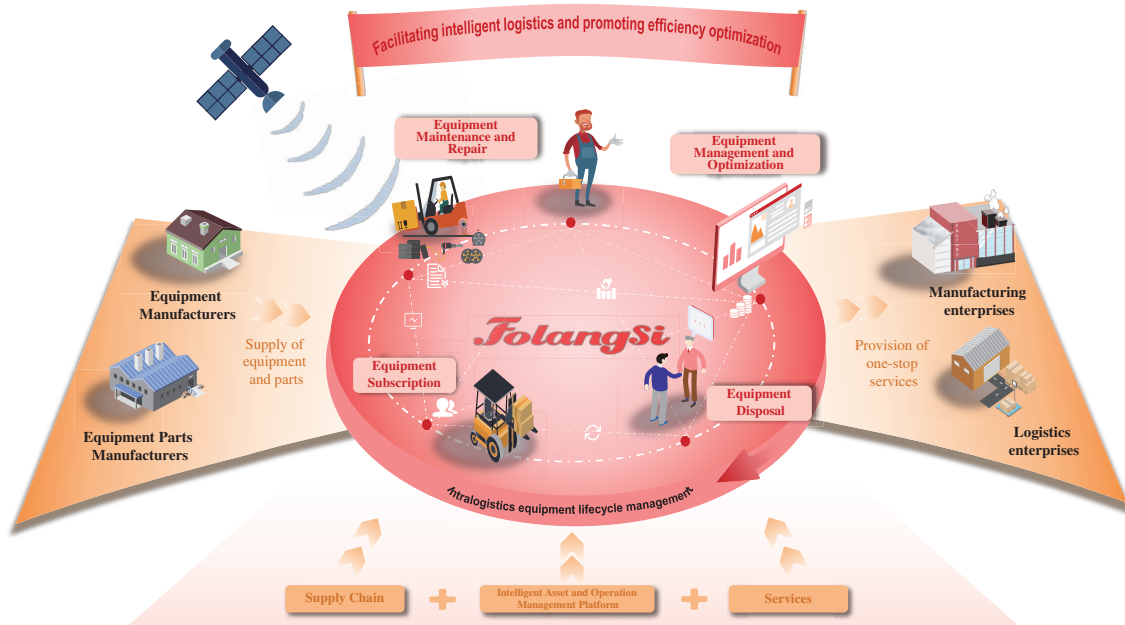
We are a leading intralogistics equipment solution provider in China. Focusing on intralogistics equipment subscription services, we strive to provide enterprises with one-stop solutions for intralogistics equipment utilization and management. According to CIC, we are the largest intralogistics equipment solution provider in China in terms of revenue for 2022. We also have an established presence in the industry, providing services that span the entire lifecycle of intralogistics equipment, including equipment subscription, repair and maintenance, and disposal. As of April 30, 2023, we had 67 offline service outlets in 47 cities throughout China, managing over 40,000 units of intralogistics equipment.

Intralogistics equipment utilization and management present challenges, including high purchase and maintenance costs, a need for specialized expertise, and significant management complexity. However, it is not easy for enterprises to have satisfying services from traditional service providers, as most enterprises are not experts in intralogistics equipment, and may need assistance in monitoring, checking and maintaining, and operating such equipment. Our customers are offered with different subscription arrangements in terms of equipment portfolio, equipment operation guidance, scheduled maintenance and repair, and real-time operation monitoring, which help customers to save costs related to fixed asset procurement and equipment maintenance afterwards. According to CIC, intralogistics equipment solutions can help enterprises reduce costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode. Occasionally, upon requests, we offer suitable equipment disposal solutions to relevant customers, so that they may conveniently make adjustment to their fleet based on their needs. By revitalizing the value of used intralogistics equipment that may otherwise remain idle, we are able to effectively identify and serve market demands.

According to CIC, despite the growing demand for intralogistics equipment 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 solutions in China is expected to reach RMB34.9 billion by 2027, representing a CAGR of 25.0% from 2022 to 2027.

BUSINESS

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



Our Business Model

We invested in developing and improving our intralogistics equipment solutions, which comprise the following three business segments during the Track Record Period:

- **Intralogistics Equipment Subscription Services:** We provide intralogistics equipment to customers for their usage with value-added services, including but not limited to, equipment selection, on-site operation training, general and necessary maintenance and repair, and real-time monitoring of equipment status and operation through our Intelligent Asset and Operation Management Platform. In managing this business segment, we charge customers services fees mainly based on types and configurations of equipment selected, duration they use the subscribed intralogistics equipment, and customization of related services (if applicable).
- **Maintenance and Repair Services:** In this business segment, we generate revenue from providing on-site 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.
- **Sales of Intralogistics Equipment and Parts:** We sell new and used intralogistics equipment to enterprises in China; and intralogistics equipment parts to enterprises in China and abroad. We conduct sales through our own sales team directly to end customers. We had a broad range of customers, such as manufacturers, logistics companies, and trading companies, with intralogistics need, including movement of heavy goods and material in indoor and limited outdoor spaces.

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 and approximately 91.7% for the four months ended April 30, 2023. 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 70.0% of our total intralogistics equipment as of April 30, 2023. 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 in equipment fleet size. As of December 31, 2020, 2021, 2022 and April 30, 2023, we had 31,213 units, 36,257 units, 39,145 units and 40,644 units of intralogistics equipment, respectively. Our customer base has also grown steadily. The number of our customers increased from 7,477 in 2020 to 7,929 in 2021, and further to 8,170 in 2022. For the four months ended April 30, 2022 and 2023, the number of our customers increased from 5,237 to 5,711. In particular, a significant portion of our customer base comprises of manufacturing and logistics enterprises. In 2020, 2021, 2022 and for the four months ended April 30, 2023, in our customers, manufacturing enterprises amounted for 3,042, 3,094, 3,290 and 2,541, respectively; logistics enterprises amounted for 1,814, 1,929, 1,916 and 1,440, respectively.

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 Solutions in China

According to CIC, we are the largest intralogistics equipment solution provider in China in terms of revenue for 2022. We leverage our expertise to provide equipment solution plans that could optimize equipment performance and minimize downtime in an efficient way. With fleet arrangement and streamlined management and maintenance, we help our customers reduce costs for equipment procurement without sacrificing their intralogistics equipment need. Strategically focusing on the intralogistics equipment solution industry since our inception, we have accumulated rich experience in managing intralogistics equipment and parts. Despite the growing demand for intralogistics equipment 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 technological capabilities, extensive operation and management experience, and brand recognition, we are able to solidify our leading industry position and achieve sustainable growth.

During the Track Record Period, we achieved significant growth in equipment fleet size. As of December 31, 2020, 2021, 2022 and April 30, 2023, we had 31,213 units, 36,257 units, 39,145 units and 40,644 units, respectively. 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夥伴) 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.

BUSINESS

Since our establishment in 2007, we have been at the forefront of the industry, pioneering the development of intralogistics equipment 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 influence on upstream industry participants.
- *Intelligent Asset and Operation Management Capabilities:* Through our Intelligent Asset and Operation Management Platform, we have established a service network aiming for coordinated equipment engagement and management. Our platform features a 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 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 also have an established presence in the industry, providing services that span the entire lifecycle of intralogistics equipment, 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. However, it is not easy for enterprises to have satisfying services from traditional service providers, as most enterprises are not experts in intralogistics equipment, and may need assistance in monitoring, checking and maintaining, and operating such equipment. Our customers are offered with different subscription arrangements in terms of equipment portfolio, equipment operation guidance, scheduled maintenance and repair, and real-time operation monitoring, which help customers to save costs related to fixed asset procurement and equipment maintenance afterwards. According to CIC, intralogistics equipment 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 broad service network and 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 are able to effectively identify and serve market demands.

Our comprehensive service portfolio provides us with 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 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 by attending relevant exhibitions and events in the sales market and having frequent discussion with existing/potential customers with respect to their needs. Our comprehensive knowledge in equipment and components, as well as robust sales capabilities and results contributed to enhanced relationships with reputable suppliers and expanded customer subscription channels. The synergy among our three business segments has created a 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, based on IoT technologies, through which, we are able to achieve real-time equipment status supervision, supply chain and inventory management, as well as responsive dispatch of personnel and equipment. To be specific, this platform helps us categorize, organize and update equipment and parts information and configurations. We will then use big-data analytical capabilities to analyze the function and efficiency of the equipment from various dimensions in a highly efficient and automated way, based on which, our management may quickly make business decisions in relation to the relevant operations on a well-informed basis.

BUSINESS

We managed to ensure optimized 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 covered over 97.3% of our equipment fleet, allowing effective operation management. For further details, please see “– Our Technology” in this section.

We aim to maximize the use of 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.

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 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 various product and service portfolio, we are able to continuously enhance our service efficiency and technology feature.

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 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 experience in managing numerous brands and types of intralogistics equipment and parts, we have bargaining power that enables us to 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 April 30, 2023, our national service network included our headquarter, three main supply chain bases, and 67 service outlets in 47 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.

BUSINESS

We have also established a comprehensive supply chain database to efficiently and systematically manage intralogistics equipment. As of April 30, 2023, the database contained information on around 331,000 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.

Service Network with Online and Offline Coverage Serving Multiple Industries and Large Customer Base

We are able to provide high-quality services to a large and diverse customer base across China through our integrated services. The online component, our Intelligent Asset and Operation Management Platform, offers real-time equipment status supervision, acting as our digital arm for customer support. Our offline services are delivered through our strategically positioned service outlets. As of April 30, 2023, we had 67 service outlets located in 47 cities across China. Through this integrated approach, we were able to effectively serve 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 during the Track Record Period. 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. We have secured relationships with various leading customers throughout our development process, and have maintained long-term and stable cooperation with them. Customers who had our intralogistics equipment subscription services in the preceding year and also in the given year are deemed as our retained customers for intralogistics equipment subscription services. The revenue contribution of such retained customers in 2020, 2021 and 2022 amounted to 85.9%, 88.0% and 89.8%, respectively. Such revenue contribution equals to the result of intralogistics equipment subscription service revenue generated from such retained customers in the given year divided by total intralogistics equipment subscription service revenue in the same year. Such figure demonstrates our customer retention capabilities.

Our one-stop service model sets us apart from our competitors and allows us to deliver exceptional customer experiences and build partnerships. 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 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 solutions for manufacturing and logistics enterprises.

Our core management and executive team, who have worked together for over a decade, demonstrate 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 solutions, 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 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 establish ourselves as the first choice for enterprises' intralogistics equipment utilization and management, we plan to 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 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 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 solutions. 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 Listing.

OUR BUSINESS

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

- (i) **Intralogistics Equipment Subscription Services.** We provide intralogistics equipment to customers for their usage with value-added services, including but not limited to, equipment selection, on-site operation training, general and necessary maintenance and repair, and real-time monitoring of equipment status and operation through our Intelligent Asset and Operation Management Platform. In managing this business segment, we charge customers services fees mainly based on types and configurations of equipment selected, duration they use the subscribed intralogistics equipment, and customization of related services (if applicable).
- (ii) **Maintenance and Repair Services.** In this business segment, we generate revenue from providing on-site 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.** We sell new and used intralogistics equipment to enterprises in China; and intralogistics equipment parts to enterprises in China and abroad. We conduct sales through our own sales team directly to end customers. We had a broad range of customers, such as manufacturers, logistics companies, and trading companies, with intralogistics need, including movement of heavy goods and material in indoor and limited outdoor spaces.

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.

BUSINESS

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

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	639,701	65.2	739,176	63.0	738,001	61.8	236,373	68.2	243,944	55.9
Maintenance and repair services	111,463	11.4	128,484	11.0	140,987	11.8	35,172	10.1	54,539	12.5
Sales of intralogistics equipment and parts	229,479	23.4	304,522	26.0	315,221	26.4	75,264	21.7	137,808	31.6
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	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 that the COVID-19 resurgence affected our operations in relevant local market, we still managed to achieve slight business growth in that year. The increase in revenue for the four months ended April 30, 2022 to the four months ended April 30, 2023 was in line with the increased customer demand. 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.

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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	228,175	35.7	250,672	33.9	226,087	30.6	67,120	28.4	70,270	28.8
Maintenance and repair services	45,585	40.9	52,359	40.8	57,698	40.9	13,916	39.6	21,201	38.9
Sales of intralogistics equipment and parts	56,420	24.6	71,136	23.4	77,879	24.7	19,863	26.4	30,743	22.3
Total gross profit/overall gross profit margin	330,180	33.7	374,167	31.9	361,664	30.3	100,899	29.1	122,214	28.0

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During the Track Record Period, our gross profit margin was 33.7%, 31.9%, 30.3%, 29.1% and 28.0% in 2020, 2021, 2022 and the first four months of 2022 and 2023. The declining trend in our gross profit margin from 2020 to 2022 was primarily due to the negative impact of COVID-19 on the utilization rates and the operations of our service outlets. The decline in the first four months of 2023 was contributed to business mix, where in that period, we have experienced an increase in sales of intralogistics equipment and parts, which carried a relatively lower gross profit margin compared to our intralogistics equipment subscription services and maintenance and repair services.

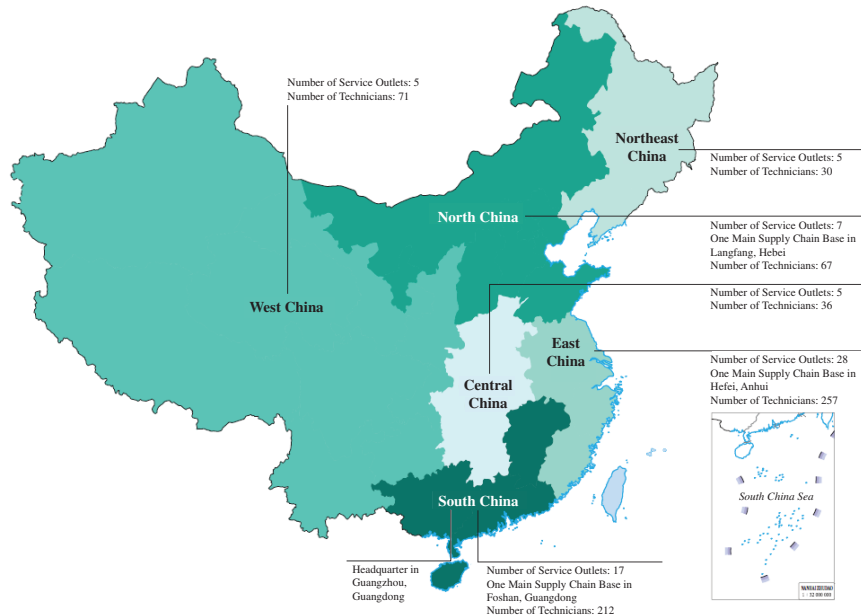
Being a leading intralogistics equipment solution provider in China and considering the growing demand for these solutions in China according to CIC, our Directors believe that we are able to mitigate risks associated with price pressure. In particular, in line with its business strategy, we intend to continue to enhance our business growth and profitability through: (i) improving our customer coverage and expanding the categories of our intralogistics equipment based on our study on market demand trend; (ii) optimizing our cost and expense structure to improve net profit margins; and (iii) increasing operation leverage through economies of scale and optimized supply chain management capability.

Leveraging our extensive experience in intralogistics equipment, we aim to offer one-stop intralogistics equipment 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:



BUSINESS

As of April 30, 2023, we had established a nationwide service network consisting of our headquarter in Guangzhou, three main supply chain bases and 67 service outlets, covering 47 cities in China. The following map sets forth the geographical distribution of our service network as of April 30, 2023:



Intralogistics Equipment Subscription Services

There has been an increasing demand for different 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 cost-effective intralogistics equipment subscription services for enterprises in different sizes and industries.

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 a 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. As confirmed by the PRC Legal Adviser, other than the business license, we are not required to obtain any other license for providing our intralogistics equipment subscription services under the applicable PRC laws and regulations.

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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.

Since the Intelligent Asset and Operation Management Platform enables 24/7 monitoring and supervision of the equipment and provides daily utilization rates of the equipment, the customers are able to know how efficiently the subscribed equipment are used. For instance, if the utilization rate is relatively low, the customer may ask to adjust the equipment volume in the service contract upon discussion with us. Otherwise, the customer may choose to subscribe less equipment for same or similar work load for future subscriptions. If the customer is behind schedule of the related works even though the operation information shows that subscribed equipment are used at maximum, the customer may consider to subscribe more equipment to meet its scheduled deadline. If the customer happens to have additional requirements, such as reaching higher shelves or going through narrower aisles, it may ask to replace the subscribed equipment with different models that we have.

The customers may adjust the service scope of the contract during the service period, such as upgrade, downgrade, replacement of equipment. To make such adjustment, the parties will have amicable discussion and execute a supplemental agreement (if needed) to the existing service contract. Once we and the customer enter into a subscription service agreement, we generally do not charge any penalty or separate service fees when there is no material adjustment to contract terms and conditions, including the service scope.

If the customer opts to extend the contract term, or replace existing equipment with equipment with higher unit subscription prices, or increase subscription volume, where additional fees will be incurred, we will further negotiate with the customer to enter into supplemental agreement to cover such extra amount. The exact amount will be determined case by case based on changed equipment volume, contract period, and/or unit subscription price. In addition, if the customer opts to reduce subscription period or subscription volume, or change for cheaper equipment, the parties shall revise the agreement to reduce the subscription price accordingly.

With respect to early terminations, if either party unilaterally requests early termination or cancellation of the contract, it shall pay the other party penalty of six month’s subscription price in the contract, or the residual amount of fees for the remaining period, whichever is higher. If both parties agree to terminate the contract in advance, the customer only needs to settle the contract price for the period that has expired. There was no early termination or cancellation of contracts during the Track Record Period. During the Track Record Period, the customers had not returned to or exchanges any intralogistics equipment with us.

BUSINESS

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 and the four months ended April 30, 2023, revenue derived from intralogistics equipment subscription services amounted to RMB639.7 million, RMB739.2 million, RMB738.0 million and RMB243.9 million, respectively, accounting for 65.2%, 63.0%, 61.8%, and 55.9%, 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 subscription volume in and revenue derived from our intralogistics equipment subscription services by equipment types for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Equipment Subscription Volume ⁽¹⁾	Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue	Equipment Subscription Volume ⁽¹⁾	Revenue
	<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>	
	<i>(unaudited)</i>									
Counterbalanced Forklifts	135,245	388,136	150,936	439,920	150,274	455,567	45,306	146,587	46,637	153,647
Reach Trucks	27,846	70,607	27,088	74,316	26,879	69,739	8,045	23,196	8,255	21,980
Walkie Stackers	160,569	172,755	167,159	199,643	174,799	180,564	51,832	62,951	56,385	63,264
Others	1,930	8,203	2,476	25,297	2,087	32,131	2,407	3,639	451	5,053
Total	325,590	639,701	347,659	739,176	354,039	738,001	107,590	236,373	111,728	243,944

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

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During the Track Record Period, we experienced an increase in equipment subscription volume for intralogistics equipment subscription services primarily due to growing business needs of enterprises. In the meanwhile, the average monthly equipment subscription price remained relatively stable during the Track Record Period. To be specific, our average monthly equipment subscription price (excluding VAT) (the price equals revenue derived from intralogistics equipment subscription services in a particular year divided by the equipment subscription volume in the same period) was RMB1,965 per unit in 2020, RMB2,126 per unit in 2021, RMB2,085 per unit in 2022 and RMB2,183 per unit for the four months ended April 30, 2023. According to CIC, for equipment of similar brands, configurations and conditions, there has been no material difference between the monthly subscription fees charged by us 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,						As of April 30,			
	2020		2021		2022		2022		2023	
	Number of Agreements	Aggregated Contract Value (RMB'000)	Number of Agreements	Aggregated Contract Value (RMB'000)	Number of Agreements	Aggregated Contract Value (RMB'000)	Number of Agreements	Aggregated Contract Value (RMB'000)	Number of Agreements	Aggregated Contract Value (RMB'000)
Less Than One Year (Inclusive)	6,212	86,083	8,237	160,806	9,738	168,597	6,418	105,507	11,463	192,565
One to Three Years (Inclusive)	19,085	1,106,627	15,959	1,006,715	12,983	800,409	14,067	863,747	12,941	737,786
Three to Four Years (Inclusive)	1,276	137,839	6,251	659,081	7,097	684,927	7,062	674,909	7,648	706,519
Four to Five Years (Inclusive)	641	100,787	1,040	172,098	1,845	262,704	1,926	272,308	1,773	235,054
Over Five Years (Exclusive)	165	28,985	877	177,639	1,224	259,768	1,249	269,025	1,647	325,867
Total⁽¹⁾	27,379	1,460,321	32,364	2,176,339	32,887	2,176,405	30,722	2,185,496	35,472	2,197,791

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.

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The following table shows the movement of the number and aggregated contract value of our subscription service agreements on hand during the Track Record Period and up to August 31, 2023:

	Year ended December 31,						Four months ended April 30,		Subsequent to Track Record Period until August 31, 2023	
	2020		2021		2022		2023		Number of Agreements	Aggregated Contract Value
	Number of Agreements	Aggregated Contract Value	Number of Agreements	Aggregated Contract Value	Number of Agreements	Aggregated Contract Value	Number of Agreements	Aggregated Contract Value		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	
Contracts at the Beginning of the Year/Period	19,838	1,030,452	27,379	1,460,321	32,364	2,176,339	32,887	2,176,405	35,472	2,197,791
Additions of newly executed contracts during the year/period	13,423	524,148	16,550	810,676	15,104	525,808	5,772	206,949	6,463	365,076
Deductions (either terminated or expired) of existing contracts during the year/period	(5,882)	(94,279)	(11,565)	(94,658)	(14,581)	(525,742)	(3,187)	(185,563)	(10,418)	(277,231)
Contracts at the End of the Year/Period	<u>27,379</u>	<u>1,460,321</u>	<u>32,364</u>	<u>2,176,339</u>	<u>32,887</u>	<u>2,176,405</u>	<u>35,472</u>	<u>2,197,791</u>	<u>31,517</u>	<u>2,285,636</u>

The following table sets forth the movement of backlog of our on-hand equipment subscription service agreements during the Track Record Period and up to August 31, 2023:

	Year ended December 31,			Four months ended April 30,	Subsequent to Track Record Period until August 31, 2023	
	2020	2021	2022	2023	(RMB'000)	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	
Opening balance of backlog		644,131	724,795	748,883	695,157	746,930
Aggregate estimated revenue of new service contracts executed		720,365	763,264	684,275	295,717	208,543
Less: (aggregated revenue recognized for completed works) ⁽¹⁾		(639,701)	(739,176)	(738,001)	(243,944)	(259,229)
Closing balance of backlog ⁽²⁾		<u>724,795</u>	<u>748,883</u>	<u>695,157</u>	<u>746,930</u>	<u>696,244</u>

Notes:

- The amount of “aggregated revenue recognized for completed works” here equals to the amount of revenue derived from intralogistics equipment subscription services in the same year/period.

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2. The balance of backlog refers to our estimate of the aggregated amounts of the contract value allocated to the remaining performance obligations, if any, under our on-hand intralogistics equipment subscription service agreements and the corresponding amounts of revenue to be recognized pursuant to such contracts. Such estimate is based on the best knowledge, information and belief of our Directors.

In particular, in terms of all equipment subscription agreements on-hand as of April 30, 2023, RMB348.9 million is expected to mature in 2023, RMB233.2 million is expected to mature in 2024, RMB100.5 million is expected to mature in 2025, RMB49.2 million is expected to mature in 2026, and RMB15.1 million is expected to mature in 2027.

All backlog of intralogistics equipment subscription service agreements on-hand as of August 31, 2023 is expected to mature by 2027.

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 periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
Number of KA customers ⁽¹⁾	87	122	123	114	118
Revenue contribution of KA customers (<i>RMB in million</i>)	314.9	363.1	332.8	111.8	117.9
KA customer retention rate ⁽²⁾	87%	99%	98%	84%	87%
Net dollar retention rate of KA customers ⁽³⁾	98%	99%	97%	101%	100%

Notes:

- 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 year/period, or (ii) the customer subscribes 50 units or more in the preceding 12-month period and continued to subscribe intralogistics equipment (one unit or more) from us in that given year/period. Such calculation methodology is concurred by CIC.
- KA customer retention rate measures the capability of us to retain existing customers. 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%. Such calculation methodology is concurred by CIC.

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3. Net dollar retention rate is a metric used to measure our capability to generate revenue from intralogistics equipment subscription returning KA customers by comparing the amount of revenue that a company brings in a given period from the previous period's KA customers. We calculate net dollar retention rate in a given 12-month period by starting with all KA customers in the prior 12-month period. We calculate the revenue from the returning KA customers in the given 12-month period, which includes the revenue from new KA 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 returning KA customers to arrive at our net dollar retention rate. Such calculation methodology is concurred by CIC.

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 and service outlets across the nation, we were 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 our advantages in supply chain capabilities and equipment management, we have helped Shanghai ANE improve its working efficiency with reduced costs, which was highly appreciated by Shanghai ANE.

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Customer X

Customer X is a leading home appliance and air conditioner manufacturing company headquartered in Foshan, Guangdong. We started to sell intralogistics equipment to Customer X in 2014, and has established business relationship with it since then. We 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, we offered to provide 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. We will deliver the intralogistics equipment to its requested destinations across the country after it placing orders. Meanwhile, in addition to providing quality intralogistics equipment, we 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, we 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 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.

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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	Price range per repair unit during the Track Record Period
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	Approximately RMB200-RMB280
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	Approximately RMB500-RMB590

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

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
One-off Repair	89,085	79.9	105,780	82.3	87,436	62.0	21,217	60.3	37,244	68.3
Maintenance and Repair Service Plan	22,378	20.1	22,704	17.7	53,551	38.0	13,955	39.7	17,295	31.7
Total	111,463	100.0	128,484	100.0	140,987	100.0	35,172	100.0	54,539	100.0

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The following table sets forth the gross profit and gross profit margin of maintenance and repair services for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
One-off Repair	34,311	38.5	40,790	38.6	29,903	34.2	7,039	33.2	12,312	33.1
Maintenance and Repair Service Plan	11,274	50.4	11,569	51.0	27,795	51.9	6,877	49.3	8,889	51.4

Our gross profit margin for the maintenance and repair service plan is higher than the one-off repair service. A primary reason is the structured menu of services in the maintenance plan, which enables our staff to efficiently deliver multiple services in a shorter time frame, leading to reduced staff costs. Regularly serviced equipment under our plan tends to be in better condition, which decreases the incidence of costly unforeseen repairs. With a steady customer base and consistently serviced intralogistic equipment, we can allocate resources more effectively, resulting in further cost savings and supporting the premium pricing of the maintenance and repair service plan.

As of April 30, 2023, we had a dedicated team of 673 personnel in our technician and engineer team, around 50% 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 as included in the intralogistics equipment subscription services and to intralogistics equipment owned by customers as requested as included in maintenance and repair services.

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 our major customers which subscribe maintenance and repair service plans. We 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.

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Since 2015, we 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, we 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, we conducted comprehensive inspections and created an equipment profile for each forklift in the fleet, formulated a 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, we have 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 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 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 331,000 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 periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Intralogistics equipment	116,195	50.6	162,505	53.4	156,664	49.7	36,416	48.4	71,268	51.7
Related parts	113,284	49.4	142,017	46.6	158,557	50.3	38,848	51.6	66,540	48.3
Total	229,479	100.0	304,522	100.0	315,221	100.0	75,264	100.0	137,808	100.0

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With our established procurement and sales channels, we trade new and used intralogistics equipment to match requirements of our 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. The following table sets forth a breakdown of our revenue derived from sales of intralogistics equipment for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Revenue										
New Intralogistics Equipment	103,680	89.2	152,735	94.0	140,170	89.5	31,652	86.9	62,369	87.5
Used Intralogistics Equipment	12,515	10.8	9,770	6.0	16,494	10.5	4,764	13.1	8,899	12.5
Total	116,195	100.0	162,505	100.0	156,664	100.0	36,416	100.0	71,268	100.0

The following table sets forth the gross profit and gross profit margin of sales of intralogistics equipment for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>(RMB'000)</i>	(%)
	<i>(unaudited)</i>									
New Intralogistics Equipment	15,018	14.5	21,808	14.3	19,809	14.1	4,258	13.5	8,642	13.9
Used Intralogistics Equipment	1,978	15.8	999	10.2	1,466	8.9	485	10.2	642	7.2
Total	16,996	14.6	22,807	14.0	21,275	13.6	4,743	13.0	9,284	13.0

During the Track Record Period, in terms of the used intralogistics equipment sold, 98.1%, 98.2%, 97.8% and 97.5% of them were sourced from the Group's own fleet, respectively.

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The following table sets out the number of customers that procured intralogistics equipment by regions during the Track Record Period:

	Year ended December 31,			Four months ended April 30,
	2020	2021	2022	2023
	Northern Region ⁽¹⁾	136	128	105
East Central Region ⁽²⁾	353	365	431	217
Southern Region ⁽³⁾	397	469	380	145
Western Region ⁽⁴⁾	84	102	95	46
Nationwide ⁽⁵⁾	9	16	15	6
Total	979	1,080	1,026	443

Notes:

- (1) Including Beijing, Tianjin, Hebei province, Shanxi province, Inner Mongolia province, Heilongjiang province, Jilin province, and Liaoning province.
- (2) Including Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province, Shandong province, Henan province, Hubei province, Hunan province, Shaanxi province, Gansu province, Qinghai province, Ningxia province, and Xinjiang province.
- (3) Including Guangdong province, Guangxi province, Hainan province, Hong Kong Special Administration Region, Macau Special Administration Region, and Taiwan province.
- (4) Including Sichuan province, Chongqing, Guizhou province, Yunnan province, and Tibet province.
- (5) Some of the customers are group companies comprised of multiple subsidiaries across the nation.

The customers that procure intralogistics equipment and/or parts are not allowed to return the procured intralogistics equipment and/or parts to us only except for product defects. Up to the Latest Practicable Date, we had not experienced any material product returns.

OUR EQUIPMENT FLEET

As of April 30, 2023, we managed a fleet of 40,644 units of intralogistics equipment, which were mostly forklifts, and a few other intralogistics equipment, such as tractors and floor washers. A forklift is an industrial equipment with a metal fork platform attached to its front that can be used to lift heavy loads by inserting the fork platform under cargo, pallets, or machines for moving them or placing them in warehouses, production sites, distribution centers and other scenarios. During the Track Record Period, we mainly procured intralogistics equipment manufactured by internationally and nationally renowned intralogistics equipment manufacturers. The major types of intralogistics equipment in our equipment fleet include counterbalanced forklifts, reach trucks, and walkie stackers, details of which are set out in chart below:



Counterbalanced Forklift

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



Reach Truck

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



Walkie Stacker

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

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The following table sets out information on the number of the intralogistics equipment we managed by categories as of April 30, 2023:

Energy Sources	Equipment Types	Volume (Units)	Percentage (%)
Electric	Counterbalanced Forklifts	12,847	31.6
	Reach Trucks	2,743	6.7
	Walkie Stackers	21,368	52.6
	Others	328	0.8
ICE-powered	Counterbalanced Forklifts	3,093	7.6
	Walkie Stackers	50	0.1
	Others	84	0.2
Non-power⁽²⁾	Walkie Stackers	115	0.3
	Others	16	— ⁽¹⁾
Total		40,644	100.0

Notes:

(1) Less than 0.1%;

(2) Equipment that can be pushed or used manually by users.

The following tables set forth the number of intralogistics equipment by ages and types as of the dates indicated:

Aged within one year:

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Equipment Volume				
Counterbalanced Forklifts	2,335	2,297	1,908	2,176
Reach Trucks	365	272	148	209
Walkie Stackers	4,709	4,139	2,630	3,838
Others	37	45	119	313
Total	<u>7,446</u>	<u>6,753</u>	<u>4,805</u>	<u>6,536</u>

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Aged from one to three years:

	As of December 31,			As of
				April 30,
	2020	2021	2022	2023
Equipment Volume				
Counterbalanced Forklifts	6,042	4,994	4,637	4,641
Reach Trucks	1,273	869	563	516
Walkie Stackers	7,960	8,581	8,851	8,463
Others	54	73	70	57
Total	15,329	14,517	14,121	13,677

Aged over three years:

	As of December 31,			As of
				April 30,
	2020	2021	2022	2023
Equipment Volume				
Counterbalanced Forklifts	4,428	7,223	9,065	9,123
Reach Trucks	812	1,477	1,983	2,018
Walkie Stackers	3,195	6,269	9,128	9,232
Others	3	18	43	58
Total	8,438	14,987	20,219	20,431

As of May 31, 2023, the intralogistics equipment that was aged within three years amounted to 20,542, representing approximately 49.7% of the whole equipment fleet.

During the Track Record Period, the range of useful life of intralogistics equipment was similar among different types of intralogistics equipment, which was from four years to eight years.

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The following table sets out the average useful life by types of intralogistics equipment during the Track Record Period:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(years)</i>			
Counterbalanced Forklifts	5.9	6.1	6.2	6.3
Reach Trucks	5.3	5.4	5.4	5.4
Walkie Stackers	5.7	6.0	5.9	5.8
Others	4.9	4.5	4.5	7.0

During the Track Record Period, we generally sold used equipment around six years after procurement of such equipment, at the price lower than market price of new intralogistics equipment in similar kinds. We generally sold used equipment to small enterprises in remote areas, which had consistent intralogistics needs for the carrying or moving of products or goods, but with cost constraints. The following table sets forth the number of intralogistics equipment by types as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	Equipment Volume			
Counterbalanced				
Forklifts	12,805	14,514	15,610	15,940
Reach Trucks	2,450	2,618	2,694	2,743
Walkie Stackers	15,864	18,989	20,609	21,533
Others	94	136	232	428
Total	31,213	36,257	39,145	40,644

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. As of December 31, 2020, 2021 and 2022, and April 30, 2023, our equipment fleet size was 31,213 units, 36,257 units, 39,145 units and 40,644 units, respectively. During the Track Record Period, our intralogistics equipment had maintained a consistent level of utilization, with rates at 78.9%, 78.5%, 73.1% and 72.7% for 2020, 2021, and 2022 and the four months ended April 30, 2023, respectively. The utilization rate for a particular year/period is arrived at by dividing the aggregation of the number of subscribed equipment in each day during the given year/period, by the aggregation of the number of equipment in the fleet each day during same year/period. The utilization rates of its fleet during the Track Record Period is generally in line with the industry average, which ranges from 60% to 80% as advised by CIC. Such relatively stable utilization reflects our dedication to efficient equipment management, prioritizing timely customer response.

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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 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 and approximately 91.7% for the four months ended April 30, 2023.

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, as well as 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 prospectus. 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 Adviser, 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 inspection as required (once every two years) under such laws and regulations, which manifests that there is no triggering event for mandatory scrapping. As of April 30, 2023, 34,212 intralogistics equipment in our fleet were still in the depreciation and amortization period, and 6,182 units

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had fully depreciated. Fully depreciated equipment can be used for subscription continuously without any future depreciation charges. During the Track Record Period, we procured intralogistics equipment from renowned national and international brands. However, very occasionally, upon requests and where we deem appropriate, we may choose to procure idle intralogistics equipment from corporate entities which own idle intralogistics equipment and have the intention to dispose such equipment by way of selling it/them to the willing buyers in the market. 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 solution provider in the market.

During the Track Record Period, we had not sold any equipment to scrap collection units or recyclers. Instead, to make the best use of the used equipment and to maximize its financial gains, we always sold our used equipment to willing buyers, i.e., end users, in a usable condition with careful maintenance, before such equipment become too old or unusable.

Source and Ownership 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 financial lease arrangements from the financial institutions. 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. The Company holds the ownership of equipment procured with its own funds and bank loans. With respect to equipment procured with finance lease arrangements, according to the terms of the finance leases, the legal titles of relevant equipment belong to the financial institutions temporarily, which, upon maturity of the finance leases, shall be immediately transferred to the Company at nil or nominal consideration. It is of this transaction nature, based on relevant accounting policies and the fact that the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease terms, the Company records relevant equipment as right-of-use assets in the balance sheet. 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. Changes in interest rates of such bank loans and other borrowings 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 prospectus.

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In addition, we rented a limited number of intralogistics equipment from third-party equipment rental companies which mainly engage in leasing different types of equipment, as our customers occasionally asked to subscribe certain special type(s) of intralogistics equipment for temporary short terms (generally within three months). We subscribed such equipment to our customers, and would return such equipment back to the lessor by the end of the term. The ownership of the equipment remains with the lessors during and after the terms of the leases. The types of intralogistics equipment rented from us generally include certain special models of the three major types of intralogistics equipment, i.e., counterbalanced forklifts, reach trucks, and walkie stackers, that are not included in our fleet, as well as a few other types, such as aerial work platform, and floor washers. As of December 31, 2020, 2021 and 2022, and April 30, 2023, intralogistics equipment rented from third party rental companies amounted to 740, 217, 309, 250, respectively.

Measures to Maintain Quality and Profitability

We take the following measures to maintain the quality and profitability of its fleet:

- In procuring equipment for intralogistics equipment subscription services, the Company chooses equipment from reputable manufacturers, so that the quality and after-procurement services of the equipment is guaranteed. In addition, the Company customizes some configuration on equipment components, for example, traditionally, the lights on intralogistics equipment are incandescent lights on default, in the process of procuring the equipment, the Company would ask the sellers to change such lights into LED lights, or have its technicians to replace such incandescent lights after procurements, which are more durable and energy-saving than incandescent lights. Therefore, the profitability of the fleet is increased as frequency and associated costs of equipment maintenance are reduced.
- The Company strategically locates its three supply chain bases in Foshan, Hefei and Langfang, which are close to most tier-one and new tier-one cities. However, the land use or property rent related fees in such cities are much lower than tier-one and new tier-one cities nearby. Such strategic placement enables the Company to minimize the transportation time and costs of its equipment to the customers' destinations, which in turn helps increase the utilization efficiency and profitability of its fleet.
- The Group owns Production Licenses of Special Equipment (特種設備生產許可證). With such licenses, the Group is able to maintain and repair the equipment comprehensively, so that the equipment in the fleet always function in good conditions and quality, and rarely have down-times. Leveraging the Group's repair technique, as of April 30, 2023, over 6,000 equipment in the fleet had fully depreciated. Such equipment can be used for subscription continuously without future depreciation, which contributes to higher profitability of the fleet as well.

BUSINESS

The following table sets forth details of the Company's intralogistics equipment by ownership as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Equipment Volume				
Self-owned Equipment				
– Without payment obligations ⁽¹⁾	5,846	7,925	8,823	9,876
– With bank loan obligations ⁽¹⁾	1,963	4,475	4,544	5,245
– With finance lease obligations ⁽²⁾	22,664	23,640	25,469	25,273
Leased Equipment	<u>740</u>	<u>217</u>	<u>309</u>	<u>250</u>
Total	<u><u>31,213</u></u>	<u><u>36,257</u></u>	<u><u>39,145</u></u>	<u><u>40,644</u></u>

Notes:

- (1). The legal titles of intralogistics equipment procured either with our own capital or proceeds from bank loans belong to us under the PRC laws.
- (2). The legal titles of intralogistics equipment with finance lease obligations belong to the financial institutions as of the dates indicated, which shall be immediately transferred to us at nil or nominal consideration upon maturity of the respective finance leases. Notwithstanding that under PRC laws, the legal titles belong to the financial institutions temporarily during the terms of the finance leases, the Directors of the Company is of the view that the Group is reasonably certain to obtain ownership of the leased assets upon the maturity of the lease terms. Thus, the Group recognized these leased hold intralogistics equipment as right-of-use assets since the beginning of the finance lease arrangements, in accordance with the relevant accounting policies as set forth on page I-20 of the Prospectus.

During the Track Record Period, we recorded RMB73.2 million, RMB81.2 million, RMB76.4 million and RMB24.7 million in interest expenses in relation to the procurement of our equipment, respectively, which accounted for 11.5%, 11.0%, 10.4% and 10.1%, respectively, of our revenue of intralogistics equipment subscription services in the same period. Such ratio generally showed a decline during the Track Record Period primarily because we continue to actively manage such interest expenses to control our finance costs. Considering our relatively stable portion of interest expenses to revenue, our Directors are of the view that there is a manageable impact on our business in relation to our interest expenses. For risks in relation to interest expenses, 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. Changes in interest rates of such bank loans and other borrowings could have a material adverse impact on our business, results of operations and financial condition.”

BUSINESS

We conduct sensitivity analysis on interest rate to measure the potential impact of a reasonably possible change in interest rates on profit and profit margin, assuming all other variables were constant. Assuming a parallel change in interest rate without taking into account any possible risk management activities that may be taken by management to reduce the relevant risks, our sensitivity analysis is as follows:

Year ended December 31,						Four months ended April 30,	
2020		2021		2022		2023	
Increase/ Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit margin
<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>

Changes in

interest rates

Decrease 100 basis point	8,613	1.4	8,295	1.1	8,476	1.2	2,805	1.2
Decrease 50 basis point	4,307	0.7	4,148	0.6	4,238	0.6	1,403	0.6
Increase 50 basis point	(4,307)	(0.7)	(4,148)	(0.6)	(4,238)	(0.6)	(1,403)	(0.6)
Increase 100 basis point	(8,613)	(1.4)	(8,295)	(1.1)	(8,476)	(1.2)	(2,805)	(1.2)

The following table sets forth the movement of the number of intralogistics equipment by ownership during the Track Record Period:

Year ended December 31,						Four months ended April 30,	
2020		2021		2022		2023	
Self- owned	Leased	Self- owned	Leased	Self- owned	Leased	Self- owned	Leased

Equipment Volume at the

Beginning of the

Year/Period

Year/Period	23,664	1,419	30,473	740	36,040	217	38,836	309
Increase ⁽¹⁾	7,215	567	6,773	587	4,640	677	2,186	116
Decrease ⁽²⁾	406	1,246	1,206	1,110	1,844	585	628	175

Equipment Volume at the

End of the Year/Period

End of the Year/Period	30,473	740	36,040	217	38,836	309	40,394	250
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BUSINESS

Notes:

1. The increase in self-owned intralogistics equipment represented newly procured from suppliers or obtained by way of finance leasing arrangement; the increase in leased intralogistics equipment represented newly leased equipment from equipment rental companies.
2. The decrease in self-owned intralogistics equipment represented used equipment sold to end users; and the decrease in leased intralogistics equipment represented equipment returned to the lessors at the end of the lease terms.

A summary of key terms of short-term leasing agreements with third-party rental companies is as follows:

- *Term.* The lessor provides different rental terms, generally ranging from a few days to several months based on our needs.
- *Obligations.* The lessor shall provide door-to-door delivery of the leased equipment as specified in the contract to us. The Company shall keep the equipment in good condition during the rental term, and conduct proper inspections, and basic maintenance (if applicable).
- *Payment.* Generally, the rental fee shall be payable by month. If the Company is late in payment, it shall be liable for default payment until the actual payment date; if the Company is late in payment for certain period, for instance, one week or more, the lessor shall have the right to terminate the contract.
- *Ownership.* The ownership of the equipment belongs to the lessor during and after the term of the lease.
- *Terminations.* Events of default that entitle the lessor to take immediate repossession of the equipment include, among others, situations in which (i) the Company defaults in payment of rental fees or other payables; and (ii) assignment of the rights and obligations in the rental contracts to third parties without prior consent of the lessor.

OUR TECHNOLOGY

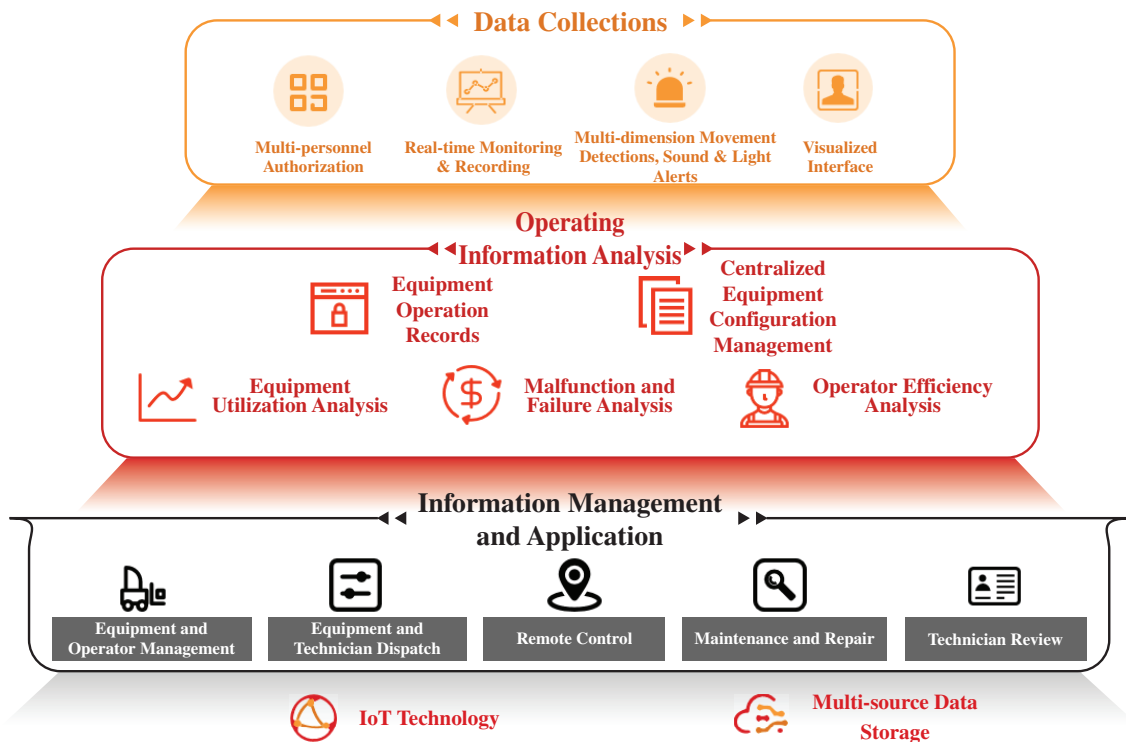
We consider technology capability our key strength to continuously innovate our service offerings, enhance customers' experience and optimize operation efficiency. We have continuously devoted resources in developing and optimizing our comprehensive technology platform, namely Intelligent Asset and Operation Management Platform. 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.

BUSINESS

Our Intelligent Asset and Operation Management Platform, 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 detailed equipment information at multiple dimensions as well as analytical diagrams designed to present key operating information of such equipment at 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 service 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 covered over 97.3% of our equipment fleet, which may allow effective operation management.

The chart below illustrates our Intelligent Asset and Operation Management Platform:



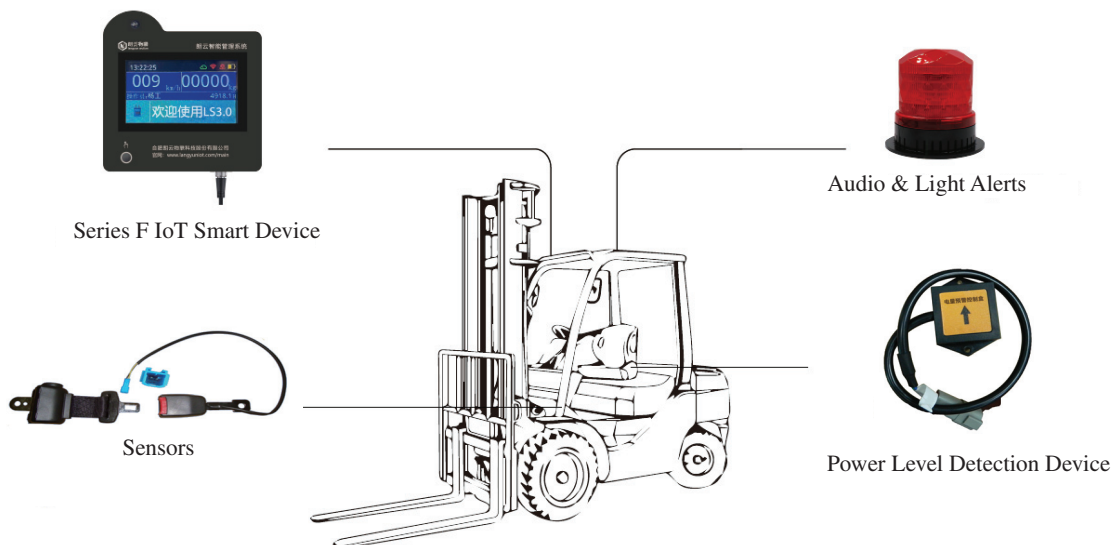
Data Collection – IoT Smart Terminals

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.

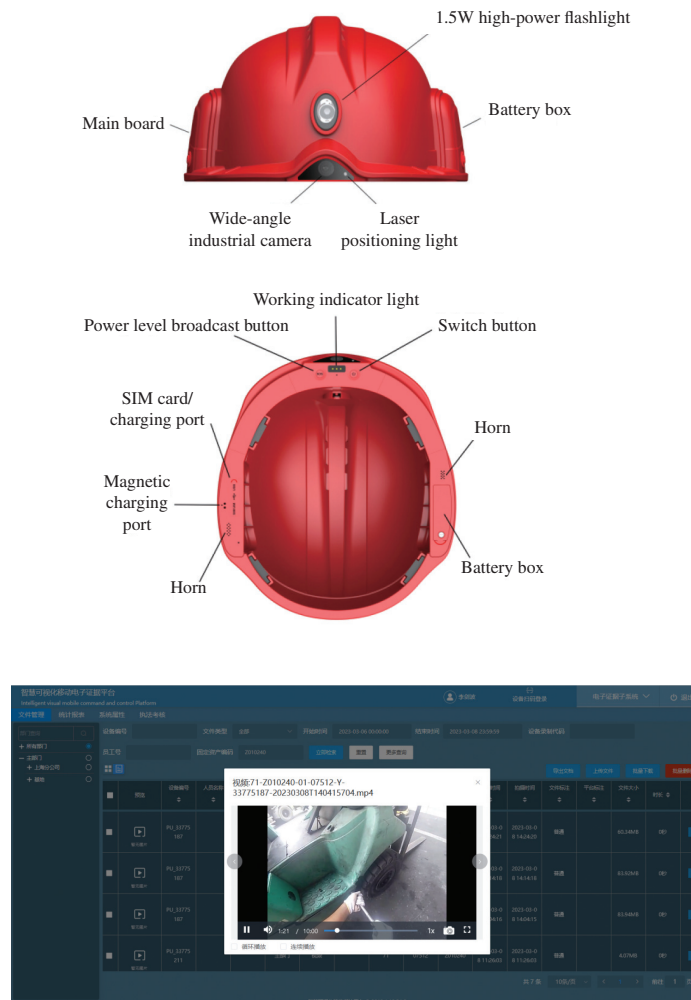
The IoT Smart Terminals serve as the solid foundation for offering intralogistics solutions at a later stage. Leveraging our data analytics capabilities, we are able to study information gathered and processed through our IoT Smart Terminals, such as movements and operating information of the intralogistics 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 a visualized 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:



BUSINESS

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, 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.

The Company’s technicians can set up various control parameters, such as speed limit, load limit, and oil pressure, in the Operating Information Analysis System. In the process of supervising the equipment status, if certain indicator, exceeds the limits, the Operating Information Analysis System could automatically generate instructions, which information will be sent to Series F IoT Smart Device through wireless Internet, and then the embedded control units in the Series F IoT Smart Device will generate action orders to the equipment, to slow it down or alarm loudly.

During the Track Record Period, we took efforts to maximize coverage of our Intelligent Asset and Operation Management Platform on our fleet and to upgrade related hardware devices when necessary. As a result, the percentage of equipment in our fleet that is covered by the Intelligent Asset and Operation Management Platform continued to increase. As of April 30, 2023, 2,266 customers, representing 81.2% of all intralogistics equipment subscription service customers on the same date, had access to the operating information and analysis of their subscribed intralogistics equipment and operators.

Information Management and Application

Our IoT Smart Terminals and Operating Information Analysis System jointly serve as a 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 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.

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. 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 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. 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 will generate alerts swiftly so as to decrease damages to equipment and to regulate the operators' driving behaviors. The customers are not charged additional fees to gain access to this platform.

BUSINESS

The Intelligent Asset and Operation Management Platform can also serve customers who purchase the Company's maintenance and repair service plans. For instance, as the technician provides maintenance and repair services for the customer's equipment, they will usually wear a remote-vision-based safety helmet, which records the whole process of the service, which record shall be uploaded to the Operating Information Analysis System in real-time. Utilizing such device, the technician on site can communicate remotely with our supporting team, which can provide technical advice and support to the technician on site by viewing the real-time images recorded by the remote-vision-based safety helmet. Occasionally, customers subscribing maintenance and repair service plans, ask us to equip their intralogistics equipment with our IoT Smart Terminals, so that the operation of the equipment will be monitored and predicative maintenance will be provided to ensure optimal condition of the equipment.

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 April 30, 2023, our national service network consisted of our headquarter, three main supply chain bases, and 67 service outlets in 47 cities across China, with a focus on cities in Yangtze River Delta and Pearl River Delta. In particular, we had 16 service outlets in tier-one cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, and additional 21 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 55.2% of our total service outlets. The following table sets out the summary of our service network as of April 30, 2023:

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	67	47 cities across the nation	Equipment management; offering services; sales and marketing

BUSINESS

The number of our service outlets was 66, 67, 67 and 67 as of December 31, 2020, 2021, 2022 and April 30, 2023. Each of the service outlets across the nation has one or a few technicians and stores certain amount of equipment parts expected to be used for maintenance and repair of equipment. On the other hand, the intralogistics equipment for equipment subscription services is stored in the main bases of the Group, and shall be transported directly from such main bases to the customer's destination, rather than from any service outlets. Our broad service network allows us to consistently deliver high-quality services nationwide with flexibility and convenience for our customers in a timely manner. In case of regular maintenance needs, or any equipment failure or malfunction, our technicians will provide on-site maintenance or repairs for our customers. As generally agreed with our customers, 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. However, the Company's customers are spread widely across the nation, including northwest China, north China, east China, west China, central China, and south China. As such, the strategic placement of 67 service outlets across the nation is a response to such widespread and large customer bases in 47 cities. Having relatively large number of service outlets is necessary to optimize the Company's response time to reach the customer's designated work sites across the nation.

As of April 30, 2023, there were 67 service outlets located in 47 cities. Intralogistics equipment is a kind of industrial machinery generally designed for heavy duty works, such as moving or lifting heavy loads. Due to such nature, intralogistics equipment are expected to experience high wear and tear during usage, thus require relatively frequent maintenance and repair. In addition, we believe that our capability to deliver timely service to customers constitutes an important step stone for its success.

In line with such observance and business strategy, we maintain a relatively large number of service outlets, to make sure that: there is at least one service outlet in each of the tier-one cities (namely Beijing, Shanghai, Guangzhou and Shenzhen) and new tier-one cities (namely Chengdu, Hangzhou, Chongqing, Xi'an, Suzhou, Wuhan, Nanjing, Tianjin, Zhengzhou, Changsha, Dongguan, Foshan, Ningbo, Qingdao, and Shenyang); for other cities, we will make sure that the technicians arrive within eight hours after the service requests arise. By doing that, we can make sure that its technicians can reach the customer's site within eight hours whenever the service requests arise.

Points of Services ("PoS")

During the Track Record Period, we had PoSs that were located on properties provided by the Company's customers. In such circumstances, the customers had amicable communications with us, and offered to provide free spaces on the customers' working sites for a few of our technicians, so that the customers could get services and professional consultations fast and easily. On the other hand, we generally agreed to dispatch a few technicians and store a small amount of spare parts on the customers' sites, as a way to increase customer stickiness. The customers offered such spaces for free and we did not have leasing agreements or similar arrangements with the customers for using the properties.

BUSINESS

Out of the friendly cooperative relationship between us and the customers, and to achieve mutual benefits for us and the customers, the customers generally agree that technicians on site can also serve other customers nearby, so that we could also utilize its technicians efficiently. According to CIC, such arrangement is not uncommon in the industry. As of April 30, 2023, the Company had 110 PoSs around the nation.

During the Track Record Period, we had 65, 88, 94, and 110 PoSs as of December 31, 2020, 2021, 2022 and April 30, 2023.

The following table sets forth comparison of service outlets and PoSs:

	<u>Functionality</u>	<u>Range of the number of technicians</u>	<u>Range of spaces (sq.m.)</u>	<u>Opening hours</u>
Service outlets	providing support for high-quality on-site repair and maintenance to customers who subscribe the Company's equipment or procure maintenance and repair service plans in surrounding areas	1-43	around 39.0 to 3,200.0	8:30 to 17:30
Points of services	providing support for high-quality on-site repair and maintenance to subscription service or maintenance and repair service customers which provide working spaces	1-5	around 20.0 to 100.0	8:30 to 17:30

PRODUCT LIABILITIES

Intralogistics Equipment Subscription Services

It is clearly stipulated in the intralogistics equipment subscription service agreements that the customer shall ensure that its equipment operators hold valid license for equipment operation and use the equipment properly. The Company shall not be responsible for any damages, accidents or injuries to the customers or any third parties caused by the customer's own misconduct, negligence, or mistake. The Company shall bear losses and/or liabilities for any accidents, injuries or damages only if such accidents, injuries or damages are caused by the inherent defects of the equipment itself, including intralogistics equipment under subscription period. Under such circumstances, in accordance with "Product Quality Law of the PRC" (《中華人民共和國產品質量法》), the Company can ask the manufacturers of the flawed products to reimburse the Company in full after the Company bears such responsibilities. For more information, please refer to "– Product Liabilities – Producer Liabilities" below.

Maintenance and Repair Services

In terms of the maintenance and repair services, the Company does not provide its equipment to the customers. Instead, the Company only assigns its technician(s) to the site of the customers to conduct on-site repair or maintenance of the customers' equipment. Thus, the Company does not assume any product liability in such circumstances.

If there is any accident, injury or damage caused by the gross negligence of the Company's technician(s), the Company shall bear losses and/or liabilities for such accident, injury or damage.

Sales of Intralogistics Equipment

In terms of the sales of intralogistics equipment to customers, as stipulated in the sales agreements with the customers, the Company shall not be responsible for any damages, accidents or injuries to the customers or any third parties caused by the customer's own misconduct, negligence, or mistake.

The Company generally warrants for quality issues, such as equipment part damage, of the equipment within the warranty period the Company grants to the customers. The scope and period of the Company's warranty period is not wider or longer than the scope and period of the warranty period granted by the suppliers. During the warranty period, the Company will adjust, repair or replace parts of the relevant faulty equipment free of charge. As agreed in the procurement agreements with the suppliers, and as advised by the PRC Legal Adviser, under such circumstances, the Company can ask the suppliers to reimburse it in full if it incurs certain costs associated with the quality issues of the equipment sourced from such suppliers.

BUSINESS

Aside from above, the Company shall bear losses and/or liabilities for any accidents, injuries or damages only if such accidents, injuries or damages are caused by the inherent defects of the equipment itself. In accordance with “Product Quality Law of the PRC” (《中華人民共和國產品質量法》), the Company can ask the manufacturers of the flawed products to reimburse the Company in full after the Company bears such responsibilities. For more information, please refer to “– Product Liabilities – Producer Liabilities” below.

Producer Liabilities

The Company is not a manufacturer of the equipment. The PRC Legal Adviser advises that, as stipulated in “Product Quality Law of the PRC” (《中華人民共和國產品質量法》), whenever the accidents, injuries or damages are caused by inherent defects of the products, such as manufacture defects, and design defects, which are inherent to the products, the customer may ask the Company or the manufacturer of the products to pay for the losses or damages; if the customer chooses to ask the Company to pay for the losses, then the Company can ask the manufacturers of the flawed products to reimburse the Company in full after the Company bears any responsibility for the losses of its customer or other third parties because of such accidents, injuries or damages.

SALES MODEL

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, RMB315.2 million, and RMB137.8 million in 2020, 2021 and 2022, and the four months ended April 30, 2023, 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 RMB1,965 to RMB2,183 per month depending on different types of devices and their brands, configurations and models.

BUSINESS

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, and the four months ended April 30, 2023 our research and development expenses amounted to RMB29.3 million, RMB35.7 million, RMB39.7 million, and RMB11.8 million, respectively. As of April 30, 2023, our research and development employees amounted to 139, representing 8.7% 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 April 30, 2023, 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.

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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 prospectus. 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 a 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. During the Track Record Period, we effectively served 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 periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
	<i>(unaudited)</i>									
Manufacturers ⁽¹⁾	3,042	40.7	3,094	39.0	3,290	40.3	1,807	34.5	2,541	44.5
Logistics companies ⁽¹⁾	1,814	24.3	1,929	24.3	1,916	23.5	1,236	23.6	1,440	25.2
Trading companies ⁽¹⁾	2,157	28.8	2,373	29.9	2,183	26.7	1,830	34.9	1,279	22.3
Others	464	6.2	533	6.7	781	9.6	364	7.0	451	8.0
Total	7,477	100.0	7,929	100.0	8,170	100.0	5,237	100.0	5,711	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.

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The following table sets out revenue derived from customers in different industries during the Track Record Period:

	Years ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue										
Manufacturers	355,793	36.3	419,892	35.8	450,937	37.8	122,567	35.3	159,338	36.5
Logistics companies	403,683	41.2	455,673	38.9	427,561	35.8	132,482	38.2	161,118	36.9
Trading companies	179,596	18.3	223,799	19.1	243,274	20.4	76,629	22.1	92,425	21.2
Others	41,571	4.2	72,818	6.2	72,437	6.0	15,131	4.4	23,410	5.4
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0

In particular, the Company categorized some of its customers into the category of “trading companies” based on such companies’ business nature as indicated in publicly available information, and such categorization does not entirely refer to the nature of transactions effected between the Company and such customers during the Track Record Period.

During the Track Record Period, trading companies included, but not limited to, retail group companies (Suning.com, Miss Fresh, Vanguard, etc.); machinery and equipment companies, materials companies (paints, metal, paper, forage, glasswork, packing materials, etc.), automobile and automobile parts companies, equipment sales companies, storage and warehousing companies in China, and, to a lesser extent, abroad.

Transactions between the Company and trading companies covered the Company’s main business segments in its business model, which include (i) the provision of intralogistics equipment subscription services; (ii) maintenance and repair services; and (iii) sales of intralogistics equipment and/or parts. Based on the best knowledge of our Directors, relevant trading companies procured equipment and/or parts primarily to satisfy their own intralogistics need, including movement of goods and material.

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The following tables set out the number of trading company customers, and revenue derived from trading company customers, for each business segment of the Company during the Track Record Period:

1. Number of Trading Company Customers

	Year Ended December 31,						Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Number of trading company customers	Percentage of total number of customers (%)	Number of trading company customers	Percentage of total number of customers (%)	Number of trading company customers	Percentage of total number of customers (%)	Number of trading company customers	Percentage of total number of customers (%)	Number of trading company customers	Percentage of total number of customers (%)
Intralogistics equipment subscription services	575	7.7	662	8.3	632	7.7	457	8.7	385	6.7
Maintenance and repair services	451	6.0	583	7.4	648	7.9	793	15.1	353	6.2
Sales of intralogistics equipment and/or parts	1,315	17.6	1,374	17.3	1,151	14.1	726	13.9	635	11.1
Subtotal	2,341	31.3	2,619	33.0	2,431	29.7	1,976	37.7	1,373	24.0
Less: Overlapping across business segments⁽¹⁾	(184)	(2.5)	(246)	(3.1)	(248)	(3.0)	(146)	(2.8)	(94)	(1.6)
Total number of trading companies	2,157	28.8	2,373	29.9	2,183	26.7	1,830	34.9	1,279	22.3

Note:

- (1) Certain customers overlap across the business segments (i.e., intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and/or parts), therefore, the total number of trading company customers does not necessarily equal to the sum of trading company customers under each business segment above.

2. Revenue Derived from Trading Company Customers

	Year Ended December 31,						Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Revenue derived from trading company customers	Percentage of total revenue (%)	Revenue derived from trading company customers	Percentage of total revenue (%)	Revenue derived from trading company customers	Percentage of total revenue (%)	Revenue derived from trading company customers	Percentage of total revenue (%)	Revenue derived from trading company customers	Percentage of total revenue (%)
Intralogistics equipment subscription services	42,559	4.3	44,032	3.8	45,733	3.8	15,109	4.4	13,743	3.2
Maintenance and repair services	10,611	1.1	15,471	1.3	17,205	1.4	10,226	2.9	6,109	1.4
Sales of intralogistics equipment and/or parts	126,426	12.9	164,295	14.0	180,336	15.1	51,294	14.8	72,573	16.6
Total	179,596	18.3	223,799	19.1	243,274	20.3	76,629	22.1	92,425	21.2

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With respect to transactions in the third business segment, during the Track Record Period, among all trading companies, 1,315, 1,374, 1,151 and 635 were customers who procured intralogistics equipment and/or parts from the Company, accounted for 17.6%, 17.3%, 14.1% and 11.1% of the Company’s total customers in the same period, respectively. In addition, revenue derived from sales to such trading companies only accounted for 12.9%, 14.0%, 15.1% and 16.6% of the total revenue in the same period, respectively. Our business relationships with such customers are of a buyer/seller nature. The risks and ownership of relevant equipment and/or parts were transferred to such customers upon acceptance. Such customers did not have a legal right to return products to the Company except for product defects. In addition, the Company had no knowledge on the subsequent use of relevant intralogistics equipment and/or parts that such trading companies purchased from the Company.

The remaining group of “trading companies” only procured intralogistics equipment subscription services or maintenance or repair services from the Company.

The following table sets out the number of overlapping customers during the Track Record Period⁽¹⁾:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
Overlapping customers of A and B	763	851	909	487	509
Overlapping customers of A and C	111	107	130	46	50
Overlapping customers of B and C	323	353	317	93	122
Overlapping customers across three business segments	165	187	171	61	61
Customers that only had one of A, B or C	6,115	6,431	6,643	4,550	4,969
Total	7,477	7,929	8,170	5,237	5,711

Note: In the chart above, “A” represents “intralogistics equipment subscription services”, “B” represents “maintenance and repair services”, and “C” represents “sales of intralogistics equipment and parts.”

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We review our customers on a regular basis. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest customers in each year/period during the Track Record Period contributed to 17.0%, 15.8%, 13.9% and 16.0% of our total revenue, respectively; and (ii) our largest customer in each year/period during the Track Record Period contributed to 6.1%, 6.5%, 5.8% and 4.6% of our total revenue, respectively.

Customer	Revenue (RMB'000)	% of Total Revenue in Same Customers' Period Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended December 31, 2020</i>					
Customer A	60,223.7	6.1%	Logistics company	90 days	2016
Customer B	47,781.9	4.9%	Logistics company	30 days	2017
Customer C	31,970.5	3.3%	Logistics company	90 days	2017
Customer D	13,255.9	1.4%	Logistics company	30 days	2017
Customer E	13,108.4	1.3%	Logistics company	30 days	2020
Total	<u><u>166,340.4</u></u>	<u><u>17.0%</u></u>			

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Note:

- (1) Customer A: founded in 2010, is a listed company on Hong Kong Stock Exchange and headquartered in Shanghai, offering a wide range of services including logistics and transportation services, value-added services and dispatch services. According to the public information available, it is the first one to establish the freight partner platform model in 2012.

Customer B: founded in 2007, is a listed company in the U.S. and headquartered in Hangzhou, Zhejiang. It is a leading smart supply chain service provider in China, offering a wide range of services including integrated logistics and supply chain services, last-mile services and value-added services.

Customer C: founded in 2015, is a non-listed company headquartered in Shanghai, offering a wide range of services including freight transportation services, cargo agency services, supply chain management, etc.

Customer D: founded in 2017, is a non-listed company headquartered in Shanghai, offering a wide range of services including logistics services, and warehousing services.

Customer E: founded in 2001, is a non-listed company headquartered in Changchun, Jilin, concentrating on transportation services, cargo agency services, warehousing services, etc.

Customer	Revenue (RMB'000)	% of Total Revenue in Same Period	Customers' Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended</i>						
<i>December 31, 2021</i>						
Customer A	75,752.4	6.5%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	42,764.2	3.6%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2017
Customer C	31,180.4	2.7%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017

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Customer	Revenue (RMB'000)	% of Total Revenue in Same Period	Customers' Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
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	<u><u>184,716.8</u></u>	<u><u>15.8%</u></u>				

Note:

- (1) Customer F: founded in 2018, is a non-listed company headquartered in Beijing, concentrating on technology development and consultation, supply chain management, cargo agency services, warehousing services, etc.

Customer G: founded in 1998, is a dual-listed company in the U.S. and Hong Kong Stock Exchange, headquartered in Beijing. It is one of the major e-commerce and online retail company in China, and also offers logistics and transportation services.

Customer	Revenue (RMB'000)	% of Total Revenue in Same Period	Customers' Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For the year ended</i>						
<i>December 31, 2022</i>						
Customer A	69,244.1	5.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016

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Customer	Revenue (RMB'000)	% of Total Revenue in Same Period	Customers' Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
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	<u><u>166,172.2</u></u>	<u><u>13.9%</u></u>				

Note:

- (1) Customer H: founded in 1995, is a dual-listed company in Shenzhen Stock Exchange and Hong Kong Stock Exchange, headquartered in Shenzhen, Guangdong. It is a leading manufacturing group company of automobiles, intralogistics equipment, rechargeable batteries and other related products in China.

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Customer	Revenue (RMB'000)	% of Total Revenue in Same period	Customers' Background ⁽¹⁾	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
<i>For four months ended April 30, 2023</i>						
Customer A	19,940.7	4.6%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer I ⁽²⁾	17,340.7	4.0%	Logistics company	Sales of intralogistics equipment and parts	90 days	2023
Customer J	13,851.5	3.2%	Manufacturing group of automobiles	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017
Customer B	9,617.3	2.2%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2017
Customer H	8,914.3	2.0%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment subscription services, maintenance and repair services	90 days	2016
Total	<u>69,664.6</u>	<u>16.0%</u>				

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Notes:

- (1) Customer I: founded in 2021, is a state-owned company headquartered in Chengdu, Sichuan, concentrating on the construction, development, operation and management of Chengdu International Railway Port. It also engages in logistics and transportation services.

Customer J: founded in 1953, is a non-listed company headquartered in Changchun, Jilin. It is a leading manufacturing company of automobiles, and related parts.

- (2) According to public information available, Customer I is a state-owned company established by Chengdu government for the purpose of constructing, developing and operating an international railway port. The Company has no pre-existing business relationship with Customer I. However, at the end of 2022, Customer I invited public tenders through the China Government Procurement website (中國政府採購網) (www.ccgp.gov.cn) for the procurement of heavy-duty intralogistics equipment to be used for loading, unloading, moving and stacking port containers in the railway port (the “Project”).

The Company learned about this invitation through the internet and actively participated in the bidding. As a reputable and well-known supplier in the industry of intralogistics equipment, the Company was eventually selected by Customer I to be its equipment supplier for the Project. The Company signed two equipment procurement agreements with Customer I in March, 2023 and sold intralogistics equipment to it in the consideration (excluding tax) of RMB17.3 million in total. As of April 30, 2023, such equipment had been delivered.

Customer I is a state-owned enterprise with a registered capital of RMB5.0 billion. Although it has not been established for a long time, it has strong economic and business strengths and resources supported by Chengdu government, and its procurements were commensurate with the scale of its operations.

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 in each year/period 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. During the Track Record Period, the contracts generally had durations ranging from three months to 48 months. The average contract term was around 19.7 months, 22.7 months, 14.5 months, and 13.7 months in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. The service term generally starts at the date when the requested equipment is received by the customer;
- *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;

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- *Subscription price.* The average monthly subscription price (excluding VAT) of different types of intralogistics equipment varies significantly based on specifications of relevant equipment. For instance, in respect of simple-structured and inexpensive stackers used for moving small goods, such price can be as low as approximately RMB50/unit, while for complex and expensive intralogistics equipment for moving heavy products, such price can generally reach approximately RMB32,000/unit. Taken as a whole, our overall 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, and RMB2,183 per unit for the four month ended April 30, 2023.
- *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;
- *Ownership.* The ownership of the subscribed equipment will not be transferred to the customer either during or after the subscription service agreement;
- *Termination.* If the customer fails to pay the service fees as stipulated in contract to us within the prescribed period in the contract, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day. If the payment is overdue for more than 20 days, then we have the right to use customer's security deposit (if any) directly to offset overdue service fee and late fee. We generally charge three months' equipment subscription service fees as security deposit (if applicable), within three business days after the execution of the service agreement. 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;

If either party unilaterally requests early termination of the contract, it shall pay the other party penalty of six months' subscription price in the contract, or the residual amount of fees for the remaining period, whichever is higher. If both parties agree to terminate the contract in advance, the customer only needs to settle the contract price for the period that has expired.

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

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- *Service scope adjustment.* During the Track Record Period, we allowed our customers to adjust the service scope if needed. To make such adjustment, the parties will have amicable discussion and execute a supplemental agreement to the existing service contract. Once the Company and its customer enter into a subscription service agreement, the Company generally does not charge any penalty or separate service fees when there is no material adjustment to contract terms and conditions, including service scope. If the customer opts to extend the contract term, or replace existing equipment with equipment with higher unit subscription prices, or increase subscription volume, where additional fees will be incurred, the Company will further negotiate with its customer to enter into supplemental agreement to cover such extra amount. The exact amount will be determined case by case based on changed equipment volume, contract period, and/or unit subscription price. In addition, if the customer opts to reduce subscription period or subscription volume, or change for cheaper equipment, the parties shall revise the agreement to reduce the subscription price accordingly. However, in fact, as the Company generally assisted its customers to evaluate the workload and equipment volume needed before the execution of the service contracts, the Company had not encountered material reductions during the Track Record Period. In addition, there was no dispute with any customer in relation to service scope adjustment during the Track Record Period.
- *Option to purchase.* There is no option under the intralogistics equipment subscription service contact for the customers to acquire the subscribed equipment.

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;

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- *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.

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Our Suppliers

During the Track Record Period, we primarily procured intralogistics equipment and parts. Our suppliers primarily consisted of intralogistics equipment and parts manufacturers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest suppliers in each year/period during the Track Record Period contributed to 50.7%, 49.0%, 46.7% and 41.2% of our total purchases, respectively; and (ii) our largest supplier in each year/period during the Track Record Period contributed to 20.7%, 17.7%, 22.1% and 13.4% of our total purchases, respectively.

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

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

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

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Supplier	Transaction Amount <i>(RMB'000)</i>	% of Total Purchases in Same Period	Suppliers' Background	Products Purchased by us	Credit Terms	Year in Which the Group Commenced Business with the Supplier
<i>For four months ended April 30, 2023</i>						
Supplier A	44,778.2	13.4%	Manufacturing group of automobiles, intralogistics equipment, rechargeable batteries and other related parts	Intralogistics equipment and parts	60 days	2016
Supplier B	43,455.6	13.0%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment and parts	60 days	2016
Supplier G	18,293.1	5.5%	Manufacturer of intralogistics equipment parts	Intralogistics equipment parts	30 days	2014
Supplier C	16,583.6	4.9%	Manufacturer of intralogistics equipment and parts	Intralogistics equipment parts	30 days	2007
Supplier I	14,792.9	4.4%	Trading company of intralogistics equipment and parts	Intralogistics equipment	90 days	2017
Total	<u><u>137,903.4</u></u>	<u><u>41.2%</u></u>				

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

The Company's suppliers were not related to the employees or former employees of the Company during the Track Record Period and up to the Latest Practicable Date.

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;
- *Product warranty and liability.* The suppliers are responsible for quality issues of the products within the warranty period, which is generally 12 months after the acceptance of the products. During the warranty period, they will adjust, repair or replace the relevant product(s) free of charge. In addition, if the Company bears any responsibilities to adjust, repair or replace parts of the relevant faulty products for its customers and incurs costs accordingly, the suppliers shall reimburse the Company in full.

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 and for the four months ended April 30, 2023, our procurement from Supplier A/Customer H amounted to RMB161.4 million, RMB151.5 million, RMB179.8 million and RMB44.8 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

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intralogistics equipment from us as they were looking for certain specific types of intralogistics equipment. In 2020, 2021 and 2022 and for the four months ended April 30, 2023, our revenue generated from Customer H amounted to RMB5.7 million, RMB13.0 million, RMB21.9 million, and RMB8.9 million, respectively. In addition, during the Track Record Period, the gross profit attributable to Supplier A/Customer H amounted to RMB1.6 million, RMB3.0 million, RMB6.2 million and RMB3.8 million in 2020, 2021, 2022, and the four months ended April 30, 2023, respectively. The gross profit margin attributable to Supplier A/Customer H amounted to 27.2%, 23.1%, 28.3%, and 42.4% in 2020, 2021, 2022, and the four months ended April 30, 2023, respectively. The fluctuations in gross profit margin attributable to Customer H during the Track Record Period is mainly caused by the change in business mixture between us and Customer H. In particular, the gross profit margin for the four months ended April 30, 2023 was relatively higher than that in 2020, 2021 and 2022, because the revenue contribution of maintenance and repair service plans, out of all services procured by Customer H increased significantly in the four months ended April 30, 2023, as compared to revenue contribution of such service segment in 2020, 2021 and 2022, which service segment had a relatively higher gross profit margin than other business segments. For more information about the gross profit margin of maintenance and repair service plans, please refer to “– Our Business – Maintenance and Repair Services” in this section.

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 suppliers/customers 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.

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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夥伴)	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 solutions, our ability to meet potential customers’ expectations and specifications, 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 prospectus. 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 and the four months ended April 30, 2023, the number of Relevant Customers amounted to 55, 55, 88, and 16, respectively. The aggregate amount of third-party payments (the “Third-Party Payments”) we received from Third-Party Payers was RMB5.3 million, RMB10.4 million, RMB17.9 million and RMB6.2 million, which respectively accounted for 0.5%, 0.9%, 1.5% and 1.4% of our Group’s total revenue in 2020, 2021, and 2022 and the four months ended April 30, 2023. 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. To the best knowledge of our Directors after making reasonable inquiries, none of the Relevant Customers or their respective Third-Party Payers had any other past or present relationship (whether business, employment, family, trust, fund flow, financing or otherwise) with the Company, its subsidiaries, shareholders, directors or senior management, or any of their respective associates. 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, the Group had not received any claims from third-party payers or its liquidators.

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 Adviser, 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.

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To the best knowledge of our Directors after making reasonable enquiries that, during the Track Record Period and up to the Latest Practicable Date, (i) all the Third-Party Payments were related to genuine transactions between us and the Relevant Customers and were made by bank transfers; (ii) the amount of Third-Party Payments received by us from Third-Party Payers corresponded with the transaction amount in the relevant sales orders, records, and/or invoices between the Relevant Customers and us; (iii) all relevant transactions involving Third-Party Payments were completed with the agreed-upon amount being settled as specified in respective agreements; (iv) we have not encountered any incidents demanding us to return payment in relation to relevant transactions; and (v) nothing came to our attention that would cause our Directors to doubt the genuineness of relevant transactions or the good faith of relevant parties involved. Based on the foregoing, our Directors confirm, and the PRC Legal Adviser advises that, the risk of possible claims from third-party payers for the return of funds is low.

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 (i) affiliates of Relevant Customers, such as entities within the same group or under common control with the Relevant Customers, and individuals who are owners, directors, or employees of Relevant Customers or their family members; and (ii) independent third parties engaged by Relevant Customers, such as third party settlement agents and their nominees, forwarders, and business partners of 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 for the convenience and efficiency of foreign exchange settlement and customs clearance in relation to international transactions.

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;

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- (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. Under the oversight of our management, we actively identify and monitor actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate considerations of these issues into our business, strategic and financial planning. Our management team 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.

Materiality Assessment

We identify potential material ESG issues which may affect our Group's business or stakeholders, based on the corporate strategies of our Group and characteristic of the industry, as well as the development of national policies and applicable regulatory requirements and industry standards. We assess the materiality of identified ESG issues from two dimensions metrics of "significance to stakeholders" and "significance to our Group" by taking into account the opinions of both stakeholders and experts and with reference to the following factors and quantifiable metrics:

Factors considers:

- the likelihood or frequency of the occurrence of the relevant risk;
- the degree of impact on our Group if the relevant risk occurs.

Quantifiable metric:

- nil suspension or revocation of business license due to ESG-related issues.

We prioritize the ESG issues based on the assessment results. 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 have set up metrics and targets for ESG issues and to review our key ESG performance on a regular basis.

Energy Saving and Efficiency Enhancement

Our 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 and approximately 91.7% for the four months ended April 30, 2023. 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 70.0% of our total intralogistics equipment as of April 30, 2023. 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.

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In addition, we have continuously devoted resources to developing and optimizing our Intelligent Asset and Operation Management Platform, 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.

Environmental Protection

We have established a comprehensive set of key performance indicators to assess and guide our business operations. The following tables present quantitative analysis of our environmental performance during our Track Record Period:

Environmental Key Performance Indicators	Year ended December 31,			Four months ended April 30,
	2020	2021	2022	2023
	Water and electricity consumption (RMB'000)	2,135	2,374	3,573
Machine oil (RMB'000)	1,038	1,200	1,198	362
Hazardous waste (tons)	2.4	2.9	2.8	0.7

	Units	Year ended December 31,			Four months ended April 30,
		2020	2021	2022	2023
		Intensity of water and electricity consumption	Costs of water and electricity (RMB)/total revenue (RMB'000)	2.17	2.02
Intensity of machine oil	Costs of machine oil (RMB)/number of equipment	33.25	33.11	30.59	8.92
Intensity of hazardous waste	Kilograms of hazardous waste/total revenue (RMB'000)	0.0025	0.0024	0.0024	0.0017

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To better manage our environmental, social and climate-related risks, we strive to enhance our environmental protection performances in various aspects, such as electricity consumption, water consumption and hazardous waste emissions through developing and integrating environmentally sustainable practices into our operations. In relation to water and electricity management, we implement policy on water and electricity usage, set water and electricity consumption KPIs, and monitor water and electricity consumption regularly. In respect of the hazardous waste emissions, we opt for machine oil with high quality to minimize the amount of waste oil generated during operation of the equipment, and try to optimize the functionality of the intralogistics equipment and try to reduce the frequency of major repairs of our intralogistics equipment through continuous supervision and predictive maintenance, so as to reduce the amount of hazardous waste generated in the process of maintenance and repair of such equipment. In terms of disposal of used equipment, such as electronic equipment, we always sell used equipment we no longer need to third parties at fair market price, without any burden to deal with the scrapped equipment. For information about treatment of hazardous waste, please refer to “Environmental, Social and Governance (“ESG”) – Treatment of Hazardous Waste” in this section. In addition, we will conduct regular reviews and inspections to ensure the effectiveness of energy-saving measures and encourage cross-department communication to share good practices.

We have set the following specific ESG-related targets:

Strategy Theme	Targets
Water and electricity consumption reduction	By the end of 2027, we strive to reduce the intensity of water and electricity consumption/total revenue to approximately RMB1.76 per RMB1,000 revenue.
Machine oil consumption reduction	By the end of 2027, we strive to reduce the intensity of machine oil consumption/unit of intralogistics equipment to approximately RMB19.03 per unit intralogistics equipment.
Waste discharge	We will continue to dispose the hazardous wastes in compliance with relevant laws and regulations.

Treatment of Hazardous Waste

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

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

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 so as to prevent frequent repairs or major repairs that would produce more waste.

During the Track Record Period, we had not sold any equipment to scrap collection units or recyclers. Instead, to make the best use of the used equipment and to maximize its financial gains, we always sold our used equipment to willing buyers, i.e., end users, in a usable condition with careful maintenance, before such equipment become too old or unusable.

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

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

Employee Care

We are committed to equal employment opportunity and workplace diversity. Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Under our internal policies, the employees shall not be discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws and regulations.

We provide remuneration packages, which include salary and bonuses, and various welfare benefits, such as medical care, retirement benefits, and occupational injury insurance to our employees. We provide our employees with paid time off, including public holidays, marital leaves, maternity leaves, compassionate leaves and annual leaves according to labour laws and regulations. We promote our employees on a performance merit basis.

We comply with various PRC laws and regulations in respect of occupational health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees, with an aim to improve the satisfaction rate of our employees. We have adopted and maintained a series of policies and measures to maintain a safe environment for our employees, including, among others, safety incident management policy, occupational hazard monitoring and management policy. For example, we conduct various types of training, including onboarding and on-the-job training.

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.

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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 Adviser, 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 prospectus.

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, 11 patents, 11 domain names, 17 trademarks and 115 computer software copyrights in China. For detailed information about our material intellectual property, see “Appendix VI. Statutory and General Information – Further Information about the Business of our Company – 2. Intellectual Property Rights” to this prospectus.

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.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC.

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EMPLOYEES

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

We plan to adopt recruitment plan 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 April 30, 2023, we had 1,606 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	673	41.9
Sales and marketing	191	11.9
General administration	603	37.5
Research and development	139	8.7
Total	<u>1,606</u>	<u>100.0</u>

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.

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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. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. We may also be subject to compulsory enforcement regarding the housing provident fund. As of December 31, 2020, 2021 and 2022, and April 30, 2023, our aggregate outstanding amount of social insurance and housing provident fund contributions were approximately RMB270,000, RMB334,000, RMB442,000 and RMB431,000. As of the Latest Practicable Date, no 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. For more information, please see “Risk Factors – Risks Relating to Our Business and Industry – We may be demanded to pay the outstanding contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities” in this prospectus.

As advised by the PRC Legal Adviser, we have obtained certain compliance certificates from the relevant regulatory authorities to confirm that (i) no administrative action, fine or penalty had been taken or imposed against us as a result of the non-compliance and (ii) the likelihood of any administrative action, fine or penalty to be taken or imposed against us in relation to social insurance and housing provident fund contributions is remote if we make timely payments for the outstanding social insurance contributions once required to do so by relevant government authorities. We will begin to make full payment of social insurance and housing provident fund contributions based on the actual salaries of our employees from the earliest possible time to the extent practicable under local practices. As advised by the PRC Legal Adviser, based on relevant practices of social insurance and housing provident fund contributions, the relevant local regulatory authorities make annual adjustments to the maximum and minimum contribution bases of social insurance and housing provident in July each year. Therefore, the earliest possible date for us to adjust our contribution base and make full payment of social insurance and housing provident fund contributions based on the actual salaries of employees is expected to be July 2024. We undertake that we will make timely payments for the underpayment amount as soon as requested by the competent government authorities. Furthermore, on April 7, 2023, our Controlling Shareholders signed a deed of indemnity, pursuant to which, our Controlling Shareholders have undertaken to fully indemnify us against any liability or penalty arising from any non-compliance in relation to our underpayment of social insurance and housing provident fund contributions.

In addition, we have taken the following rectification measures to prevent future occurrence of such non-compliance: (i) strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds; (ii) formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement; and (iii) plan to regularly consult external counsel to assess whether we are at risk of non-compliance with the relevant laws and regulations.

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INSURANCE

For operational fixed assets, we established a mature asset operation system to effectively manage and use all assets. In addition, we insure for all operational fixed assets against risks that may happen as follows: for our main office building in Guangzhou, we take out all-risk property insurance against risks of loss of our assets; for our commercial vehicles, we take out all-risk property insurance and third party liability insurance; for our intralogistics equipment, we take out all-risk property insurance, special equipment safety liability insurance, and third party property damage insurance. Meanwhile, for passenger vehicles and commercial vehicles, we take out vehicle compulsory liability insurance according to applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, the Company has not experienced any cases of accidents, injuries or claims for damages caused by using the Company's equipment that would have a material and adverse effect on our business, financial condition, or results of operations. 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, as well as any liabilities and claims may arise from the use of the equipment.

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.

In addition, we are generally not responsible for accidents that happen in relation to our equipment after delivery of such equipment 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 their occurrence, even if we are not in fault. For details, see "Risk Factors – Risks Relating to Our Business and Industry – Accidents in our business or in relation to our intralogistics equipment subscription services may expose us to liability and reputational risk" in this Prospectus.

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 Prospectus.

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 prospectus.

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 an office building on one of such two parcels of land in Hefei, Anhui.

As of the Latest Practicable Date, we had twelve properties with an aggregated GFA of approximately 142,286.0 sq.m., which was primarily used as the office buildings, warehouses and dormitory. 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 74 properties in various locations with an aggregated GFA of approximately 71,132.1 sq.m. As of the Latest Practicable Date, we had not register 65 of our leased properties, with an aggregated GFA of approximately 36,462.6 sq.m., which were used as office buildings and warehouses. As of the Latest Practicable Date, none of the relevant properties are used as our headquarter or supply chain bases, except for our main supply chain base in Foshan, Guangdong. Our PRC Legal Adviser has 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. We may be subject to a maximum penalty of RMB0.65 million in aggregation for the failure to register the property lease agreements, in the event that we are required by the competent authorities to register the property lease agreements. 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 prospectus.

As of the Latest Practicable Date, the lessors of nine of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents, representing approximately 5.4% 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

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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 Adviser, 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 Adviser, 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.

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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
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 ⁽¹⁾
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 ⁽²⁾

Notes:

- (1) As indicated in the PRC Customs Declaration Unit Registration Certificate issued by the Panyu Customs (番禺海關) on March 7, 2017, the certificate remains valid indefinitely with no expiration date.
- (2) As indicated in the PRC Customs Declaration Unit Registration Certificate issued by the Panyu Customs (番禺海關) on June 29, 2016, the certificate remains valid indefinitely with no expiration date.

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, which would individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

Construction Work Dispute

On March 1, 2023, a PRC construction company (the “Claimant”) initiated legal proceedings against Anhui Folangsi (the “Anhui Folangsi Proceedings”) in the People’s Court of Feixi County in Hefei of Anhui Province, the PRC (the “Feixi Court”), pursuant to which the Claimant alleged that (the “Claims”) Anhui Folangsi had failed to pay the Claimant for certain construction work performed for Anhui Folangsi. The Claimant claimed against Anhui Folangsi for a total sum of approximately RMB16.8 million as outstanding payment for construction work on Anhui Folangsi’s warehouse and certain construction work on the production facilities and operational centre performed by the Claimant pursuant to a written agreement and an oral agreement between the Claimant and Anhui Folangsi, and the interest for the above-mentioned outstanding payment. Anhui Folangsi has engaged PRC legal counsel (the “Litigation Counsel”) for the Anhui Folangsi Proceedings. On June 8, 2023, the Feixi Court ordered Anhui Folangsi to pay the Claimant an aggregated amount of RMB376,000 and dismissed other claims of the Claimant. Both the Company and the Claimant appealed to the Intermediate People’s Court of Hefei in Anhui Province (the “Hefei Intermediate Court”). On October 16, 2023, the Hefei Intermediate Court ruled that the Claimant had withdrawn its appeal, and the judgment made by the Feixi Court became effective. In addition, we have fully settled the payment required by the Feixi Court to the plaintiff, which payment had no material impact on our liquidity considering our business scale. Based on the above, our Directors and our PRC Legal Adviser is of the view that this legal proceeding will not have any material adverse impact on the business, financial condition, and results of operations of the Group or the Global Offering.

Fire Incident Dispute

In August 2018, a company (the “Lessee”) leased a warehouse from a landlord in Shanghai (the “Lessor”) for the stock of certain products. The Lessee purchased an insurance from an insurance company (the “Insurance Company”) against all risks to the products stored in the warehouse. In addition, the Lessee subscribed electric forklifts from one of the Company’s branches in Shanghai, and used such forklifts in the warehouse. In November 2019, a fire broke out in the warehouse, which caused damages to the products of the Lessee. After the fire, the Insurance Company paid for the damages to the products insured and obtained the right of subrogation against third parties. On March 15, 2021, the Insurance Company initiated legal proceedings against us in the People’s Court of Qingpu District in Shanghai, the PRC (the “Qingpu Court”), pursuant to which the Insurance Company made a claim of approximately

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RMB5.8 million and alleged that we should be liable for the losses caused by a fire that broke out at the warehouse. On March 7, 2022, the Qingpu Court made a judgment stating that the fire was caused by a malfunction in the electric circuit at the location of the charger during the charging process of an electric forklift used by the Lessee, not caused by a malfunction of the electric forklift itself and the Qingpu Court could not determine whether the electric circuit was owned by us or the Lessor based on the evidence submitted to the court. According to the judgment made by the Qingpu Court, we and the Lessor shall each respectively pay approximately RMB1.46 million to the plaintiff, and both parties shall be jointly and severally liable for the aforementioned compensation. On March 22, 2022, we appealed to the Shanghai Financial Court. The Insurance Company, the Lessee and the Lessor have also appealed. The Shanghai Financial Court issued a judgment on August 24, 2023, ruling that we and the lessor shall each respectively pay approximately RMB877,300 to the plaintiff, and both parties shall be jointly and severally liable for the aforementioned compensation. As advised by Allbright Law Firm (Shenzhen) (上海市錦天城(深圳)律師事務所), the counsel engaged by the us in relation to this dispute, our Directors and our PRC Legal Adviser is of the view that the legal proceedings will not have any material adverse impact on the business, financial conditions, and results of operations of the Group or the Global Offering. In addition, we have fully settled such payment to the plaintiff, which payment had no material impact on our liquidity considering our business scale.

Except for the above-mentioned fire incident, there had been no similar fire incidents or other hazards happened during the Track Record Period and up to the Latest Practicable Date. After the fire incident, we have taken the following remedial actions in daily management of our equipment and in providing intralogistics equipment subscription services: (i) we have further clarified the division of responsibilities with customers and suppliers in contracts, including specifying that customers should bear responsibilities arising from the use of equipment, and we shall not be liable for any incidents or harm caused by such use by the customers. Suppliers should bear responsibilities arising from product quality, design defects, etc. If any incident or harm is caused by the intrinsic defects of the product itself, the suppliers shall indemnify us, and we are entitled to recover from the suppliers for any payments that we make to our customers or third parties; (ii) we have strengthened the safety training for customers, including providing user instructions to customers before delivering equipment and equipment operation training to customers upon delivery of the equipment; and (iii) we have improved our safety supervision system and internal control system. We have also standardized and monitored the work behaviour of service personnel, with the help of the wearable devices, effectively preventing occupational safety risks.

Trademark Right Infringement Dispute

In May, 2023, a PRC company (the “Claimant”) reported us to Weifang High-tech Zone Market Supervision Bureau, claiming that we had infringed the Claimant’s trademark rights by placing the Claimant’s trademark on 13 forklifts (the “Alleged Infringement Action”) provided by us to the relevant equipment subscription client (the “Client A”). The Weifang High-tech

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Zone Market Supervision Bureau, after investigating the said claims, had issued its decision in June, 2023, ruling in favor of us and having found that there had not been infringement of the Claimant's trademark right by us (the "Decision").

However, in July, 2023, the Claimant had brought proceedings against us at the Intermediate People's Court of Weifang in Shandong Province, the PRC (the "Weifang Court"), claiming that we had infringed its trademark rights by placing a trademark owned by the Claimant on 13 forklifts that we provided to Client A (the "Relevant Proceedings"). Pursuant to the Relevant Proceedings, the Claimant has requested that: (i) we cease Alleged Infringement Action which the Claimant allege to be an infringement of its trademark right, and (ii) compensate the Claimant for the economic loss and the costs incurred by the Claimant in relation to such claims in the total amount of RMB3,912,800. In addition, the 13 forklifts relating to the Alleged Infringement Action have been seized pursuant to a injunctive order granted by Weifang Court in June. The Weifang Court had held a first hearing on September 19, 2023, but had not granted any judgment on the Relevant Proceedings yet. Shandong Hanhui Law Firm (山東瀚暉律師事務所), the counsel engaged by us in relation to the Relevant Proceedings (the "PRC Litigation Counsel"), is of the view that the likelihood of the Weifang Court ruling in favor of the Claimant is very low since the forklifts in dispute were manufactured by the Claimant and had been purchased by us from third party sellers, which is evidenced by various supporting documents and information, including nameplates on forklifts which record the manufacturer, sales contract between us and the relevant sellers, and VAT invoices provided by the relevant sellers. Based on the foregoing, our Directors and our PRC Legal Adviser believes that the Relevant Proceedings would not result in any material adverse effect on our business, financial condition, or results of operations.

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

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

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 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, in particular, 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.

Our historical involvement of relevant transactions related to Relevant Regions were mainly caused by our insufficient knowledge about risks in relation to International Sanctions, as we primarily focused on offering intralogistics equipment subscription services and maintenance and repair service to the customers in China. For instance, while we generally request our overseas customers to settle payment in RMB, we occasionally received payments in USD from some overseas customers, including certain customers in Iran and Syria.

To the best knowledge of our Directors, in 2020, 2021 and 2022, and for the four months ended April 30, 2023, our revenue generated from transactions related to Relevant Regions was approximately RMB13.9 million, RMB19.0 million, RMB24.0 million and RMB13.8 million, respectively, representing approximately 1.4%, 1.6%, 2.0% and 3.2% of our total revenue for the same periods, respectively.

In 2020, 2021 and 2022 and for the four months ended April 30, 2023, our revenue generated from transactions related to Iran was approximately RMB3.8 million, RMB7.2 million, RMB6.9 million and RMB2.8 million, respectively, representing approximately 0.4%, 0.6%, 0.6% and 0.6% of our total revenue for the same periods, respectively.

In addition, in 2020, 2021 and 2022 and for the four months ended April 30, 2023, our revenue generated from transactions related to Syria was approximately RMB127,000, RMB122,000, RMB108,000 and nil, respectively, representing approximately 0.01%, 0.01%, 0.01% and nil of our total revenue for the same periods, respectively.

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In 2020, 2021 and 2022 and for the four months ended April 30, 2023, our total revenue generated from sales to customers in Belarus, Russia, and Venezuela was RMB10.0 million, RMB11.7 million, RMB17.0 million, and RMB11.0 million respectively, representing approximately 1.0%, 1.0%, 1.4% and 2.5% 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.

After such engagement, we gained the knowledge that, settlement of transactions with entities in Iran and Syria in USD may subject us to risks associated with International Sanctions.

As such, we ceased all sales involving Iran and Syria, the two countries that are subject to comprehensive U.S. economic sanctions, since May 20, 2023. On the other hand, with respect to sales activities in Relevant Regions that are not currently subject to comprehensive U.S. economic sanctions, such as Russia, Belarus, and Venezuela, we follow recommendation from our International Sanctions Legal Adviser and have implemented internal control measures to prevent involvement in transactions with those entities, individuals, and industries there that are subject to U.S. economic sanctions.

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.

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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 in USD for certain sales to Iran (“**Iran USD Sales**”) and certain sales to Syria (“**Syria USD Sales**”). The Iran USD Sales include 69 distinct transactions to 15 distinct Iran customers with delivery dates between December 2019 and April 2023, in which the Company received approximately USD1.8 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 USD26,200 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 made a supplemental VSD report regarding these transactions to OFAC on September 19, 2023.

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 USD912,000, 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 USD912,000 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 sales to the Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) during the Track Record Period might constitute Primary Sanctioned Activity under International Sanctions enacted by the U.S. is low. With respect to Primary Sanctions Risks under the U.S. laws, our International Sanctions Legal Adviser has advised us that our export sales to customers in the Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) during the Track

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Record Period 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 under U.S. law. As further advised by our 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”).

For reasons above, our International Sanctions Legal Adviser has advised us on the assumption that the customer lists and other information provided by the Company is accurate, complete, and not misleading, that the risk that our other sales to the Relevant Regions during the Track Record Period might constitute Primary Sanctioned Activity under International Sanctions enacted by Relevant Jurisdictions is low.

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. The sales to the Relevant Regions (excluding the Iran USD Sales and Syria USD Sales) did not involve the parties, sectors, industries, or activities likely to result in the imposition of Secondary Sanctions under U.S. law. Accordingly, the Company’s activities during the Track Record Period (excluding the Iran USD Sales and Syria USD Sales) 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. are Primary Sanctions that generally apply within territory of such jurisdictions to entities or nationals of such jurisdictions, or to business within such jurisdictions. Accordingly, the risk that our sales of Chinese manufactured products to customers in the Relevant Regions might be subject to the jurisdiction of E.U. sanctions is low.

Our customers within the E.U. during the Track Record Period, moreover, did not include Sanctioned Targets under E.U. law. The E.U. generally does not utilize Secondary Sanctions. For these reasons, our International Sanctions Adviser has advised us that the risk that our sales during the Track Record Period infringed International Sanctions enacted by the E.U. is low.

Sanction Risks under U.K. Law

Our International Sanctions Adviser has advised us that International Sanctions enacted by the U.K. are Primary Sanctions that generally apply within territory of such jurisdictions to entities or nationals of such jurisdictions, or to business within such jurisdictions. 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.

Our customers within the U.K. during the Track Record Period, moreover, did not include Sanctioned Targets under U.K. law. The U.K. generally does not utilize Secondary Sanctions.

For these reasons, our International Sanctions Adviser has advised us that the risk that our sales during the Track Record Period infringed International Sanctions enacted by the U.K. is low.

Sanction Risks under Australia Law

Our International Sanctions Adviser has advised us that International Sanctions enacted by the Australia are Primary Sanctions that generally apply within territory of such jurisdictions to entities or nationals of such jurisdictions, or to business within such jurisdictions. Accordingly, the risk that our sales of Chinese manufactured products to customers in the Relevant Regions might be subject to the jurisdiction of Australian sanctions is low. Our customers within the Australia during the Track Record Period, moreover, did not include Sanctioned Targets under Australian law. Australia generally does not utilize Secondary Sanctions.

For these reasons, our International Sanctions Adviser has advised us that the risk that our sales during the Track Record Period infringed International Sanctions enacted by Australia is low.

Sanctions Risks to Relevant Persons Resulting from Participation in Global Offering

Given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Adviser is of the view that parties involved in the Global Offering will not be implicated by any applicable International Sanctions, 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 Global Offering, 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 listing, trading, and clearing of our Shares (including the Stock Exchange, the Listing Committee and related group companies) as a result of such involvement in the Global Offering is low.

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Please see “Risk Factors – Risks Relating 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 proceeds from the Global Offering, 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 proceeds from the Global Offering 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.

In particular, our International Sanctions Legal Adviser has recommended the following compliance measures (the “Recommended Measures”). Our International Sanctions Legal Adviser is of the view that, the Recommended Measures are consistent with guidance published by OFAC regarding sanctions compliance programs, and are adequate and effective for our Company to comply with applicable International Sanctions laws and to address 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.

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- 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 proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of proceeds from the Global Offering, 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.

We have subsequently implemented the aforementioned Recommended Measures and a few additional measures initiated by us as follows by October 2, 2023 (collectively, the “Implemented Measures”) to control and monitor our exposure to sanctions risks:

- Our Trade Compliance Policy also includes appropriate procedures:
 - o to assign our financial managers to check identities of customers and the respective countries or regions of such customers collected through our client KYC procedures prior to each new transaction, in order to suspend any transaction that involve individuals, entities or regions, that are subject to International Sanctions enacted by Relevant Jurisdictions, for example, Relevant Regions that are subject to comprehensive U.S. economic sanctions, and parties identified in the SDN List;
 - 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, including (i) making timely updates on the list of individuals, entities or regions that are subject to International Sanctions enacted by Relevant Jurisdictions whenever there is any new material development of related laws and regulations and at least once a year, which we shall prevent having transaction with, (ii) detailed cross-checking, reporting and reviewing procedures for our sales team, risk management and internal control personnel in key procedures, such as, client KYC procedure, product transportation and delivery, to ensure that we have proper screening results; and
 - o to continuously observe the development of International Sanctions laws and regulations, so as to timely and effectively determine appropriate measures to mitigate such risks.

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- We have established a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy. The Sanctions Oversight Committee, led by the chairman of the Board, is responsible for reviewing, approving, implementing and updating the Company's compliance measures, and shall guide and supervise all other business departments, including but not limited to, sales department, procurement department and asset management department, to operate in full compliance with such measure.
- Our Sanction Oversight Committee and Directors have established routine training program for our sales team and relevant employees twice a year and whenever there is any new material development of related laws and regulations to improve their knowledge and awareness on applicable International Sanctions laws.

The Implemented Measures are to enable us to monitor and to avoid potential violation of relevant sanction laws and regulations, such that, (i) with respect to any country or region that is currently subject to comprehensive U.S. economic sanctions, we shall be prevented from any transaction in USD involving in such country or region; (ii) with respect to any country or region that is not currently subject to comprehensive U.S. economic sanctions, we shall be prevented from selling any product to any entity, individual or in a particular industry in such country or region, which are subject to economic sanctions; and (iii) parties involved in the Global Offering shall not be implicated by any applicable International Sanctions.

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.

We have engaged an internal control consultant (the “Internal Control Consultant”) to review the design, execution, and effectiveness of the Implemented Measures. According to the aforementioned internal control review, no deficiency in relation to the adequacy and effectiveness of the Implemented Measures has been reported by the Internal Control Consultant. Having taken into account the view from our International Sanction Legal Adviser on the Recommended Measures, and the work performed by our Internal Control Consultant, our Directors are of the view, which is concurred by the Sole Sponsor, that the Implemented Measures are adequate and effective for us to comply with applicable International Sanctions laws and to address sanctions risks.

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 prospectus. Our Intelligent Asset and Operation Management Platform 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

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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 prospectus.

Liquidity Risk

As of December 31, 2020, 2021, and 2022, and April 30, 2023, our gearing ratio was 171.8%, 153.9%, 152.0%, and 154.9%, 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. The pandemic 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 Guangzhou from October to November 2022, and in Shanghai from March to June 2022. The resurgences of COVID-19 resulted in temporary suspensions of operations at certain affected service outlets, thereby limiting our ability to provide services to our customers. For example, in 2022, 45 outlets were temporarily closed for less than 30 days, 7 outlets were closed temporarily for a period between 30 to 50 days, and 8 outlets were closed for more than 50 days. These pandemic also affected demand for our services. The subdued demand was primarily driven by the closures and reduced operations of our customers during the re-emergence of COVID-19. Despite such temporary disruption caused by COVID-19 pandemic, we were still able to sustain our growth momentum and deliver robust revenue growth. In particular, the surge in e-commerce business during the COVID-19 pandemic, to some extent, created an increased demand for intralogistics equipment, providing opportunities for our intralogistics equipment subscription services and maintenance and repair services. For more information about related risks, please see “Risk Factors – Risks Relating to Our Business and Industry – Any catastrophe could severely disrupt our business operations.”

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 (chief executive)	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

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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)	57	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

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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 (chief executive) 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.

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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.

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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 (Shanghai) Venture Capital Management Co., Ltd. (鐘鼎(上海)創業投資管理有限公司), a venture capital institute specialized in early-and growth-stage investments and is an affiliate of Eastern Bell II, one of our Pre-IPO 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 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), one of the well-known venture capital institutions in China and is the general partner of Dachen Chuanglian and Dachen Chuangtong, and he is responsible for investment management since May 2007. He also served as project manager of Guangdong Yueke Financial Group Co., Ltd. (廣東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.

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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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 57, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 prospectus, 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 prospectus 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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)	42	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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Li Xiaolan (李小蘭), aged 42, 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-IPO 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 (chief executive)	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)	56	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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 56, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 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 proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; 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 Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

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 Listing Date) 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;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- 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 Listing Date) 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 Listing Date) 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;

DIRECTORS, SUPERVISORS AND 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 Listing.

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 and 2022 and four months ended April 30, 2023 were RMB3.2 million, RMB4.4 million, RMB3.8 million and RMB1.4 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 prospectus.

For the financial years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2023, 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, RMB5.5 million and RMB1.7 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 prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 Global Offering (assuming the Over-allotment Option is not exercised), Mr. Hou will be entitled to exercise voting rights attached to the 52,920,684 Shares directly held by him representing approximately 15.21% 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 23.54% of the total issued share capital of our Company through (i) 50,811,280 Shares directly held by him, representing approximately 14.60% of the total issued share capital of our Company, and (ii) 31,100,216 Shares held by Guangzhou Daze of which he is a general partner, representing approximately 8.94% 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 have agreed to continue to act in concert and reach consensus 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 38.74% voting rights in our Company and will be considered as the Controlling Shareholders of our Company upon Listing.

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 Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 Listing, 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 Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Subdivision and the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, 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 Global Offering	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the Global Offering ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the Global Offering ⁽²⁾ (%)
Mr. Hou ⁽³⁾	Beneficial owner	15,876,204 H Shares	7.68	38.74
		37,044,480 Unlisted Shares	26.19	
	Interest held jointly with another person	46,669,696 H Shares	22.59	
		88,162,484 Unlisted Shares	62.34	
Mr. Hou Zebing (侯澤兵) ⁽³⁾	Beneficial owner	15,243,384 H Shares	7.38	38.74
		35,567,896 Unlisted Shares	25.15	
	Interest in controlled corporations	15,550,108 H Shares	7.53	
		15,550,108 Unlisted Shares	11.00	
	Interest held jointly with another person	46,669,696 H Shares	22.59	
		88,162,484 Unlisted Shares	62.34	
Guangzhou Daze	Beneficial owner	15,550,108 H Shares	7.53	8.94
		15,550,108 Unlisted Shares	11.00	

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the Global Offering	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the Global Offering ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the Global Offering ⁽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	26.88	15.96
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	26.88	15.96
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	26.88	15.96
Mr. Yin Junping (尹軍平) ⁽⁴⁾	Interest in controlled corporations	55,541,652 H Shares	26.88	15.96
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	31.20	18.52
Mr. Yan Li (嚴力) ⁽⁴⁾	Interest in controlled corporations	64,464,752 H Shares	31.20	18.52

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the Global Offering	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the Global Offering ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the Global Offering ⁽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	8.98	6.48
		H Shares		
		4,000,000	2.83	
Mr. Zhang Gaozhao (張高照) ⁽⁵⁾	Interest in controlled corporations	18,555,976	8.98	6.48
		H Shares		
		4,000,000	2.83	
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	15.16	6.16
		Unlisted Shares		
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	13.77	5.60
		Unlisted Shares		
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	28.93	11.76
		Unlisted Shares		

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/nature of interest	Number and type of Shares to be held after the Subdivision and the Global Offering	Approximate percentage of shareholding in the relevant type of Shares after the Subdivision and the Global Offering ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company after the Subdivision and the Global Offering ⁽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 Unlisted Shares	28.93	11.76

Notes:

- (1) Upon completion of the Subdivision and the Global Offering and conversion of Unlisted Shares into H Shares, our Company would have Unlisted Shares and H Shares. Unlisted Shares and H Shares are regarded as two different types of Shares. However, both Unlisted 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 206,594,736 H Shares and 141,428,080 Unlisted Shares in issue immediately after completion of the Subdivision and the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).
- (2) The calculation is based on the total number of 348,022,816 Shares in issue immediately after completion of the Subdivision and the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).
- (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 have agreed to continue to act in concert and reach consensus 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) (上海鼎聳企業管理諮詢中心(有限合夥)) (formerly known as Jiaying Dingxiao Venture Capital Partnership (Limited Partnership) (嘉興鼎聳創業投資合夥企業(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))

SUBSTANTIAL SHAREHOLDERS

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 Global Offering (assuming the Over-allotment Option is not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, 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.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and upon the completion of the Subdivision and the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of our Company was RMB83,971,704 comprising 83,971,704 Unlisted Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately upon completion of the Subdivision and the Global Offering, assuming the Over-allotment Option 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 (%)
Unlisted Shares in issue	141,428,080	40.64
H Shares to be converted from Unlisted Shares ^(note)	194,458,736	55.88
H Shares to be issued pursuant to the Global Offering	<u>12,136,000</u>	<u>3.49</u>
Total	<u><u>348,022,816</u></u>	<u><u>100</u></u>

Immediately upon completion of the Subdivision and the Global Offering, assuming the Over-allotment Option 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 (%)
Unlisted Shares in issue	141,428,080	40.43
H Shares to be converted from Unlisted Shares ^(note)	194,458,736	55.58
H Shares to be issued pursuant to the Global Offering	<u>13,956,400</u>	<u>3.99</u>
Total	<u><u>349,843,216</u></u>	<u><u>100</u></u>

Note: For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see “History, Development and Corporate Structure – Public Float” in this prospectus.

SHARE CAPITAL

SHARE CLASSES

Upon completion of the Subdivision and the Global Offering and conversion of 194,458,736 Unlisted Shares (after Subdivision) into H Shares, our Company would have Unlisted Shares and H Shares. The Unlisted Shares which are currently not listed or traded on any stock exchange or authorized trading facility. Both Unlisted Shares and H Shares are ordinary shares in the share capital of our Company and 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.

Unlisted 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 prospectus. 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 UNLISTED SHARES INTO H SHARES

Upon completion of the Global Offering, our Company will have two types of ordinary Shares, namely Unlisted Shares and H Shares.

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been filed by the securities regulatory authorities of the State Council. In addition, such conversion, trading and listing 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 Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing 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 Unlisted Shares into H Shares as described below, we may apply for the listing of all or any portion of the Unlisted 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 listing of additional Shares after our listing 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 listing at the time of our listing in Hong Kong. Class shareholder voting is not required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

SHARE CAPITAL

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Unlisted Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar 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 trade 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 listed as H Shares.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed 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 Listing Date.

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 listed and traded, 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 Listing 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 offering and listing of our H Shares.

SHARE CAPITAL

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 prospectus for details of circumstances under which our general Shareholders’ meeting is required.

CORNERSTONE PLACING

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares that may be purchased for an aggregate amount of RMB100.00 million (approximately HK\$109.00 million) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$14.18, being the low-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 7,687,200 Offer Shares, representing approximately (i) 63.34% of the H Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), (ii) 2.21% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.20% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$15.18, being the mid-point of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 7,180,800 Offer Shares, representing approximately (i) 59.17% of the H Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), (ii) 2.06% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.05% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$16.18, being the high-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 6,737,000 Offer Shares, representing approximately (i) 55.51% of the H Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), (ii) 1.94% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 1.93% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospects. Our Company became acquainted with the Cornerstone Investor in its ordinary course of operation through the business network of our Group and executive Directors.

CORNERSTONE PLACING

To the best knowledge of our Company, the Cornerstone Investor (i) is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) the Cornerstone Investor is not accustomed to taking instructions from our Company, the Directors, the Supervisors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by the Cornerstone Investor is financed by our Company, the Directors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; and (iv) the Cornerstone Investor will be utilizing its proprietary funding or the proprietary funding of the funds under its management, as appropriate, as its source of funding for the subscription of the Offer Shares. The Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from its shareholders is required for the cornerstone investment.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor will not become a substantial shareholder of the Company, and the Cornerstone Investor will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders. As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal resources. There are no side arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing.

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback” in this Prospectus. The number of Offer Shares to be acquired by the Cornerstone Investor may be reduced on a pro rata basis in accordance with the terms of the Cornerstone Investment Agreement to satisfy the shortfall, after taking into account the requirements under Appendix 6 to the Listing Rules as well as the discretion of the Sole Global Coordinator and the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) to exercise the Over-allotment Option.

CORNERSTONE PLACING

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement of our Company to be published on or around November 9, 2023. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement and the payment for the Offer Shares to be subscribed by the Cornerstone Investor will be settled on or before the Listing.

OUR CORNERSTONE INVESTOR

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

Based on the Offer Price of HK\$14.18 (being the low-end of the Offer Price range)

Based on the Offer Price of:	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 200 H Shares)	Approximately % of total number of Offer Shares	Approximate % of H Shares in issue immediately following the completion of Global Offering	Approximately % of total Shares in issue immediately following the completion of Global Offering			
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully Exercised
	<i>(RMB'000)</i>							
LIUGONG MACHINERY HONGKONG CO., LIMITED (柳工機械香港有限公司) ("Liugong Machinery")	100,000	7,687,200	63.34%	55.08%	3.72%	3.69%	2.21%	2.20%
Total	100,000	7,687,200	63.34%	55.08%	3.72%	3.69%	2.21%	2.20%

CORNERSTONE PLACING

Based on the Offer Price of HK\$15.18 (being the mid-point of the Offer Price range)

Based on the Offer Price of:	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 200 H Shares)	Approximately % of total number of Offer Shares		Approximate % of H Shares in issue immediately following the completion of Global Offering		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully Exercised
Liugong Machinery	100,000	7,180,800	59.17%	51.45%	3.48%	3.45%	2.06%	2.05%
Total	100,000	7,180,800	59.17%	51.45%	3.48%	3.45%	2.06%	2.05%

Based on the Offer Price of HK\$16.18 (being the high-end of the Offer Price range)

Based on the Offer Price of:	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 200 H Shares)	Approximately % of total number of Offer Shares		Approximate % of H Shares in issue immediately following the completion of Global Offering		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully Exercised
Liugong Machinery	100,000	6,737,000	55.51%	48.27%	3.26%	3.23%	1.94%	1.93%
Total	100,000	6,737,000	55.51%	48.27%	3.26%	3.23%	1.94%	1.93%

Note:

- (1) Subject to the rounding down to the nearest whole board lot of 200 H Shares.
- (2) Calculation based on the exchange rate of RMB0.9174 to HK\$1.00 as set out in the section headed "Information about this Prospectus and the Global Offering."

CORNERSTONE PLACING

The following information about the Cornerstone Investor was provided to our Company by the Cornerstone Investor in relation to the Cornerstone Placing.

1. Liugong Machinery

Liugong Machinery is a company incorporated in Hong Kong with limited liability and is mainly engaged in exportation and sales of Liugong brand's engineering, earthwork, pavement, agricultural equipment and industrial vehicles. It is a wholly-owned subsidiary of Guangxi Liugong Machinery Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000528), which is principally engaged in the research and development, manufacture, sales and service of construction machinery and key components.

CLOSING CONDITIONS

The obligation of the Cornerstone Investor to subscribe for the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement to be signed among the parties thereto in connection with the Global Offering;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

CORNERSTONE PLACING

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

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 prospectus. 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 prospectus. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are a leading intralogistics equipment solution provider in China. 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 solution provider in China in terms of revenue for 2022. We also have an established presence in the industry, providing services that span the entire lifecycle of intralogistics equipment, including equipment subscription, repair and maintenance, and disposal. Furthermore, leveraging our Intelligent Asset and Operation Management Platform, we have established a service network aiming for coordinated equipment engagement and management. Our platform features a 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 April 30, 2023, we had 67 offline service outlets in 47 cities throughout China, managing over 40,000 units of intralogistics equipment.

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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. Following the lifting of COVID-19 mitigation measures, our total revenue increased by 25.8% from RMB346.8 million for the four months ended April 30, 2022 to RMB436.3 million for the four months ended April 30, 2023. As our business continued to grow, we recorded profit and total comprehensive income of RMB54.2 million, RMB55.2 million, RMB35.4 million, and RMB3.4 million in 2020, 2021, 2022, and four months ended April 30, 2023, respectively. In addition, we recorded net cash from operating activities of RMB451.6 million, RMB527.6 million, RMB522.2 million, and RMB155.3 million in 2020, 2021, 2022, and four months ended April 30, 2023, 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 solution industry;
- the growth and competition of the intralogistics equipment solution industry; and
- the advancement in technologies affecting the intralogistics equipment solution industry.

In particular, our results of operations are affected by the growth of the intralogistics equipment solution industry. The size of the intralogistics equipment solution industry in China grew rapidly from RMB6.9 billion in 2018 to RMB11.4 billion in 2022, and is expected to reach RMB34.9 billion in 2027, representing a CAGR of 25.0% from 2022 to 2027, according to CIC. We anticipate demand for intralogistics equipment solutions going forward. For details, see “Industry Overview” in this prospectus.

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 prospectus.

FINANCIAL INFORMATION

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 good customer relationships despite the challenges posed by the recurring COVID-19 outbreak in China in 2022. Following the lifting of COVID-19 mitigation measures, our customer base continued to grow from 5,237 for the four months ended April 30, 2022 to 5,711 for the four months ended April 30, 2023. 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 addition, our revenue further increased from RMB346.8 million for the four months ended April 30, 2022 to RMB436.3 million for the four months ended April 30, 2023. 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 years ended December 31, 2020, 2021, and 2022, we had 87, 122, and 123 KA customers, respectively. In addition, the number of relevant KA customers increased from 114 for the four months ended April 30, 2022 to 118 for the four months ended April 30, 2023. The total revenue contribution of our KA customers amounted to RMB314.9 million, RMB363.1 million, RMB332.8 million, RMB111.8 million, and RMB117.9 million, representing approximately 49.2%, 49.1%, 45.1% and 48.3% of the total revenue derived from intralogistics equipment subscription services respectively, for the years ended December 31, 2020, 2021, 2022, and four months ended April 30, 2022 and 2023. Additionally, we have maintained a KA customer retention rate of 87%, 99%, 98%, 84%, and 87% for the years ended December 31, 2020, 2021, 2022 and four months ended April 30, 2022 and 2023, respectively, and net dollar retention rate of KA customers at 98%, 99%, 97%, 101% and 100% for the years ended December 31, 2020, 2021, 2022 and four months ended April 30, 2022 and 2023, 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 prospectus.

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, 78.1 days, and 78.6 days in 2020, 2021, 2022, and four months ended April 30, 2023, 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 prospectus.

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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%, 61.8%, 68.2%, and 55.9% of our total revenue in 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, respectively, totaling RMB639.7 million, RMB739.2 million, RMB738.0 million, RMB236.4 million and RMB243.9 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.

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 prospectus.

Despite the challenges posed by the COVID-19 pandemic, 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 72%, 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 prospectus.

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 solution industry, we have established close relationships with major manufacturers and suppliers of intralogistics equipment in China. This has given us 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 requirements of customers in China, thereby increasing customer adherence and broadening our customer base and streams of revenue. In addition, we sold around 331,000 types of intralogistics equipment parts to customers in China and to over 100 foreign countries, such as United States, Thailand, Brazil, etc.

FINANCIAL INFORMATION

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 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%, 30.3%, 29.1% and 28.0% in 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, 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 generally result in decreasing percentages of revenue accounted for by our operating expenses. In 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, our selling and distribution expenses accounted for 7.4%, 7.2%, 7.2%, 8.0% and 6.1% of our revenue, respectively, while our administrative expenses accounted for 12.3%, 12.2%, 13.1%, 14.6% and 12.0% 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 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.

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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 prospectus.

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 prospectus.

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.

FINANCIAL INFORMATION

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.

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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.

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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.

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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 $33\frac{1}{3}\%$
Motor vehicles	19.0%
Furniture, fixtures and equipment	$33\frac{1}{3}\%$

FINANCIAL INFORMATION

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 or period 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 or period 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.

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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. Regarding the trade and bills receivables overdue over one year, we generally consider them in default, and full provision was made for the corresponding balances during the Track Record Period. Regarding the trade receivables overdue within one year, we evaluated impairments for them after considering various factors, including the probability-weighted outcome, reasonable and supportable information available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 prospectus.

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).

FINANCIAL INFORMATION

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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
	<i>(unaudited)</i>									
Revenue	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0
Cost of sales	(650,463)	(66.3)	(798,015)	(68.1)	(832,545)	(69.7)	(245,910)	(70.9%)	(314,077)	(72.0)
Gross profit	330,180	33.7	374,167	31.9	361,664	30.3	100,899	29.1	122,214	28.0
Other income and gains	4,853	0.5	4,022	0.3	6,276	0.5	2,693	0.8	1,753	0.4
Selling and distribution expenses	(72,270)	(7.4)	(84,018)	(7.2)	(86,072)	(7.2)	(27,873)	(8.0)	(26,431)	(6.1)
Administrative expenses	(120,746)	(12.3)	(143,199)	(12.2)	(156,858)	(13.1)	(50,625)	(14.6)	(52,213)	(12.0)
Impairment loss on financial assets	(6,808)	(0.7)	(4,498)	(0.4)	(4,178)	(0.3)	(884)	(0.3)	(2,106)	(0.5)
Other expenses	(197)	–*	(262)	–*	(2,750)	(0.2)	(719)	(0.2)	(12,684)	(2.9)
Finance costs	(73,604)	(7.5)	(81,838)	(7.0)	(83,609)	(7.0)	(27,398)	(7.9)	(27,308)	(6.3)
Share of profits/(losses) of associates	(228)	–*	(4,929)	(0.4)	948	0.1	(1,041)	(0.3)	(762)	(0.2)
Profit/(loss) before tax	61,180	6.2	59,445	5.1	35,421	3.0	(4,948)	(1.4)	2,463	0.6
Income tax credit/(expenses)	(6,970)	(0.7)	(4,267)	(0.4)	(20)	–*	2,396	0.7	918	0.2
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>54,210</u>	<u>5.5</u>	<u>55,178</u>	<u>4.7</u>	<u>35,401</u>	<u>3.0</u>	<u>(2,552)</u>	<u>(0.7)</u>	<u>3,381</u>	<u>0.8</u>
Attributable to: Owners of the Company	<u>54,210</u>	<u>5.5</u>	<u>55,178</u>	<u>4.7</u>	<u>35,401</u>	<u>3.0</u>	<u>(2,552)</u>	<u>(0.7)</u>	<u>3,381</u>	<u>0.8</u>

Note: *Less than 0.1%.

FINANCIAL INFORMATION

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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	639,701	65.2	739,176	63.0	738,001	61.8	236,373	68.2	243,944	55.9
Maintenance and repair services	111,463	11.4	128,484	11.0	140,987	11.8	35,172	10.1	54,539	12.5
Sales of intralogistics equipment and parts	229,479	23.4	304,522	26.0	315,221	26.4	75,264	21.7	137,808	31.6
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0

Intralogistics Equipment Subscription Services

We offer intralogistics equipment subscription services, which allow customers to 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, and RMB2,183 per unit for the four months ended April 30, 2023.

FINANCIAL INFORMATION

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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
One-off repair	89,085	79.9	105,780	82.3	87,436	62.0	21,217	60.3	37,244	68.3
Maintenance and repair service plan	22,378	20.1	22,704	17.7	53,551	38.0	13,955	39.7	17,295	31.7
Total	111,463	100.0	128,484	100.0	140,987	100.0	35,172	100.0	54,539	100.0

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. For details, see “Business – Our Business – Maintenance and Repair Services.” Our one-off repair services and maintenance and repair service plans as a percentage of revenue experience fluctuations during the Track Record Period. During the Track Record Period, our one-off repair business line has functioned as a vital supplement to our maintenance and repair service plan. This approach enables us to attract and retain a large number of high-quality customers by providing them the opportunity to experience our services at a comparatively lower price and/or commitment. This is particularly beneficial for enterprises that are unfamiliar with our services, or those that have yet to identify their specific business needs or allocate resources to engage us for intralogistics equipment subscription services or maintenance and repair service plan business line. Since 2022, we expanded our maintenance and repair service plan to meet customers’ growing demands for scheduled inspections and regular maintenance. As our business grew and customers placed greater trust in our brand, the percentage of revenue generated from maintenance and repair service plan increased in 2022. For the four months ended April 30, 2023, the revenue as a percentage from maintenance and repair service plan business line slightly decreased. This decline resulted from the heightened demand for our one-off repair services. Following the lifting of COVID-19 restrictions, we experienced a surge in new customers seeking our services, leading to a higher proportion of revenue from one-off repair services.

FINANCIAL INFORMATION

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,						Four months ended April 30			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intralogistics										
equipment	116,195	50.6	162,505	53.4	156,664	49.7	36,416	48.4	71,268	51.7
Related parts	113,284	49.4	142,017	46.6	158,557	50.3	38,848	51.6	66,540	48.3
Total	229,479	100.0	304,522	100.0	315,221	100.0	75,264	100.0	137,808	100.0

The following table sets forth a breakdown of our revenue by geographic locations for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Northern Region ⁽¹⁾	133,153	13.6	159,361	13.6	144,464	12.1	42,978	12.4	47,573	10.9
East Central Region ⁽²⁾	495,579	50.5	566,548	48.3	555,363	46.5	172,205	49.7	213,757	49.0
Southern Region ⁽³⁾	198,209	20.2	257,309	22.0	272,634	22.8	73,467	21.2	90,676	20.8
Western Region ⁽⁴⁾	59,275	6.0	78,452	6.7	89,260	7.5	25,668	7.4	26,822	6.1
Overseas Region ⁽⁵⁾	94,427	9.7	110,512	9.4	132,488	11.1	32,491	9.3	57,463	13.2
Total	980,643	100.0	1,172,182	100.0	1,194,209	100.0	346,809	100.0	436,291	100.0

Notes:

- (1) Including Beijing, Tianjin, Hebei province, Shanxi province, Inner Mongolia province, Heilongjiang province, Jilin province, and Liaoning province
- (2) Including Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province, Shandong province, Henan province, Hubei province, Hunan province, Shaanxi province, Gansu province, Qinghai province, Ningxia province, and Xinjiang province
- (3) Including Guangdong province, Guangxi province, Hainan province, Hong Kong Special Administration Region, Macau Special Administration Region, and Taiwan province
- (4) Including Sichuan province, Chongqing, Guizhou province, Yunnan province, and Tibet province
- (5) Including over 100 foreign countries, such as United States, Thailand, Brazil, etc. In addition, all of the revenue from overseas regions was attributable to the sales of intralogistics equipment parts.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales primarily consists of (i) 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; (ii) 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; (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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Cost of machinery and parts	265,270	40.8	343,300	43.0	348,919	41.9	84,327	34.3	147,261	46.9
Depreciation charges and rental expenses	319,465	49.1	366,217	45.9	383,724	46.1	127,450	51.8	134,499	42.8
Staff costs	42,811	6.6	58,465	7.3	69,045	8.3	22,986	9.4	23,650	7.5
Fulfillment costs	22,917	3.5	30,033	3.8	30,857	3.7	11,147	4.5	8,667	2.8
Total	650,463	100.0	798,015	100.0	832,545	100.0	245,910	100.0	314,077	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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	411,526	63.3	488,504	61.3	511,914	61.5	169,253	68.8	173,674	55.3
Maintenance and repair services	65,878	10.1	76,125	9.5	83,289	10.0	21,256	8.7	33,338	10.6
Sales of intralogistics equipment and parts	173,059	26.6	233,386	29.2	237,342	28.5	55,401	22.5	107,065	34.1
Total	650,463	100.0	798,015	100.0	832,545	100.0	245,910	100.0	314,077	100.0

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. In 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, our gross profit was RMB330.2 million, RMB374.2 million, RMB361.7 million, RMB100.9 million and RMB122.2 million, respectively. Gross profit margin represents our gross profit as a percentage of our revenue. In 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, our gross profit margin was 33.7%, 31.9%, 30.3%, 29.1% and 28.0%, 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,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Intralogistics equipment subscription services	228,175	35.7	250,672	33.9	226,087	30.6	67,120	28.4	70,270	28.8
Maintenance and repair services	45,585	40.9	52,359	40.8	57,698	40.9	13,916	39.6	21,201	38.9
Sales of intralogistics equipment and parts	56,420	24.6	71,136	23.4	77,879	24.7	19,863	26.4	30,743	22.3
Total gross profit/overall gross profit margin	330,180	33.7	374,167	31.9	361,664	30.3	100,899	29.1	122,214	28.0

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) office expenses, comprising expenses related to office operations and travel incurred by our sales and marketing personnel; and (iii) 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. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Staff costs	37,262	51.5	45,687	54.3	49,950	58.0	14,431	51.8	14,552	55.1
Office expenses	16,111	22.3	16,872	20.1	18,412	21.4	7,250	26.0	6,012	22.7
Depreciation charges and rental expenses	16,246	22.5	17,462	20.8	13,996	16.3	4,736	17.0	4,746	18.0
Others	2,651	3.7	3,997	4.8	3,714	4.3	1,456	5.2	1,121	4.2
Total	72,270	100.0	84,018	100.0	86,072	100.0	27,873	100.0	26,431	100.0

FINANCIAL INFORMATION

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, primarily consist of staff costs associated with research and development personnel, depreciation of equipment utilized for research and development purposes, as well as rental 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. In particular, our professional and consulting service fees decreased significantly in 2021, primarily due to the payments incurred for A-share listings in 2020. For details, see "History, Development And Corporate Structure – Preparation for Potential A Share Listings." The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Staff costs	62,154	51.5	82,138	57.3	80,294	51.2	30,530	60.3	27,926	53.6
Research and development expenses	29,296	24.3	35,668	24.9	39,652	25.3	11,273	22.3	11,818	22.6
– Staff costs	10,531	8.7	15,658	10.9	19,618	12.5	5,796	11.5	6,225	11.9
– Depreciation charges and rental expenses	15,572	13.0	16,838	11.8	16,436	10.5	5,226	10.3	5,398	10.3
– Other R&D related expenses	3,193	2.6	3,172	2.2	3,598	2.3	251	0.5	195	0.4
Depreciation charges and rental expenses	7,401	6.1	8,027	5.6	16,110	10.3	3,994	7.9	5,891	11.3
Office expenses	10,614	8.8	12,263	8.6	13,635	8.7	3,386	6.7	4,735	9.1
Professional and consulting service fees	7,874	6.5	1,139	0.8	1,692	1.1	99	0.2	119	0.2
Others	3,407	2.8	3,964	2.8	5,475	3.4	1,343	2.6	1,724	3.2
Total	120,746	100.0	143,199	100.0	156,858	100.0	50,625	100.0	52,213	100.0

FINANCIAL INFORMATION

Other Income and Gains/(Expenses)

Our other income and gains/(expenses) primarily consists of (i) government grants, representing subsidies received from the local governments in connection with the business development and rewards for financial and employment contributions; (ii) interest income from bank deposits; (iii) fair value gain of financial assets at fair value through profit or loss, reflecting investment gains from wealth management products we purchased by using our surplus cash; (iv) 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; (v) net foreign exchange differences; and (vi) listing expenses in relation to the Listing and the Global Offering. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Government grants	2,751	1,481	1,547	260	1,049
Interest income	1,443	1,651	1,945	551	410
Fair value gain of financial assets at fair value through profit or loss	–	–	892	178	93
Gain on remeasurement of an associate to acquisition-date fair value	–	–	1,435	1,435	–
Foreign exchange differences, net	587	577	(2,377)	(657)	(186)
Listing expense	–	–	–	–	(12,442)
Others	(125)	51	84	207	145
Total	4,656	3,760	3,526	1,974	(10,931)

FINANCIAL INFORMATION

We invest our surplus cash in wealth management products, (namely, structured deposits), which are short-term (namely, no more than three months) 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 listing.

Finance Costs

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

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Interest on lease liabilities	51,845	62,157	61,927	20,089	19,820
Interest on bank loans	6,612	12,278	16,309	5,332	4,853
Interest on other borrowings	18,237	14,355	10,738	3,644	4,072
<i>Subtotal</i>	76,694	88,790	88,974	29,065	28,745
Less: Interest capitalized	(3,090)	(6,952)	(5,365)	(1,667)	(1,437)
Total	73,604	81,838	83,609	27,398	27,308

FINANCIAL INFORMATION

Income tax Expenses/(Credit)

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%.

In 2020, 2021 and 2022, 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. In addition, we recorded income tax credit of RMB2.4 million for the four months ended April 30, 2022 and RMB0.9 million for the four months ended April 30, 2023. The tax credit was recognized due to the taxable temporary differences arising from our tax losses and an increase in qualified research and development expenses. Our effective tax rates were 11.4%, 7.2%, 0.1%, 48.4%, and (37.3)% in 2020, 2021, 2022, and four months ended April 30, 2022 and 2023, respectively, calculated based on actual expenses or credit divided by profit or loss 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. We had positive effective tax rates of 48.4% for the four months ended April 30, 2022 and negative effective tax rate of (37.3)% for the four months ended April 30, 2023 since we recorded loss before tax of RMB4.9 million for the four months ended April 30, 2022 while profit before tax of RMB2.5 million for the four months ended April 30, 2023. In addition, we recorded a relatively higher effective tax rate of 48.4% for the four months ended April 30, 2022, as our lower profitability during this period deferred the tax benefits from additional deductions for qualified research and development expenses.

RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared With Four Months Ended April 30, 2022

Revenue

Our revenue increased by 25.8% from RMB346.8 million for the four months ended April 30, 2022 to RMB436.3 million for the four months ended April 30, 2023.

FINANCIAL INFORMATION

Intralogistics Equipment Subscription Services

Revenue generated from intralogistics equipment subscription services increased by 3.2% from RMB236.4 million for the four months ended April 30, 2022 to RMB243.9 million for the four months ended April 30, 2023. This was primarily due to business growth and the increase in our equipment subscription volume supported by the lifting of COVID-19 related mitigation measures. In particular, the equipment subscription volume increased from 107,590 for the four months ended April 30, 2022 to 111,728 for the four months ended April 30, 2023, indicating a rising demand for our services. In addition, the number of KA customers increased from 114 for the four months ended April 30, 2022 to 118 for the four months ended April 30, 2023.

Maintenance and Repair Services

Revenue from maintenance and repair services increased by 55.1% from RMB35.2 million for the four months ended April 30, 2022 to RMB54.5 million for the four months ended April 30, 2023, mainly as a result of the rapid growth of equipment maintenance and repair services following the end of the pandemic. In particular, due to the subsequent recovery of the manufacturing industry we experienced an increase in demand for our maintenance and repair services from such industry, reflecting an increase in demand for both one-off repair services and maintenance and repair service plan.

Sales of Equipment and Parts

Revenue generated from sales of equipment and parts increased by 83.1% from RMB75.3 million for the four months ended April 30, 2022 to RMB137.8 million for the four months ended April 30, 2023. This significant increase in revenue was attributed to the subsequent recovery of the manufacturing industry and the surge in demand for high-quality equipment and parts. As a result, our revenue from sales of intralogistics equipment increased from RMB36.4 million for the four months ended April 30, 2022 to RMB71.3 million for the four months ended April 30, 2023; our revenue from sales of related parts increased from RMB38.8 million for the four months ended April 30, 2022 to RMB66.5 million for the four months ended April 30, 2023. Specifically, we successfully developed customer relationships with an increasing number of new customers, including some state-owned enterprises. This growth was aligned with the enhancement of our brand recognition and service quality, which motivated new customers to purchase equipment and parts from us.

Cost of Sales

Our cost of sales increased from RMB245.9 million for the four months ended April 30, 2022 to RMB314.1 million for the four months ended April 30, 2023, primarily due to (i) an increase in cost of machinery and parts due to the expansion of all three business lines. In particular, due to the expansion in the services we offer, there was an increase in service provision necessitated the use of additional equipment parts, in turn leading to a proportional elevation in related costs; (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 depreciation charges and rental expenses due to the expansion of our intralogistics equipment fleet. In particular, our equipment fleet size increased from 36,642 units for the four months ended April 30, 2022 to 40,644 units for the four months ended April 30, 2023.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB100.9 million for the four months ended April 30, 2022 to RMB122.2 million for the four months ended April 30, 2023 in line with the expansion of our business. In particular, our three business lines experienced growth during the corresponding periods, bolstered by the mitigation of COVID-19's adverse impact. Our gross profit margin slightly decreased from 29.1% for the four months ended April 30, 2022 to 28.0% for the four months ended April 30, 2023 primarily due to a proportionate increase in our sales of equipment and parts relative to our total revenue. The gross profit margin of sales of equipment and parts is lower than our other service offerings, hence negatively impact our overall gross profit margin.

Intralogistics Equipment Subscription Services

Gross profit from intralogistics equipment subscription services increased from RMB67.1 million for the four months ended April 30, 2022 to RMB70.3 million for the four months ended April 30, 2023. The increase in gross profit was primarily due to the expansion of our intralogistics equipment subscription services which resulted in higher service revenue, while costs were effectively maintained at a steady level. In addition, our gross profit margin remained relatively stable at 28.4% for the four months ended April 30, 2022 and 28.8% for the four months ended April 30, 2023.

Maintenance and Repair Services

The gross profit from maintenance and repair services increased from RMB13.9 million for the four months ended April 30, 2022 to RMB21.2 million for the four months ended April 30, 2023, primarily due to our business expansion as we expanded our business in more regions. Gross profit margin of maintenance and repair services remained relatively stable at 39.6% for the four months ended April 30, 2022 and 38.9% for the four months ended April 30, 2023, respectively.

Sales of Equipment and Parts

Gross profit from sales of equipment and parts increased from RMB19.9 million for the four months ended April 30, 2022 to RMB30.7 million for the four months ended April 30, 2023, primarily due to the growth of our business. Specifically, we successfully developed customer relationships with an increasing number of new customers, including some state-owned enterprises. This growth was aligned with the enhancement of our brand recognition and service quality, which motivated new customers to purchase equipment and parts from us. Gross profit margin of sales of equipment and parts slightly decreased from 26.4% for the four months ended April 30, 2022 to 22.3% for the four months ended April 30, 2023, due to the impact arising from certain specific equipment and parts we sold during the corresponding period. Various categories and specific brands of equipment and parts typically exhibit different gross profit margins due to factors such as their cost structure, market reputation, and demand levels. As a result, we had a slight fluctuation in gross profit margin from sales of equipment and parts from time to time.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses decreased from RMB27.9 million for the four months ended April 30, 2022 to RMB26.4 million for the four months ended April 30, 2023, due to a decrease in office expenses relating to travel expenses. Alongside this, we established a scalable service network to better accommodate our growing needs, which also attributed to greater operational costs-efficiency.

Administrative Expenses

Our administrative expenses increased from RMB50.6 million for the four months ended April 30, 2022 to RMB52.2 million for the four months ended April 30, 2023. The increase was primarily due to (i) an increase in depreciation charges and rental expenses in line with the business growth, indicating an increase in depreciation charges for our Hefei factory as well as utilities, office consumables, and office premise related expenses and (ii) an increase in research and development expenses in line with our enhanced efforts in research and development activities.

Other Income and Gains/(Expenses)

Our other income and gains were RMB2.0 million for the four months ended April 30, 2022 primarily due to gain on remeasurement of an associate to acquisition-date fair value. We had other expenses of RMB10.9 million for the four months ended April 30, 2023, primarily due to the recognition of listing expenses.

Finance Costs

Our finance costs remained relatively stable at RMB27.4 million for the four months ended April 30, 2022 and RMB27.3 million for the four months ended April 30, 2023, respectively.

Income tax Credit

Our income tax credit decreased from RMB2.4 million for the four months ended April 30, 2022 to RMB0.9 million for the four months ended April 30, 2023, mainly because we recorded loss before tax of RMB4.9 million for the four months ended April 30, 2022 while profit before tax of RMB2.5 million for the four months ended April 30, 2023.

(Loss)/Profit for the Period

As a result of the above, we had net loss of RMB2.6 million for the four months ended April 30, 2022 and net profit of RMB3.4 million for the four months ended April 30, 2023.

FINANCIAL INFORMATION

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, an overall subdued demand for our services, 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 COVID-19.

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 COVID-19 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 maintenance and repair service plan business line 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. In addition, the increase in maintenance and repair service plan business line can be attributed to a growing number of customers adopting for our scheduled inspections and maintenance services to ensure the smooth operation of their equipment, driven by increased customer loyalty and trust in our brand.

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.

FINANCIAL INFORMATION

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, despite experiencing an overall subdued demand for our services and the suspension of operations at certain affected service outlets. 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 maintenance and repair service plans 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% in 2022, respectively.

FINANCIAL INFORMATION

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) additional depreciation charges and rental expenses associated with the commissioning of our headquarter building since January 2022 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 gain 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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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,			As of
	2020	2021	2022	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	692,098	808,689	856,533	884,098
Right-of-use assets	876,146	977,324	1,049,320	1,018,886
Intangible assets	3,854	3,862	8,684	8,397
Investment in associates	18,177	8,869	10,561	9,799
Deposits	78,989	86,174	96,507	92,360
Deferred tax assets	5,179	4,306	4,831	5,744
Total non-current assets	1,674,443	1,889,224	2,026,436	2,019,284
Current assets				
Inventories	56,619	69,174	84,502	95,190
Trade and bills receivables	239,870	269,610	294,037	321,730
Prepayments, deposits, and other receivables	89,087	98,201	106,027	118,333
Restricted deposits	31,462	44,762	30,850	54,030
Cash and cash equivalents	83,611	188,162	120,638	133,297
Total current assets	500,649	669,909	636,054	722,580
Current liabilities				
Trade and bills payables	193,201	235,451	262,560	308,129
Other payables and accruals	92,387	103,199	112,853	112,849
Interest-bearing bank loans and other borrowings	511,644	479,187	528,022	525,888
Tax payable	4,687	757	–	–
Total current liabilities	801,919	818,594	903,435	946,866
Net current liabilities	(301,270)	(148,685)	(267,381)	(224,286)

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	As of December 31,			As of
	2020	2021	2022	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets less current liabilities	<u>1,373,173</u>	<u>1,740,539</u>	<u>1,759,055</u>	<u>1,794,998</u>
Non-current liabilities				
Interest-bearing bank loans and other borrowings	662,426	850,607	839,165	872,357
Other payables and accruals	27,186	25,872	19,777	19,170
Deferred tax liabilities	–	–	652	629
Total non-current liabilities	<u>689,612</u>	<u>876,479</u>	<u>859,594</u>	<u>892,156</u>
Net assets	<u>683,561</u>	<u>864,060</u>	<u>899,461</u>	<u>902,842</u>
EQUITY				
Equity attributable to owners of the Company:				
Share capital	80,484	83,972	83,972	83,972
Reserves	603,077	780,088	815,489	818,870
Total equity	<u>683,561</u>	<u>864,060</u>	<u>899,461</u>	<u>902,842</u>

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 increased from RMB808.7 million as of December 31, 2021 to RMB856.5 million as of December 31, 2022, primarily due to the addition of new intralogistics equipment in line with our business expansion. The value of our property, plant, and equipment further increased from RMB856.5 million as of December 31, 2022 to RMB884.1 million as of April 30, 2023, primarily due to addition of new intralogistics equipment in line with our business expansion.

FINANCIAL INFORMATION

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. However, our right-of-use assets slightly decreased from RMB1,049.3 million as of December 31, 2022 to RMB1,018.9 million as of April 30, 2023, mainly due to depreciation of our leasehold equipment fleet. Such decrease in right-of-use assets was partially offset by an addition of new leasehold intralogistics equipment.

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 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.

During the Track Record Period, we made investments in four associates: Hefei Kejin Automation Technology Co., Ltd. (“**Hefei Kejin**”), Ferretto Intelligent Equipment (Shanghai) Co., Ltd. (“**Ferretto**”), Hefei Langyun IOT Technology Co., Ltd. (“**Hefei Langyun**”), and Hefei Langxun Intelligent Equipment Co., Ltd. (“**Hefei Langxun**”). Our ownership interests in these associates were 27.74%, 28.50%, 30.00%, and 27.74% respectively. The following table sets forth the key financial information of our associates during the Track Record Period:

	For the year ended/ As of December 31,			For the four months ended/As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hefei Kejin				
– Revenue	13,746	3,114 ⁽¹⁾	– ⁽¹⁾	– ⁽¹⁾
– Net loss	(2,492)	(6,716) ⁽¹⁾	– ⁽¹⁾	– ⁽¹⁾
– Total assets	41,545	– ^{(1)*}	– ⁽¹⁾	– ⁽¹⁾
Ferretto				
– Revenue	46,638	81,234	58,717	5,779
– Net profit/(loss)	5,270	5,780	4,209	(2,487)
– Total assets	55,997	110,598	121,081	112,869

FINANCIAL INFORMATION

	For the year ended/ As of December 31,			For the four months ended/As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hefei Langyun				
– Revenue	1,253	3,373	3,486	– ⁽²⁾
– Net profit/(loss)	(575)	(304)	906	– ⁽²⁾
– Total assets	743	4,266	– ^{(2)**}	– ⁽²⁾
Hefei Langxun				
– Revenue	– ⁽³⁾	– ⁽³⁾	1,849	1,528
– Net profit/(loss)	– ⁽³⁾	– ⁽³⁾	(438)	(191)
– Total assets	– ⁽³⁾	– ⁽³⁾	1,843	1,417

Notes:

- (1) In December 2021, we disposed of Hefei Kejin, thus its management accounts ceased to impact our financial performance, or to provide any relevant information available to us.
 - (2) In March 2022, we acquired the additional 70% of the equity shares of Hefei Langyun. After the acquisition, Hefei Langyun then became a wholly-owned subsidiary of our Group.
 - (3) Hefei Langxun was incorporated in March 2022; consequently, pertinent data preceding this date is unavailable.
- * The total assets of Hefei Kejin is not meaningful as we derecognized such investment upon disposal.
- ** The total assets of Hefei Langyun is not meaningful as we derecognized such investment upon acquisition.
- *** Our management, conducted an impairment assessment on investments that showed impairment indicators. We observed no significant or prolonged changes with an adverse effect that might have taken place in the technological, market, economic or legal environment in which our associates operate, which may lead to decline in the fair value of these investments below their carrying amounts. As a result, we did not recognize any impairment loss on our investment in associates in the profit or loss for the years ended December 31 2020, 2021, and 2022, as well as for the four months ended April 30, 2023.

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, 2022, and April 30, 2023, we recorded investments in associates of RMB18.2 million, RMB8.9 million, RMB10.6 million, and RMB9.8 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.

FINANCIAL INFORMATION

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 listing expenses, rental expenses related to the lease of our branch office, and procurements of parts and other supplies in relation to our operation. In particular, our prepayments increased significantly as of April 30, 2023, primarily due to the prepayments for listing expenses; and (iii) tax recoverable, mainly represented our prepaid value-added tax and corporate income tax. Our tax recoverable primarily resulted from finance lease arrangements. Since we had a significant amount of intralogistics equipment under finance lease, a significant amount of tax recoverable in relation to finance lease was recorded simultaneously. By taking into account our current backlog contract, such tax recoverable was able to claim deductions for value-added tax when the subsequent lease payments were factually made according to the finance lease arrangements. The following table sets forth the details of our prepayments, deposits, and other receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Prepayments	13,115	10,623	13,261	24,607
Deposits	11,795	7,630	8,500	8,830
Other receivables	1,028	1,885	1,363	2,469
Tax recoverable	63,149	78,063	82,903	82,427
<i>Subtotal</i>	89,087	98,201	106,027	118,333
Non-current				
Deposits	78,989	86,174	96,507	92,360
Total	168,076	184,375	202,534	210,693

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.

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Our prepayments, deposits, and other receivables increased from RMB184.4 million as of December 31, 2021 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.

Our prepayments, deposits, and other receivables further increased from RMB202.5 million as of December 31, 2022 to RMB210.7 million as of April 30, 2023 primarily due to prepayments for listing expenses. Such increase was partially offset by a decrease in the non-current portion of deposits, primarily due to the expiration of certain leases during the corresponding period.

As of August 31, 2023, RMB95.4 million, or 45.3%, of our prepayments, deposits, and other receivables as of April 30, 2023 had been settled. This includes settlement of RMB81.1 million, or 44.2%, of our tax recoverable and deposits for the same period.

Inventories

Our inventories primarily consist of (i) intralogistics equipment and (ii) parts. During the Track Record Period, inventories of intralogistics equipment were constituted of two key components, specifically (i) inventories transferred from property, plant, and equipment and (ii) directly procured intralogistics equipment inventory. These inventories are typically settled within one year and are mostly procured or transferred upon receipt of confirmed orders from customers. In addition, our inventories of parts primarily include durable items such as hydraulic oil pumps, brake pads, forklift radiators, and engine components. Despite these parts having a relatively longer settlement period, we deem it necessary under our inventory management policy, given the diversity in types, brands, specifications, and ages of our fleet equipment. It allows us to minimize products costs and logistical expenses by making bulk purchases from relevant intralogistics equipment part suppliers. Our inventories are not classified as slow-moving or obsolete. Approximately 70% of our inventory has been utilized or sold within one year. The remaining inventory, aged over one year, has historically been gradually consumed or sold, leaving an immaterial unused or unsold balance within a period of two to three years. This trend is also consistent with our historical sale and utilization rates of inventories as of December 31, 2020, 2021, 2022, and April 30, 2023.

In managing our inventories, we diligently follow a proactive inventory management policy that helps ensure we maintain an optimal inventory level while minimizing the risk of overstocking or shortage. This includes regular monitoring of our inventory levels and demand patterns, enabling us to promptly respond to changes in customer demand and maintain a smooth supply chain operation. Our practices allow us to ensure the high turnover rate of our inventory and minimize any potential issues related to slow-moving or obsolete stock.

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Our inventories increased from RMB56.6 million as of December 31, 2020, to RMB69.2 million as of December 31, 2021, to RMB84.5 million as of December 31, 2022, and further to RMB95.2 million as of April 30, 2023. 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 disease prevention policy 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,			Four months ended April 30
	2020	2021	2022	2023
Inventory turnover days ⁽¹⁾	31.4	28.8	33.7	34.3

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 and by 120 days for the four months ended April 30, 2023.

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. Our inventory turnover days remained relatively stable at 33.7 days and 34.3 days as of December 31, 2022 and April 30, 2023, respectively, as we gradually recovered from the negative impact of COVID-19.

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The majority of our inventories generally have an aging within six months. The following table sets forth an aging analysis of our inventories as of the date indicated.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within six months	44,707	49,806	61,416	67,749
Six to twelve months	1,375	1,609	2,428	2,817
Over one year	10,537	17,759	20,658	24,624
Total	56,619	69,174	84,502	95,190

As of August 31, 2023, RMB58.4 million, or 61.4%, of our inventories as of April 30, 2023 had been delivered or consumed.

Our Directors believe that there is no recoverability issue for our inventories aged over one year primarily because (i) our inventories aged over one year did not remain static but gradually sold or utilized during the Track Record Period. 93.1% and 87.7% of the inventories aged over one year as of December 31, 2020 and 2021 were subsequently sold and used up until August 31, 2023, leaving minimal unsold or unused balances as of August 31, 2023. and (ii) for the unsold or unused inventories aged over one year as of December 31, 2022 and April 30, 2023, the Company regularly monitor their inventory levels, strictly adhering to the relevant business plan for optimizing inventory level. Given the sustainable high historical sales rates for inventories aged over one year, bolstered by the Company's inventory management policy, our management has a reasonable basis to estimate that these inventories will not become obsolete or unsellable in the foreseeable future. As of April 30, 2023, no provision was made for such inventory aged over one year.

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,			As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	242,311	258,830	287,434	323,921
Bills receivable	18,578	26,695	25,645	18,774
<i>Less: Impairment</i>	<i>(21,019)</i>	<i>(15,915)</i>	<i>(19,042)</i>	<i>(20,965)</i>
Total	239,870	269,610	294,037	321,730

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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. In determining qualified customers, we take into account various factors, including their previous business track record with us, growth potential, and credit history. Our trade and bills receivables increased from RMB294.0 million as of December 31, 2022 to RMB321.7 million as of April 30, 2023 primarily due to the increase in trade receivables in line with the business expansion. Specifically, we successfully developed customer relationships with an increasing number of new customers, including some state-owned enterprises. This growth was aligned with the enhancement of our brand recognition and service quality, which motivated new customers to purchase equipment and parts from us.

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:

	<u>As of December 31,</u>			<u>As of</u>	<u>Subsequent</u>
				<u>April 30,</u>	<u>as of</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>August 31,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<u>2023</u>
					<i>RMB'000</i>
One to three months	204,937	232,002	242,481	258,446	210,771
Four to six months	25,425	25,476	36,987	42,928	34,504
Six to twelve months	8,274	6,077	10,788	12,827	6,833
Over one year	1,234	6,055	3,781	7,529	7,529
Total	<u>239,870</u>	<u>269,610</u>	<u>294,037</u>	<u>321,730</u>	<u>259,637</u>

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

	Year ended December 31,			Four months ended April 30
	2020	2021	2022	2023
	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 and by 120 days for the four months ended April 30, 2023.

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 negative impact due to COVID-19. Our trade receivables turnover days remained relatively stable at 78.1 days and 78.6 days as of December 31, 2022 and April 30, 2023, respectively.

As of August 31, 2023, RMB244.5 million, or 80.7%, of our trade receivables as of April 30, 2023 had been settled. Our management believes there have been no issues with the recoverability of our trade receivables and that adequate provisions have been made. We consistently conduct both periodic aggregate assessments and individual assessments of the recoverability of our trade receivables based on historical settlement records and past experience. During challenging periods, such as the COVID-19 pandemic, we occasionally extended longer settlement periods to certain customers to alleviate their financial pressures. Nevertheless, as of August 31, 2023, 80.7% of our trade receivables as of April 30, 2023, were settled. Our management is of the view that such settlements over the past four months have remained healthy.

FINANCIAL INFORMATION

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. Our cash and cash equivalents increased from RMB120.6 million as of December 31, 2022 to RMB133.3 million as of April 30, 2023 mainly due to cash generated from operating activities, which was partially offset by cash used in investing activities for acquisition of intralogistics equipment and repayment of certain interest-bearing bank and other borrowing.

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,			As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	107,210	138,866	159,876	190,504
Bills payable	85,991	96,585	102,684	117,625
Total	193,201	235,451	262,560	308,129

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. In addition, our trade and bill payables increased from RMB262.6 million as of December 31, 2022 to RMB308.1 million as of April 30, 2023, primarily due to the an increase in payables for procurement of intralogistics equipment to cope with our growing business needs regarding sales of intralogistics equipment.

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Our trade payables' credit terms 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,			As of April 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	159,441	194,392	212,550	270,270
3 months to 1 year	24,789	35,845	42,644	29,686
Over 1 year	8,971	5,214	7,366	8,173
Total	193,201	235,451	262,560	308,129

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

	Year ended December 31,			Four months ended April 30
	2020	2021	2022	2023
	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 and by 120 days for the four months ended April 30, 2023.

Our trade payables turnover days increased from 55.4 days in 2020 to 56.3 days in 2021, to 65.5 days in 2022, and further to 66.9 days for the four months ended April 30, 2023. 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 August 31, 2023, RMB138.9 million, or 72.9%, of our trade payables as of April 30, 2023 had been settled.

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Other Payables and Accruals

During the Track Record Period, our other payables and accruals primarily consisted of (i) 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; (ii) accruals, which represent accrued expenses for utilities and other operating expenses and listing expenses. In particular, our accruals increased significantly as of April 30, 2023, primarily due to the accruals of listing expenses; (iii) salary and welfare payables, which represent basic salary and year-end bonus; (iv) 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; (v) contract liabilities; 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,			As of April 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>				
Other payables	47,392	50,237	50,478	49,321
Accruals	3,580	1,743	4,489	18,444
Salary and welfare payables	14,450	14,682	14,845	13,725
Endorsed bills receivable that have not been derecognized and not yet due	15,931	21,465	18,921	13,310
Contract liabilities	7,242	8,972	14,559	12,945
Other tax payables	3,792	6,100	9,561	5,104
<i>Subtotal</i>	92,387	103,199	112,853	112,849
<i>Non-current</i>				
Other payables	27,186	25,872	19,777	19,170
Total	119,573	129,071	132,630	132,019

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.

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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 decrease in endorsed bills receivable that have not been derecognized and not yet due.

Our other payables and accruals decreased from RMB132.6 million as of December 31, 2022 to RMB132.0 million as of April 30, 2023, primarily due to a decrease in endorsed bills receivable that have not been derecognized and not yet due and other tax payable. These decreases align with our business patterns that typically record a lower volume of business transactions in the first quarter than the last quarter of the year. In addition, these decreases were partially offset by an increase of accrued listing expenses.

As of August 31, 2023, RMB54.8 million, or 48.5%, of our other payables and accruals as of April 30, 2023 had been settled. This includes settlement of RMB6.6 million, or 51.2%, of our contract liabilities for the same period.

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 proceeds from the Global Offering. As of April 30, 2023, we had cash and cash equivalents of RMB133.3 million. Taking into account the financial resources available to us, including cash flow from operating activities, unutilized bank facilities, and the estimated net proceeds from the Global Offering, 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 prospectus.

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Cash Flows

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

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Cash generated from operations before movements in working capital	449,806	530,266	540,429	160,799	180,408
Changes in working capital	8,058	(898)	(19,131)	(16,981)	(25,532)
Cash generated from operations	457,864	529,368	521,298	143,818	154,876
Interest received	1,443	1,651	1,945	551	410
Income tax paid	(7,724)	(3,388)	(1,051)	(758)	(18)
Net cash flows generated from operating activities	451,583	527,631	522,192	143,611	155,268
Net cash flows used in investing activities	(157,637)	(285,358)	(226,168)	(75,263)	(103,710)
Net cash flows used in financing activities	(328,375)	(137,722)	(363,548)	(85,538)	(38,899)
Net increase/(decrease) in cash and cash equivalents	(34,429)	104,551	(67,524)	(17,190)	12,659
Cash and cash equivalents at beginning of the year/period	118,040	83,611	188,162	188,162	120,638
Cash and cash equivalents at end of the year/period	83,611	188,162	120,638	170,972	133,297

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Net Cash Generated From Operating Activities

For the four months ended April 30, 2023, we generated RMB155.3 million in cash from operating activities. This was primarily due to a profit before tax of RMB2.5 million, adjusted for (i) finance costs of RMB27.3 million; and (ii) non-cash items, including (a) property, plant, and equipment depreciation of RMB79.3 million and (b) right-of-use asset depreciation of RMB68.4 million. Changes in working capital mainly included (i) a decrease in trade and bills payables of RMB45.6 million; (ii) an increase in trade and bill receivables of RMB29.8 million in line with the business expansion, in particular due to the new customers we developed for sales of equipment and parts; (iii) an increase in prepayments, deposits and other receivables of RMB12.6 million; and (iv) an increase in inventories of RMB10.7 million due to the expansion of our equipment fleet and business scale of our maintenance services in line with our business growth.

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 related disease prevention policy 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; (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 due to the negative impact of COVID-19 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.

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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

For the four months ended April 30, 2023, our net cash used in investing activities was RMB103.7 million, mainly due to the acquisition of items of property, plant and equipment of RMB103.5 million.

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 RMB220.8 million, including the purpose for our headquarter office and Heifei factory to meet our growing business demands; and (ii) 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 RMB136.0 million to meet our business needs.

Net Cash Used in Financing Activities

Our net cash used in financing activities was RMB38.9 million for the four months ended April 30, 2023, primarily due to new bank loans and other borrowings of RMB158.2 million, offset by (i) principal portion of lease payments of RMB118.0 million and (ii) repayment of bank loans and other borrowings of RMB50.3 million.

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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	As of
	2020	2021	2022	April 30,	August 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets					
Inventories	56,619	69,174	84,502	95,190	107,896
Trade and bills receivables	239,870	269,610	294,037	321,730	329,498
Prepayments, deposits, and other receivables	89,087	98,201	106,027	118,333	139,227
Restricted deposits	31,462	44,762	30,850	54,030	85,413
Cash and cash equivalents	83,611	188,162	120,638	133,297	92,461
Total current assets	<u>500,649</u>	<u>669,909</u>	<u>636,054</u>	<u>722,580</u>	<u>754,495</u>
Current liabilities					
Trade and bills payables	193,201	235,451	262,560	308,129	311,969
Other payables and accruals	92,387	103,199	112,853	112,849	124,633
Interest-bearing bank loans and other borrowings	511,644	479,187	528,022	525,888	601,350
Tax payable	4,687	757	–	–	651
Total current liabilities	<u>801,919</u>	<u>818,594</u>	<u>903,435</u>	<u>946,866</u>	<u>1,038,603</u>
Net current liabilities	<u>(301,270)</u>	<u>(148,685)</u>	<u>(267,381)</u>	<u>(224,286)</u>	<u>(284,108)</u>

FINANCIAL INFORMATION

We recorded net current liabilities and relatively high gearing ratio as of December 31, 2020, 2021, 2022, and April 30, 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. Simultaneously, to finance these investments, we relied on external borrowings, leading to a high gearing ratio. While this situation creates short-term financial pressures, it stems from our strategy of prioritizing long-term capital investments. 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 prospectus, taking into account our financial resources, including internally generated funds, the proceeds from the Global Offering, and available facilities from bank and other borrowings. In addition, our Directors are of the view that we are able to match our loans and borrowings to support our long-term operational needs. 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, RMB522.2 million, and RMB155.3 million for the years ended December 31, 2020, 2021, 2022, and four months ended April 30, 2023, respectively. This steady cash flow is a testament to our technology and execution capabilities, as well as the industry recognition we have received. This cash flow consistency also underscores our adeptness in resource allocation and efficiency enhancement. In the future, by expanding into untapped markets and streamlining our cost structures, we foresee the continuation of this positive cash flow trend. Furthermore, we are placing a renewed emphasis on enhancing communication with both our suppliers and customers. This is expected to expedite the collection of trade receivables while simultaneously negotiating extended payment terms with our suppliers.
- **Bank and other borrowings:** As of August 31, 2023, we had unutilized facilities for bank and other borrowings of RMB1,436.8 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. In the upcoming quarters, we are geared to engage in negotiations to secure more favorable borrowing terms, including reduced interest rates, aligning with our business growth strategy. 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.
- **Proceeds from the Global Offering:** We expect to receive proceeds from the Global Offering of approximately HK\$126.8 million, after deducting underwriting commissions, fees, and estimated expenses payable by us in connection with the Global Offering. These proceeds will further strengthen our financial position and support our business development initiatives.

FINANCIAL INFORMATION

- Stringent cash management:** We closely monitor and manage our cash position and requirements to ensure that we have sufficient working capital for our operations. We prioritize planned and systematic cash flow management and match short-term loans with our operational needs to ensure we have sufficient liquidity to cover its immediate expenses while maintaining flexibility for future investments in equipment. 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 August 31, 2023, RMB244.5 million, or 80.7%, of our trade receivables as of April 30, 2023, had been settled. To further tighten our cash management regimen, we have instituted a weekly review mechanism. This periodic assessment aids in making informed decisions about cash allocation, capital structure optimization, and addressing immediate and future 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 August 31, 2023. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since August 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 April 30,	As of August 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current					
Bank loans and other borrowings	168,121	157,408	174,114	223,735	233,694
Lease liabilities	343,523	321,779	353,908	302,153	367,656
<i>Subtotal</i>	511,644	479,187	528,022	525,888	601,350
Non-current					
Bank loans and other borrowings	239,810	391,006	406,971	465,243	474,783
Lease liabilities	422,616	459,601	432,194	407,114	414,807
<i>Subtotal</i>	662,426	850,607	839,165	872,357	889,590
Total	1,174,070	1,329,794	1,367,187	1,398,245	1,490,940

FINANCIAL INFORMATION

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 3.7% to 9.9% per year. For more details of these borrowings, see Note 23 to the Accountant's Report in Appendix I to this prospectus. Furthermore, our lease liabilities represent the obligations related to the leasing of intralogistics equipment and office premises, specifically for lease terms exceeding one year. The growth in the aforementioned balances during the Track Record Period primarily stemmed from increased working capital and capital expenditure requirements due to our business expansion.

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, 2022, and four months ended April 30, 2023, we incurred capital expenditure of RMB156.7 million, RMB284.2 million, RMB220.8 million, and RMB103.5 million, respectively.

CAPITAL COMMITMENTS

As of December 31, 2020, 2021, 2022, and April 30, 2023, we had capital commitments of RMB6.4 million, RMB49.5 million, RMB37.7 million, and RMB38.5 million, respectively, primarily in connection with the construction of Hefei Factory and our headquarter building.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021, 2022, and April 30, 2023, 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.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

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

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Current ratio ⁽¹⁾	0.6	0.8	0.7	0.8
Gearing ratio ⁽²⁾	171.8%	153.9%	152.0%	154.9%

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. However, our gearing ratio increased slightly from 152.0% as of December 31, 2022 to 154.9% as of April 30, 2023, primarily due to an increase in bank loans and other borrowings to support our business operation.

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 prospectus. 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, RMB2.3 million, and RMB0.9 million in 2020, 2021, 2022 and four months ended April 30, 2023, respectively. The outstanding balances with related parties amounted to RMB0.4 million, RMB0.8 million, RMB0.2 million, and RMB0.4 million as of December 31, 2020, 2021, 2022 and April 30, 2023, respectively, and were all trade in nature for sales of intralogistics equipment and parts and provision of intralogistics equipment subscription services.

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 prospectus, we have no outstanding balances with related parties that are non-trade in nature.

FINANCIAL INFORMATION

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 prospectus.

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 Global Offering, 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 Adviser, 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.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of April 30, 2023, we had distributable reserves of RMB236.3 million.

LISTING EXPENSES

Our listing expenses mainly include sponsor's fee, underwriting commissions, professional fees paid to legal advisers, the reporting accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB52.7 million (HK\$57.4 million), representing 31.2% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. Our listing expenses are categorized into underwriting-related expenses of approximately RMB12.1 million (HK\$13.2 million) and non-underwriting-related expenses of approximately RMB40.6 million (equivalent to HK\$44.2 million), representing 7.2% and 24.0%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. The non-underwriting-related expenses can be further classified into fees and expenses of legal advisors and accountants of approximately RMB26.5 million (HK\$28.9 million) and other fees and expenses of approximately RMB14.1 million (HK\$15.3 million), representing 15.7% and 8.3%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses in aggregate of RMB19.6 million (equivalent to HK\$21.4 million), of which RMB12.4 million (equivalent to HK\$13.6 million) was charged to the consolidated statements of profit or loss and RMB7.2 million (equivalent to HK\$7.8 million) was deducted from equity as of April 30, 2023. We expect to incur additional listing expenses of approximately RMB33.1 million (equivalent to HK\$36.0 million), of which approximately RMB30.3 million (equivalent to HK\$33.0 million) is expected to be charged to the consolidated statements of profit or loss and approximately RMB2.8 million (equivalent to HK\$3.0 million) is expected to be recognized as a deduction in equity directly upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma 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 Global Offering on the consolidated net tangible assets of our Group attributable to the owners of our Company as of April 30, 2023 as if the Global Offering had taken place on April 30, 2023. The unaudited pro forma 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 Global Offering been completed as of April 30, 2023 or as of any future dates.

	Consolidated net tangible assets attributable to owners of our Company as of April 30, 2023	Estimated net Proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company as of April 30, 2023	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of April 30, 2023	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2 and 4)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$14.18 per Share	894,445	105,621	1,000,066	2.87	3.13
Based on an Offer Price of HK\$15.18 per Share	894,445	116,309	1,010,754	2.90	3.16
Based on an Offer Price of HK\$16.18 per Share	894,445	126,996	1,021,441	2.93	3.19

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of April 30, 2023 was equal to the audited net assets attributable to owners of our Company as of April 30, 2023 of RMB902,842,000 after deducting of intangible assets of RMB8,397,000 as of April 30, 2023 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$14.18, HK\$15.18 or HK\$16.18 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any shares which may be issued upon exercise of the Over-allotment Option.
- (3) The unaudited pro forma 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 348,022,816 Shares are in issue assuming the Subdivision and Global Offering has been completed as of April 30, 2023.

FINANCIAL INFORMATION

- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.00 to RMB0.9174 and the unaudited pro forma 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 April 30, 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, other than as disclosed under the “Recent Developments – No Material Adverse Change” in the “Summary” section in this prospectus, there had been no material adverse change in our financial, operational or prospects since April 30, 2023, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus.

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 USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business – Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$126.8 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming the Over-Allotment Option being not exercised and an Offer Price of HK\$15.18 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK\$16.18 per Share, which is the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$11.6 million. If the Offer Price is set at HK\$14.18 per Share, which is the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$11.6 million.

Assuming an Offer Price at the mid-point of the Offer Price range, we currently intend to apply these net proceeds for the following purposes:

- 45.0%, or approximately HK\$57.0 million, will be used to enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment. Specifically:
- 5.0%, or approximately HK\$6.3 million, will be used to strengthen our marketing capabilities. We plan to expand our sales team and improve sales and marketing methods.

We plan to recruit 8 sales personnel in our sales team each year during the next three years to enhance our capability in acquiring more customers. Approximately HK\$3.3 million will be used to pay their salaries and approximately HK\$1.6 million will be used to pay the sales and marketing expenses of the sales team such as vehicle expenses and other traveling expenses.

The remaining balance of the allocated net proceeds of approximately HK\$1.4 million will be used to expand our 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.

FUTURE PLANS AND USE OF PROCEEDS

- 15.0%, or approximately HK\$19.0 million, will be used to expand our service outlets, further enhancing our service efficiency and customer outreach. As of April 30, 2023, we established a nationwide service network with 67 service outlets covering 47 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.

In particular, we plan to build 13 new service outlets each year during the next three years, which will be mainly located in Yangtze River Delta Region, Pearl River Delta and Bohai Economic Rim, to further improve our service coverage, reach more customers, and provide timely services to meet their various needs.

- 25.0%, or approximately HK\$31.7 million, 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.

To expand the scale and categories of our equipment fleet, we plan to use net proceeds from the Global Offering of HK\$10.6 million, HK\$10.6 million and HK\$10.5 million, in each of the three years from 2024 to 2026, respectively, to purchase approximately 100 units of intralogistics equipment, including counterbalanced forklifts, reach trucks, walkie trucks and other intralogistics equipment, covering storage, sorting and conveying equipment.

- 20.0%, or approximately HK\$25.4 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. Specifically:
 - 10.0%, or approximately HK\$12.7 million, will be used to expand and upgrade our existing supply chain facilities, specifically for our main supply chain bases, equipment part warehouses at our headquarter and automated warehouses in local bases. Approximately HK\$7.7 million will be used to expand and enhance our current main supply chain bases in Foshan, Guangdong and in Langfang, Hebei and approximately HK\$5.0 million will be used to renovate and upgrade our equipment part warehouses at our headquarter and automated warehouses in local bases to further improve efficiency during the next three years. We plan to perform maintenance on our manufacturing processes and upgrade equipment and service capacities. Our aim is to streamline our supply chain by automating the storage and retrieval of parts, resulting in reduced manual labor and increased accuracy.

FUTURE PLANS AND USE OF PROCEEDS

- 10.0%, or approximately HK\$12.7 million, 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.

In particular, approximately HK\$3.8 million will be used to build a new supply chain base in Kunshan, Jiangsu and approximately HK\$3.5 million will be used to build a new supply chain base in Wuhan, Hubei from 2024 to 2025. Approximately HK\$2.7 million will be used to build a new supply chain base in Shenyang, Liaoning and approximately HK\$2.7 million will be used to build a new supply chain base in Chengdu, Sichuan from 2025 to 2026.

- 15.0%, or approximately HK\$19.0 million, will be used to strengthen our technology capabilities and infrastructure. Specifically:
 - 10.0%, or approximately HK\$12.7 million, will be used to enhance our core technology capabilities. Approximately HK\$6.6 million will be used to upgrade our IoT infrastructure, among which, approximately HK\$4.8 million will be used to upgrade the host engine rooms, and the remaining will be used to recruit 6 relevant technicians from 2024 to 2026. The upgrade of IoT infrastructure will enable efficient tracking and recording of intralogistics equipment. Approximately HK\$6.1 million will be used to collaborate with research institutions and leading companies across China to establish a cooperative platform for IoT intelligent management.
 - 5.0%, or approximately HK\$6.3 million, 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. Approximately HK\$3.3 million will be used to construct and upgrade the machine rooms and purchase relevant equipment and approximately HK\$3.0 million will be used to recruit relevant technicians from 2024 to 2026.
- 10.0%, or approximately HK\$12.7 million, 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.

Our strategic merger and acquisition plan involves expanding into specific regional markets and deepening our presence within target industries. One of our primary objectives is to expand our presence in key regional markets, including the Southwest, Northwest, Northeast, and Central China. To achieve this goal, we will prioritize target companies that predominantly operate within these specific regional markets, which will allow us to supplement and strengthen our existing regional

FUTURE PLANS AND USE OF PROCEEDS

market coverage. In addition, we aim to deepen our penetration within the manufacturing industry, focusing on industries such as automotive, ceramics, paper manufacturing, and electrical appliances. Our merger and acquisition strategy will involve identifying and acquiring companies whose primary customer base consists of customers engaging in the manufacturing industry, which will enable us to enhance our presence and service offerings within such industry.

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 Listing.

- 10.0%, or approximately HK\$12.7 million, will be used for our general working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$153.3 million, assuming an Offer Price of HK\$15.18 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we will only deposit such funds in short-term demand with licensed banks or authorized financial institutions as defined under the Securities and Futures Ordinance in Hong Kong. We will issue an appropriate announcement if there is any material change to the above use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
GF Securities (Hong Kong) Brokerage Limited
Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in the prospectus, the **GREEN** Application Form relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 1,213,600 Hong Kong Offer Shares and the International Offering of initially 10,922,400 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the 194,458,736 H Shares to be converted from Unlisted Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to severally (and not jointly or jointly and severally) subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by written notice from the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any new law or any change or development involving or likely to result in a prospective change in any existing law or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Australia or any other jurisdiction in which our Group operates (collectively, the “**Relevant Jurisdictions**,” and each, a “**Relevant Jurisdiction**”); or
 - (ii) any change, or any development involving or likely to result in a prospective change or development (whether or not permanent) in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange management or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of the Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or
 - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at Federal or New York State level or other competent government authority), London or any

UNDERWRITING

other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdiction; or

- (v) any change or development involving a prospective change in or affecting taxation or exchange management, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange management, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or
- (vi) any imposition of sanctions or economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for the United Nations or any Relevant Jurisdiction on the Company or any member of our Group; or
- (vii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (viii) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, outbreak or escalation of hostilities (whether or not war is declared), calamity, economic sanction, strike, labour dispute, crisis, riot, civil commotion, public disorder, labour dispute, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9), COVID-19 or such related/mutated forms), pandemic, outbreak of infectious disease, lockdown, lockout or severe or extended interruption in transport, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, explosion, volcanic eruption, ice-storm, tsunami or fire; or
- (ix) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the **GREEN** Application Form or final offering memorandum (or to any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or the CSRC filings pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Listing Rules or the CSRC rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator; or

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- (x) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of the this prospectus, the **GREEN** Application Form and the formal notice to be issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules (collectively, the “**Hong Kong Public Offering Documents**”) or the CSRC filings; or
- (xi) any change, development or event involving a prospective change in, or actual materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xii) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiii) any contravention or breach by any member of the Group or any Director of the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the CSRC rules, the PRC Company Law or other applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) any non-compliance of this prospectus (or any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the CSRC rules or any other applicable laws; or
- (xvi) any litigation, claim or other legal or regulatory proceeding being threatened or instigated against (i) any member of our Group; (ii) any of our Controlling Shareholders; or (iii) any Director; or

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- (xvii) any public, administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority (including but not limited to the Stock Exchange, the SFC and the CSRC), or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational and of any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or any of our Controlling Shareholders; or

- (xviii) any of the chairman of our Board, the chief executive officer of our Company, the general manager of our Company or any executive Director vacating his or her office; or

- (xix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not subject of any insurance or claim against any person); or

- (xx) any of the chairman of our Board, the chief executive officer of our Company, the general manager of our Company or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor:

- (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group as a whole; or

- (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

- (C) makes or will or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus, the **GREEN** Application Form, the formal notice to be issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules or the final offering memorandum; or

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- (D) has or will or may have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):
- (i) that any statement contained in any of, among others, the Hong Kong Public Offering documents, the application proof prospectus of our Company, the post-hearing information pack of our Company, the CSRC filings, the price determination agreement, the final offering circular and/or in any notices, announcements, advertisements, communications, marketing or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the “**Offering Related Documents**”) (but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect or inaccurate in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offering Related Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of the Offering Related Documents; or
 - (iii) any material contravention or breach by any member of our Group or any Director of any applicable laws, the Listing Rules or the CSRC rules; or
 - (iv) that there is a breach of, or any matter, event or circumstance rendering or which may render, any of the representations, warranties, agreements and undertakings given by any of our Company or our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete in any respect or misleading; or
 - (v) that there is a breach of any provision of, or any obligation imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters or the International Underwriters); or

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- (vi) there is an event, act or omission which gives or is likely to give rise to any liability of any of our Company or our Controlling Shareholders pursuant to the indemnities given by any of our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (vii) that there is any material adverse change, or any development involving a prospective material adverse change or development, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group, taken as a whole; or
- (viii) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (ix) that the investment commitments by any cornerstone investor after signing of the cornerstone investment agreement(s) with such cornerstone investor have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (x) any of the experts specified in this prospectus or other person whose consent is required for the issue of this prospectus or any of the Hong Kong Public Offering documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, this prospectus or any of the Hong Kong Public Offering documents; or
- (xi) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused, not granted or qualified (other than by customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (xii) that our Company withdraws this prospectus, the **GREEN** Application Form and/or any other document issued or used in connection with the Global Offering, or the Global Offering.

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Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not, at any time within six months from the Listing Date, issue further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement or form the subject of any arrangement to such an issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering (including pursuant to the Over-allotment Option (as defined in the Prospectus)) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), they will not (and will procure that any other registered holder (if any) of the Shares in which any of them has a beneficial interest will not) without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (i) in the period of six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which any of them is shown by this prospectus to be the beneficial owner (the “**Relevant Shares**”); and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Shares to such extent that, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders of our Company for the purpose of the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to each of the Stock Exchange and our Company that, within the period commencing on the Listing Date and ending on the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any Shares legally and/or beneficially owned by them in favor of an authorized institution relying on Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (a) and (b) above (if any) by our Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings to the Hong Kong Underwriters Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMI's and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of any member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of any member of our Group, as applicable, or any interest in any of the foregoing) or deposit any Shares or other securities of any member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or any other securities of any member of our Group or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of any member of our Group, as applicable, or any interest in any of the foregoing); or

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- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraph (i) or (ii) above; or
- (iv) offer or agree or contract to effect any transaction set out in paragraphs (i), (ii) or (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of any member of our Group, as applicable, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period). In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions set out in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, our Company will take all reasonable steps to ensure compliance with applicable legal and regulatory requirements relating to the avoidance of creating a disorderly or false market in the Shares or other securities of any member of our Group.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) save for any pledge or charge of Shares or other securities of our Company (in respect of which it is shown in this prospectus as the beneficial owner or as having any deemed or other interest) or any interest in any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company) by him or it as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, during the First Six-Month Period, he or it will not and will procure that none of his or its affiliates will:
 - (i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities

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convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company), directly or indirectly held by him or it as of the date hereof;

- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) directly or indirectly held by him or it as of the date hereof;
- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii); or
- (iv) publicly disclose that it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii),

whether any of the transaction set out in paragraphs (i), (ii) or (iii) is to be settled by delivery of such capital or securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period);

- (b) during the Second Six-Month Period, he or it will not enter into any transaction described in paragraphs (a)(i), (ii) or (iii) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he or it will cease to be a Controlling Shareholder;
- (c) until the expiry of the Second Six-Month Period, in the event that he or it enters into any such transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time after the date hereof up to and including the date falling 12 months after the Listing Date, he or it shall:
 - (i) if and when he or it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by him or it, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) so pledged or charged; and

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- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

Hong Kong Underwriters' Interests in our Company

Except for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interest in the Company or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any securities of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

Commissions and Expenses

According to the Hong Kong Underwriting Agreement, the Capital Market Intermediaries will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission to the International Underwriters at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, our Company may, at its sole and absolute discretion, also pay to the Capital Market Intermediaries (in such proportions as our Company may solely determine) an incentive fee of up to 1.0% of the aggregate Offer Price in respect of the Hong Kong Offer Shares.

Assuming discretionary fees will be fully paid, the aggregate amount of fees payable by us to all syndicate members will be 4.0% of the gross proceeds from the Global Offering, of which 75.0% will be fixed and 25.0% will be discretionary.

Indemnity

We have agreed to indemnify, among others, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by us of the Hong Kong Underwriting Agreement.

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International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement on the Price Determination Date with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. See “Structure of the Global Offering – The International Offering” in this prospectus.

Over-Allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 1,820,400 H Shares, representing not more than 15.00% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering – The International Offering – Over-Allotment Option” in this prospectus.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agents for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as

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derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 1,213,600 Hong Kong Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 10,922,400 International Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in accordance with Regulation S as described in the paragraph headed “The International Offering” below. At any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Sole Overall Coordinator (on behalf of the International Underwriters), has an option to require the Company to issue and allot up to an aggregate of 1,820,400 additional H Shares, representing 15.00% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 3.49% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 3.99% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed “Structure of the Global Offering – The International Offering – Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “The Hong Kong Public Offering – Reallocation and Clawback” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 1,213,600 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.00% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 0.35% of the Company’s enlarged registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes (with any odd board lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of the immediate preceding paragraph only, the “price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 606,800 Hong Kong Offer Shares (being 50.00% of the 1,213,600 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 3,640,800 Offer Shares (in the case of (a)), 4,854,400 Offer Shares (in the case of (b)) and 6,068,000 Offer Shares (in the case of (c)), representing 30.00%, 40.00% and 50.00% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Overall Coordinator deems appropriate.

In addition, the Sole Overall Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering under the condition that (1) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (2) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering. In such event, the Sole Overall Coordinator has the authority to re-allocate International Offer Shares originally allocated in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 2,427,200 Offer Shares (representing 20.00% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price Range (i.e., HK\$14.18 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Sole Overall Coordinator may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator deems appropriate.

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The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Overall Coordinator.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated international Offer Shares under the International Offering.

The Listing is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$16.18 per Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum Offer Price of HK\$16.18 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, the **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 10,922,400 International Offer Shares representing 90.00% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised, and approximately 3.14% of the Company's enlarged registered share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions

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outside the United States only in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the paragraph headed “The Hong Kong Public Offering – Reallocation and Clawback” above or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-Allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Overall Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Overall Coordinator has the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 1,820,400 additional Offer Shares, representing 15.00% of the initial number of Offer Shares to be offered in the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.52% of the Company’s enlarged registered share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

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STABILIZATION

Stabilization is a usual practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the International Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the International Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of the H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely 1,820,400 H Shares, which is 15.00% of the number of Offer Shares initially available under the Global Offering assuming that the Over-allotment Option is not exercised, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

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- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, December 3, 2023. As a result, demand for the H Shares and their market price may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants.

In order to effect stabilization actions, the Stabilizing Manager may arrange cover of up to an aggregate of 1,820,400 H Shares, representing up to 15.00% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed to by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the

STRUCTURE OF THE GLOBAL OFFERING

Offer Price for the Offer Shares allocated to such investor will be fully paid prior to Listing, accordingly there will be no delayed settlement of payment of the Offer Shares. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, November 3, 2023, and in any event on or before Thursday, November 9, 2023, by agreement between the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will be not more than HK\$16.18 per Offer Share and is expected to be not less than HK\$14.18 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$16.18 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable on each Offer Share. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in the prospectus.**

REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF OFFER SHARES

The Sole Overall Coordinator (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day

STRUCTURE OF THE GLOBAL OFFERING

for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.fls123.com) notices of the reduction. As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, the Company will also issue a supplemental prospectus updating investors of such reduction together with (a) an update of all financial and other information in connection with such change, among other things, the changes to the Global Offering, change in the Offer Price, offer period and the impact of such change on the sufficiency of working capital and use of proceeds; and (b) where appropriate, the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who have applied for the Offer Shares to confirm their applications. In the event that the Company has not obtain a confirmation from the potential investors confirming their desire to proceed with their applications, their applications will be rejected. In the absence of the publication of any such notice and supplemental prospectus so published, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Irrespective of whether the number of Offer Shares and/or the Offer Price range is reduced, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.fls123.com).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements and the respective Underwriting Agreements are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and 194,458,736 H Shares to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares;

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- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.fls123.com, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates will only become valid at 8:00 a.m. on Friday, November 10, 2023 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised.

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

STRUCTURE OF THE GLOBAL OFFERING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 10, 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 10, 2023. The H Shares will be traded in board lots of 200 H Shares each and the stock code of the H Shares will be 2499.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.fls123.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are the procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through the **CCASS eIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Overall Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director, supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- (a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- (b) have a Hong Kong address; and
- (c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Overall Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering and the **HK eIPO White Form** Service Provider, is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving bank(s), the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and/or their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Underwriters nor any of their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the **GREEN** Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a U.S. person (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Overall Coordinator and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
200	3,268.63	4,000	65,372.71	60,000	980,590.52	300,000	4,902,952.59
400	6,537.27	5,000	81,715.87	70,000	1,144,022.27	350,000	5,720,111.35
600	9,805.90	6,000	98,059.06	80,000	1,307,454.02	400,000	6,537,270.12
800	13,074.54	7,000	114,402.23	90,000	1,470,885.78	450,000	7,354,428.89
1,000	16,343.17	8,000	130,745.39	100,000	1,634,317.54	500,000	8,171,587.66
1,200	19,611.81	9,000	147,088.58	120,000	1,961,181.03	606,800 ⁽¹⁾	9,917,038.78
1,400	22,880.44	10,000	163,431.75	140,000	2,288,044.54		
1,600	26,149.08	20,000	326,863.51	160,000	2,614,908.05		
1,800	29,417.72	30,000	490,295.27	180,000	2,941,771.55		
2,000	32,686.35	40,000	653,727.01	200,000	3,268,635.05		
3,000	49,029.52	50,000	817,158.76	250,000	4,085,793.83		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications Under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, October 31, 2023 until 11:30 a.m. on Friday, November 3, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, November 3, 2023 or such later time under “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator and the H Share Registrar.

Applying Through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **undertake** and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- **confirm** that you understand that our Company, the Directors, the Sole Overall Coordinator and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorize** our Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our H Share Registrar, receiving bank(s), the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and/or its respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agree** with the Company, for itself and for the benefit of each of the Shareholders and each Director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholders and each Director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- **agree** with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that the H Shares are freely transferable by their holders;
- **authorize** the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying Through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, October 31, 2023 – 9:00 a.m. to 8:30 p.m.
- Wednesday, November 1, 2023 – 8:00 a.m. to 8:30 p.m.
- Thursday, November 2, 2023 – 8:00 a.m. to 8:30 p.m.
- Friday, November 3, 2023 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, October 31, 2023 until 12:00 noon on Friday, November 3, 2023 (24 hours daily, except on Friday, November 3, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, November 3, 2023, the last application day or such later time as described in “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

Note: These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by us and our H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of Personal Data

We and our H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by the **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **CCASS eIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, November 3, 2023.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees," you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving **Electronic Application Instructions** to HKSCC via CCASS," the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers or nominees can consult their brokers or nominees to enquire about their application results.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the registered share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$16.18 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC levy of 0.00015%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK\$3,268.63.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 200 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section headed “4. Minimum Application Amount and Permitted Numbers,” or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC), and AFRC transaction levy will be paid to Hong Kong Exchanges and Clearing Limited who shall collect such levy on behalf of the AFRC.

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 3, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, November 3, 2023 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable,” an announcement will be made in such event on our website at www.fls123.com and the website of the Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, November 9, 2023 on the websites of the Company (www.fls123.com) and of the Stock Exchange (www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of the Company at www.fls123.com and of the Stock Exchange at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, November 9, 2023;

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- from “IPO Results” function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, November 9, 2023 to 12:00 midnight on Wednesday, November 15, 2023; or
- from the results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, November 9, 2023 to Tuesday, November 14, 2023 (excluding Saturday, Sunday and public holiday in Hong Kong).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or

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- if any supplement to this prospectus is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents exercise their discretion to reject your application:

The Company, the Sole Overall Coordinator, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at www.hkeipo.hk;
- your payment is not made correctly;

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- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Sole Overall Coordinator or the Sole Global Coordinator believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$16.18 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus, or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, November 9, 2023.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUE(S)

You will receive one H Share certificate for all the Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made via the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of H Share certificates and refund cheque(s) as mentioned below, any refund cheque(s) and H Share certificate(s) are expected to be posted on or before Thursday, November 9, 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, November 10, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If You Apply Through the HK eIPO White Form Service

If you apply for 500,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service, and your application is wholly or partially successful, you may collect refund cheque(s) (where applicable) and/or your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, November 9, 2023, or such other place or date as notified by the Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for 500,000 or less Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, November 9, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If You Apply Through The CCASS EIPO Service

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of H Share Certificates Into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, November 9, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, November 9, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 9, 2023 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, November 9, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, November 9, 2023.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this document received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VII headed "Documents Delivered to the Registrar of Companies and Available on Display" to this document, a copy of the accountants' report is available for inspection.



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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-96, 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 and the four months ended 30 April 2023 (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 30 April 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2023 (the "Prospectus") in connection with the initial listing 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 30 April 2023 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2022 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information 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. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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-4 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.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young

Certified Public Accountants

Hong Kong

31 October 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**

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						<i>(Unaudited)</i>
REVENUE	5	980,643	1,172,182	1,194,209	346,809	436,291
Cost of sales		(650,463)	(798,015)	(832,545)	(245,910)	(314,077)
Gross profit		330,180	374,167	361,664	100,899	122,214
Other income and gains	5	4,853	4,022	6,276	2,693	1,753
Selling and distribution expenses		(72,270)	(84,018)	(86,072)	(27,873)	(26,431)
Administrative expenses		(120,746)	(143,199)	(156,858)	(50,625)	(52,213)
Impairment loss on financial assets		(6,808)	(4,498)	(4,178)	(884)	(2,106)
Other expenses		(197)	(262)	(2,750)	(719)	(12,684)
Finance costs	6	(73,604)	(81,838)	(83,609)	(27,398)	(27,308)
Share of profits/(losses) of associates	16	(228)	(4,929)	948	(1,041)	(762)
PROFIT/(LOSS) BEFORE TAX	7	61,180	59,445	35,421	(4,948)	2,463
Income tax credit/(expense)	10	(6,970)	(4,267)	(20)	2,396	918
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		<u>54,210</u>	<u>55,178</u>	<u>35,401</u>	<u>(2,552)</u>	<u>3,381</u>
Attributable to: Owners of the Company		<u>54,210</u>	<u>55,178</u>	<u>35,401</u>	<u>(2,552)</u>	<u>3,381</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY						
Basic and diluted	12	<u>RMB0.67</u>	<u>RMB0.67</u>	<u>RMB0.42</u>	<u>RMB(0.03)</u>	<u>RMB0.04</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December			At
		2020	2021	2022	30 April
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
				<i>RMB'000</i>	
NON-CURRENT ASSETS					
Property, plant and equipment	13	692,098	808,689	856,533	884,098
Right-of-use assets	14(a)	876,146	977,324	1,049,320	1,018,886
Intangible assets	15	3,854	3,862	8,684	8,397
Investments in associates	16	18,177	8,869	10,561	9,799
Deposits	19	78,989	86,174	96,507	92,360
Deferred tax assets	24	5,179	4,306	4,831	5,744
Total non-current assets		<u>1,674,443</u>	<u>1,889,224</u>	<u>2,026,436</u>	<u>2,019,284</u>
CURRENT ASSETS					
Inventories	17	56,619	69,174	84,502	95,190
Trade and bills receivables	18	239,870	269,610	294,037	321,730
Prepayments, deposits and other receivables	19	89,087	98,201	106,027	118,333
Restricted deposits	20	31,462	44,762	30,850	54,030
Cash and cash equivalents	20	83,611	188,162	120,638	133,297
Total current assets		<u>500,649</u>	<u>669,909</u>	<u>636,054</u>	<u>722,580</u>
CURRENT LIABILITIES					
Trade and bills payables	21	193,201	235,451	262,560	308,129
Other payables and accruals	22	92,387	103,199	112,853	112,849
Interest-bearing bank loans and other borrowings	23	511,644	479,187	528,022	525,888
Tax payable		4,687	757	–	–
Total current liabilities		<u>801,919</u>	<u>818,594</u>	<u>903,435</u>	<u>946,866</u>
NET CURRENT LIABILITIES		<u>(301,270)</u>	<u>(148,685)</u>	<u>(267,381)</u>	<u>(224,286)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>1,373,173</u>	<u>1,740,539</u>	<u>1,759,055</u>	<u>1,794,998</u>

	<i>Notes</i>	As at 31 December			At
		2020	2021	2022	30 April
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	23	662,426	850,607	839,165	872,357
Other payables and accruals	22	27,186	25,872	19,777	19,170
Deferred tax liabilities	24	–	–	652	629
Total non-current liabilities		<u>689,612</u>	<u>876,479</u>	<u>859,594</u>	<u>892,156</u>
NET ASSETS		<u>683,561</u>	<u>864,060</u>	<u>899,461</u>	<u>902,842</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	25	80,484	83,972	83,972	83,972
Reserves	26	<u>603,077</u>	<u>780,088</u>	<u>815,489</u>	<u>818,870</u>
Total equity		<u>683,561</u>	<u>864,060</u>	<u>899,461</u>	<u>902,842</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total equity
	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000
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	<u>80,484</u>	<u>418,762*</u>	<u>5,191*</u>	<u>18,545*</u>	<u>160,579*</u>	<u>683,561</u>
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	<u>83,972</u>	<u>545,274*</u>	<u>512*</u>	<u>23,380*</u>	<u>210,922*</u>	<u>864,060</u>
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	<u>83,972</u>	<u>545,274*</u>	<u>512*</u>	<u>25,780*</u>	<u>243,923*</u>	<u>899,461</u>
At 1 January 2023	83,972	545,274	512	25,780	243,923	899,461
Profit and total comprehensive income for the period	-	-	-	-	3,381	3,381
Transfer to statutory surplus reserve	-	-	-	906	(906)	-
At 30 April 2023	<u>83,972</u>	<u>545,274*</u>	<u>512*</u>	<u>26,686*</u>	<u>246,398*</u>	<u>902,842</u>
At 1 January 2022	83,972	545,274	512	23,380	210,922	864,060
Loss and total comprehensive loss for the period	-	-	-	-	(2,552)	(2,552)
At 30 April 2022 (Unaudited)	<u>83,972</u>	<u>545,274</u>	<u>512</u>	<u>23,380</u>	<u>208,370</u>	<u>861,508</u>

* These reserve accounts comprise the consolidated reserves of RMB603,077,000, RMB780,088,000, RMB815,489,000 and RMB818,870,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(Loss) before tax		61,180	59,445	35,421	(4,948)	2,463
Adjustments for:						
Finance costs	6	73,604	81,838	83,609	27,398	27,308
Interest income	5	(1,443)	(1,651)	(1,945)	(551)	(410)
Share of losses/(profits) from associates	16	228	4,929	(948)	1,041	762
Fair value gain of financial assets at fair value through profit or loss	5	–	–	(892)	(178)	(93)
Gain on disposal of property, plant and equipment	7	(44)	(16)	(118)	(76)	(27)
Amortisation of intangible assets	7	539	1,001	1,888	400	601
Depreciation of property, plant and equipment	7	155,570	181,375	211,155	73,917	79,296
Depreciation of right-of-use assets	7	153,364	198,847	209,516	64,347	68,402
Impairment of trade receivables	7	6,808	4,498	4,178	884	2,106
Gain on remeasurement of an associate to acquisition-date fair value	5	–	–	(1,435)	(1,435)	–
		449,806	530,266	540,429	160,799	180,408
Increase in inventories		(1,189)	(12,555)	(14,676)	(12,756)	(10,688)
Increase in trade and bills receivables		(15,676)	(24,636)	(28,083)	(1,383)	(29,799)
Increase in prepayments, deposits and other receivables		(4,825)	(16,299)	(18,472)	(1,359)	(12,641)
Increase/(decrease) in trade and bills payables		19,289	42,250	27,109	(9,489)	45,569
Increase in other payables and accruals		10,459	10,342	14,991	8,006	725
Increase in restricted deposits		–	–	–	–	(18,698)
Cash generated from operations		457,864	529,368	521,298	143,818	154,876
Interest received		1,443	1,651	1,945	551	410
Income tax paid		(7,724)	(3,388)	(1,051)	(758)	(18)
Net cash flows from operating activities		451,583	527,631	522,192	143,611	155,268

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of items of property, plant and equipment		(134,797)	(284,230)	(220,767)	(70,342)	(103,543)
Additions to right-of-use assets		(21,899)	-	-	-	-
Proceeds from disposal of items of property, plant and equipment		262	181	320	152	54
Additions to intangible assets		(1,203)	(1,009)	(1,304)	(452)	(314)
Purchase of financial assets at fair value through profit or loss		-	-	(650,000)	(220,000)	(40,000)
Proceeds of disposal of financial assets at fair value through profit or loss		-	-	650,892	220,178	40,093
Capital injection in associates		-	-	(1,109)	(4,200)	-
Acquisition of a subsidiary	27	-	-	(4,200)	(599)	-
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)	(75,263)	(103,710)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issue of ordinary shares	25	-	130,000	-	-	-
New bank loans and other borrowings		188,516	317,817	246,101	98,321	158,226
Repayment of bank loans and other borrowings		(158,413)	(177,334)	(213,430)	(42,961)	(50,333)
Principal portion of lease payments		(281,784)	(319,415)	(307,245)	(111,833)	(118,047)
Interest paid		(76,694)	(88,790)	(88,974)	(29,065)	(28,745)
Net cash flows used in financing activities		(328,375)	(137,722)	(363,548)	(85,538)	(38,899)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of the year/period		118,040	83,611	188,162	188,162	120,638
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	20	83,611	188,162	120,638	170,972	133,297
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	170,972	133,297

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At 31 December			At
		2020	2021	2022	30 April
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	13	671,374	730,763	701,759	722,602
Right-of-use assets	14(a)	854,503	955,917	1,027,876	997,821
Intangible assets	15	3,854	3,862	3,683	3,576
Investments in subsidiaries	1	9,920	67,420	71,985	71,985
Investments in associates	16	18,177	8,869	10,561	9,799
Deposits	19	78,899	86,174	96,507	92,360
Deferred tax assets	24	2,896	2,102	2,627	3,180
Total non-current assets		1,639,623	1,855,107	1,914,998	1,901,323
CURRENT ASSETS					
Inventories	17	55,933	61,548	75,737	84,481
Trade and bills receivables	18	277,496	257,338	266,573	308,141
Prepayments, deposits and other receivables	19	82,911	82,284	89,847	102,235
Restricted deposits	20	31,462	44,762	30,850	35,332
Cash and cash equivalents	20	81,183	129,167	106,541	84,211
Total current assets		528,985	575,099	569,548	614,400
CURRENT LIABILITIES					
Trade and bills payables	21	207,764	251,116	250,460	268,029
Other payables and accruals	22	74,501	82,427	86,310	96,169
Interest-bearing bank loans and other borrowings	23	511,556	458,983	497,138	494,655
Tax payable		4,384	519	–	–
Total current liabilities		798,205	793,045	833,908	858,853
NET CURRENT LIABILITIES		(269,220)	(217,946)	(264,360)	(244,453)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,370,403	1,637,161	1,650,638	1,656,870
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	23	656,204	750,608	745,268	745,155
Other payables and accruals	22	27,186	25,872	19,777	19,170
Total non-current liabilities		683,390	776,480	765,045	764,325
NET ASSETS		687,013	860,681	885,593	892,545
EQUITY					
Share capital	25	80,484	83,972	83,972	83,972
Reserves	26	606,529	776,709	801,621	808,573
Total equity		687,013	860,681	885,593	892,545

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

FOLANGSI CO., LTD (the “Company”) is a company established in the People’s Republic of China (“PRC”) with limited liability. The registered office of the Company is located at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC.

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

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

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

Company name	Place and date of registration and place of operation	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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		Principal activities
			Direct	Indirect	
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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments, at cost	9,920	67,420	71,985	71,985

2.1 BASIS OF PRESENTATION**Going concern basis**

As at 30 April 2023, the Group had net current liabilities of approximately RMB224.3 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 RMB1,082.4 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 2023, 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 revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 3}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹

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

² No mandatory effective date yet determined but available for adoption

³ 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

The Group is in the process of making a detailed assessment of the impact of these revised HKFRSs upon initial application. So far, the Group considers that these 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 MATERIAL ACCOUNTING POLICY INFORMATION

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, respectively. 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 investments.

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

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 $33\frac{1}{3}\%$
Motor vehicles	19.0%
Furniture, fixtures and equipment	$33\frac{1}{3}\%$

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/period 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/period 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)

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.

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 accounts management models and calculates the ECLs of the categories of trade receivable. The accounts management model mainly considers the likelihood of credit loss, customer behavior, and payment patterns, all of which determine the loss patterns. The categories of trade receivable are as follows:

Category A Key account customers in the PRC, who (i) subscribed 50 units or more in an accounting year/period, or (ii) subscribed 50 units or more in the preceding year and continued to subscribed intralogistics equipment (one unit or more) from the Group in an accounting year/period under the intralogistics equipment subscription service business

Category B Customers in the PRC, excluding Categories A

Category C Oversea customers

Category D Subsidiaries of the Company

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.

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 with certain exceptions (e.g. initial recognition exceptions).

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, with certain exceptions.

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.

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 to the net carrying amount of the financial asset.

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.

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.

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.

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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
China	886,216	1,061,670	1,061,721	314,318	378,828
Overseas*	94,427	110,512	132,488	32,491	57,463
	<u>980,643</u>	<u>1,172,182</u>	<u>1,194,209</u>	<u>346,809</u>	<u>436,291</u>

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 and the four months ended 30 April 2022.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

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

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Intralogistics equipment subscription services	639,701	739,176	738,001	236,373	243,944
Maintenance and repair services	111,463	128,484	140,987	35,172	54,539
Sales of intralogistics equipment and parts	229,479	304,522	315,221	75,264	137,808
Total	980,643	1,172,182	1,194,209	346,809	436,291
Analysis into:					
Revenue from contracts with customers	457,775	588,116	619,482	157,907	246,575
Revenue from operating leases (included in intralogistics equipment subscription services)	522,868	584,066	574,727	188,902	189,716
	980,643	1,172,182	1,194,209	346,809	436,291

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Types of goods or services					
Intralogistics equipment subscription services (excluding operating lease)	116,833	155,110	163,274	47,471	54,228
Maintenance and repair services	111,463	128,484	140,987	35,172	54,539
Sales of intralogistics equipment and parts	229,479	304,522	315,221	75,264	137,808
Total revenue from contracts with customers	457,775	588,116	619,482	157,907	246,575

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Geographical markets					
China	363,348	477,604	486,994	125,416	189,112
Overseas*	94,427	110,512	132,488	32,491	57,463
Total revenue from contracts with customers	457,775	588,116	619,482	157,907	246,575

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

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Timing of revenue recognition					
Services transferred over time	228,296	283,594	304,261	82,643	108,767
Goods transferred at a point in time	229,479	304,522	315,221	75,264	137,808
Total	457,775	588,116	619,482	157,907	246,575

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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sales of intralogistics equipment and parts	7,287	7,242	8,972	7,897	10,021

(ii) *Performance obligations*

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

Intralogistics equipment subscription services

The Group has entered contracts with customers for intralogistics equipment subscription services that contain operating lease and comprehensive 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.

Except for relevant transaction price for operating lease, disclosed in note 14 to Historical Financial Information, the amounts of the transaction prices allocated to remaining obligations (unsatisfied or partially satisfied), net of surplus taxes for value-added tax, are as follows:

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:				
Within one year	81,638	99,320	97,698	101,371
One to two years	34,766	40,412	35,982	37,009
Two to three years	11,702	12,196	13,497	13,723
Three to four years	2,753	3,408	4,859	5,134
	<u>130,859</u>	<u>155,336</u>	<u>152,036</u>	<u>157,237</u>

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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	1,443	1,651	1,945	551	410
Gain on remeasurement of an associate to acquisition-date fair value (note 16)	–	–	1,435	1,435	–
Fair value gain of financial assets at fair value through profit or loss	–	–	892	178	93
Government grants*	2,751	1,481	1,547	260	1,049
Foreign exchange differences, net	587	577	–	–	–
Others	72	313	457	269	201
	<u>4,853</u>	<u>4,022</u>	<u>6,276</u>	<u>2,693</u>	<u>1,753</u>

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

6. FINANCE COSTS

	Note	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans		6,612	12,278	16,309	5,332	4,853
Interest on other borrowings		18,237	14,355	10,738	3,644	4,072
Interest on lease liabilities	14(c)	51,845	62,157	61,927	20,089	19,820
		76,694	88,790	88,974	29,065	28,745
Less: Interest capitalised		(3,090)	(6,952)	(5,365)	(1,667)	(1,437)
		73,604	81,838	83,609	27,398	27,308

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold		265,270	343,300	348,919	84,327	147,261
Depreciation of property, plant and equipment*	13	155,570	181,375	211,155	73,917	79,296
Depreciation of right-of-use assets*	14(a)	153,364	198,847	209,516	64,347	68,402
Lease payments not included in the measurement of lease liabilities	14(c)	49,211	27,321	7,707	2,742	2,235
Amortisation of intangible assets	15	539	1,001	1,888	400	601
Research and development costs**		29,296	35,668	39,652	11,273	11,818
Listing expenses*****		–	–	–	–	12,442
Employee benefit expenses (excluding directors' and supervisors' remunerations in note 8):						
Wages and salaries		141,562	179,441	193,156	65,413	63,336
Pension scheme contributions (defined contribution schemes)		8,046	18,112	21,990	7,152	7,658
		149,608	197,553	215,146	72,565	70,994

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange differences, net***		(587)	(577)	2,377	657	186
Impairment of trade receivables	18	6,808	4,498	4,178	884	2,106
Gains on disposal of property, plant and equipment****		(44)	(16)	(118)	(76)	(27)

(Unaudited)

* 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.

***** The amounts are included in “Other expenses” 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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	–	–	–
Salaries, allowances and benefits in kind	3,060	4,243	3,577	1,120	1,297
Pension scheme contributions	90	152	184	58	62
	<u>3,150</u>	<u>4,395</u>	<u>3,761</u>	<u>1,178</u>	<u>1,359</u>

(Unaudited)

(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 and the four months ended 30 April 2022.

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

Meanwhile, 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2020			
Executive directors:			
Mr. Hou Zekuan	680	12	692
Mr. Hou Zebing (Chief executive)	655	12	667
Mr. Qian Xiaoxuan	611	18	629
Ms. Ma Li	342	16	358
	<u>2,288</u>	<u>58</u>	<u>2,346</u>
Year ended 31 December 2021			
Executive directors:			
Mr. Hou Zekuan	1,094	31	1,125
Mr. Hou Zebing (Chief executive)	1,048	31	1,079
Mr. Qian Xiaoxuan	873	26	899
Ms. Ma Li	488	26	514
	<u>3,503</u>	<u>114</u>	<u>3,617</u>
Year ended 31 December 2022			
Executive directors:			
Mr. Hou Zekuan	900	34	934
Mr. Hou Zebing (Chief executive)	876	34	910
Mr. Qian Xiaoxuan	646	34	680
Ms. Ma Li	459	34	493
	<u>2,881</u>	<u>136</u>	<u>3,017</u>
Four months ended 30 April 2023			
Executive directors:			
Mr. Hou Zekuan	344	11	355
Mr. Hou Zebing (Chief executive)	336	11	347
Mr. Qian Xiaoxuan	250	11	261
Ms. Ma Li	158	11	169
	<u>1,088</u>	<u>44</u>	<u>1,132</u>
Four months ended 30 April 2022 (Unaudited)			
Executive directors:			
Mr. Hou Zekuan	278	11	289
Mr. Hou Zebing (Chief executive)	270	11	281
Mr. Qian Xiaoxuan	215	11	226
Ms. Ma Li	154	11	165
	<u>917</u>	<u>44</u>	<u>961</u>

(c) Supervisors

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2020			
Ms. Li Xiaolan	299	16	315
Mr. He Xiaocheng	473	16	489
	<u>772</u>	<u>32</u>	<u>804</u>
Year ended 31 December 2021			
Ms. Li Xiaolan	329	19	348
Mr. He Xiaocheng	411	19	430
	<u>740</u>	<u>38</u>	<u>778</u>
Year ended 31 December 2022			
Ms. Li Xiaolan	307	24	331
Mr. He Xiaocheng	389	24	413
	<u>696</u>	<u>48</u>	<u>744</u>
Four months ended 30 April 2023			
Ms. Li Xiaolan	105	9	114
Mr. He Xiaocheng	104	9	113
	<u>209</u>	<u>18</u>	<u>227</u>
Four months ended 30 April 2022 (Unaudited)			
Ms. Li Xiaolan	104	7	111
Mr. He Xiaocheng	99	7	106
	<u>203</u>	<u>14</u>	<u>217</u>

During the Relevant Periods and the four months ended 30 April 2022, 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 each of the Relevant Periods and the four months ended 30 April 2022.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the Relevant Periods and the four months ended 30 April 2022 included one, two, two, 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 highest paid employees, who are neither a director, a chief executive nor a supervisor of the Company for each of the Relevant Periods and the four months ended 30 April 2022, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind	5,404	4,792	5,295	1,336	1,679
Pension scheme contributions	57	137	172	52	63
	<u>5,461</u>	<u>4,929</u>	<u>5,467</u>	<u>1,388</u>	<u>1,742</u>

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			Four months ended 30 April	
	2020	2021	2022	2022	2023
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	1	–	–	3	3
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	–	–
	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During each of the Relevant Periods and the four months ended 30 April 2022, no highest paid employees waived or agreed to waive any remuneration.

10. INCOME TAX EXPENSE/(CREDIT)

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 expense/(credit) for the Relevant Periods and the four months ended 30 April 2022 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Current	7,724	3,394	598	457	18
Deferred (note 24)	(754)	873	(578)	(2,853)	(936)
	<u>6,970</u>	<u>4,267</u>	<u>20</u>	<u>(2,396)</u>	<u>(918)</u>

A reconciliation of the income tax expense applicable to profit/(loss) 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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit/(loss) before tax	<u>61,180</u>	<u>59,445</u>	<u>35,421</u>	<u>(4,948)</u>	<u>2,463</u>
Tax at the statutory tax rate	15,295	14,861	8,855	(1,237)	616
Lower tax rate for specific provinces or enacted by local authority	(5,153)	(6,933)	(3,846)	107	(132)
Additional tax deduction for qualified research and development expenses	(3,296)	(4,013)	(4,833)	(1,268)	(1,773)
Income not subject to tax	–	–	(357)	(59)	–
Expenses not deductible for tax	275	352	367	61	371
Tax losses utilised from previous periods	(151)	–	(166)	–	–
Tax charge at the Group's effective rate	<u>6,970</u>	<u>4,267</u>	<u>20</u>	<u>(2,396)</u>	<u>(918)</u>

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods and the four months ended 30 April 2022.

12. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the each of the Relevant Periods and the four months ended 30 April 2022 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, 83,972,000 and 83,972,000 in issue during each of the Relevant Periods and the four months ended 30 April 2022, respectively.

No adjustment has been made to the basic earnings/loss per share amounts presented for each of the Relevant Periods and the four months ended 30 April 2022 for a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the four months ended 30 April 2022.

The calculation of basic and diluted earnings/(loss) per share is based on:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Earnings:					
Profit/(loss) attributable to ordinary equity holders of the Company	54,210	55,178	35,401	(2,552)	3,381
	<u>54,210</u>	<u>55,178</u>	<u>35,401</u>	<u>(2,552)</u>	<u>3,381</u>
	Number of shares				
	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	'000	'000	'000	'000	'000
Shares:					
Weighted average number of ordinary shares in issue during the year/period	80,484	81,937	83,972	83,972	83,972
	<u>80,484</u>	<u>81,937</u>	<u>83,972</u>	<u>83,972</u>	<u>83,972</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

	<u>Buildings</u>	<u>Intralogistics equipment</u>	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>130,766</u>	<u>587,372</u>	<u>3,869</u>	<u>9,162</u>	<u>6,499</u>	<u>71,021</u>	<u>808,689</u>
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	7,818	73,623	268,844
Acquisition of a subsidiary (<i>note 27</i>)	–	–	–	–	44	–	44
Disposal	–	–	–	(170)	(32)	–	(202)
Exercise of purchase options of leased intralogistics equipment (<i>notes 14(a)</i>)	–	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	<u>236,470</u>	<u>554,986</u>	<u>3,487</u>	<u>9,968</u>	<u>11,680</u>	<u>39,942</u>	<u>856,533</u>
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	<u>236,470</u>	<u>554,986</u>	<u>3,487</u>	<u>9,968</u>	<u>11,680</u>	<u>39,942</u>	<u>856,533</u>

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
30 April 2023							
At 1 January 2023:							
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	<u>236,470</u>	<u>554,986</u>	<u>3,487</u>	<u>9,968</u>	<u>11,680</u>	<u>39,942</u>	<u>856,533</u>
At 1 January 2023, net of accumulated depreciation							
	236,470	554,986	3,487	9,968	11,680	39,942	856,533
Additions	–	107,629	1,024	544	556	11,775	121,528
Disposal	–	–	–	(26)	(3)	–	(29)
Exercise of purchase options of leased intralogistics equipment (note 14(a))							
	–	3,244	–	–	–	–	3,244
Transfer to inventories	–	(17,882)	–	–	–	–	(17,882)
Transfer to construction in progress	–	(6,045)	–	–	–	6,045	–
Transfer from construction in progress	–	5,216	–	–	–	(5,216)	–
Depreciation provided during the period	(4,242)	(71,985)	(1,011)	(873)	(1,185)	–	(79,296)
At 30 April 2023, net of accumulated depreciation							
	<u>232,228</u>	<u>575,163</u>	<u>3,500</u>	<u>9,613</u>	<u>11,048</u>	<u>52,546</u>	<u>884,098</u>
At 30 April 2023							
Cost	241,039	1,265,565	15,194	23,201	23,946	52,546	1,621,491
Accumulated depreciation	(8,811)	(690,402)	(11,694)	(13,588)	(12,898)	–	(737,393)
Net carrying amount	<u>232,228</u>	<u>575,163</u>	<u>3,500</u>	<u>9,613</u>	<u>11,048</u>	<u>52,546</u>	<u>884,098</u>

Company

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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							
Cost	–	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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>130,766</u>	<u>584,903</u>	<u>3,382</u>	<u>7,372</u>	<u>3,517</u>	<u>823</u>	<u>730,763</u>
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	<u>132,230</u>	<u>550,047</u>	<u>3,245</u>	<u>8,328</u>	<u>5,884</u>	<u>2,025</u>	<u>701,759</u>
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	<u>132,230</u>	<u>550,047</u>	<u>3,245</u>	<u>8,328</u>	<u>5,884</u>	<u>2,025</u>	<u>701,759</u>

	Buildings	Intralogistics equipment	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
30 April 2023							
At 1 January 2023:							
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	<u>132,230</u>	<u>550,047</u>	<u>3,245</u>	<u>8,328</u>	<u>5,884</u>	<u>2,025</u>	<u>701,759</u>
At 1 January 2023, net of accumulated depreciation							
	132,230	550,047	3,245	8,328	5,884	2,025	701,759
Additions	–	99,785	854	543	279	–	101,461
Disposal	–	–	–	(24)	(2)	–	(26)
Exercise of purchase options of leased intralogistics equipment (<i>note 14(a)</i>)	–	3,244	–	–	–	–	3,244
Transfer to inventories	–	(16,821)	–	–	–	–	(16,821)
Transfer to construction in progress	–	(6,045)	–	–	–	6,045	–
Transfer from construction in progress	–	5,216	–	–	–	(5,216)	–
Depreciation provided during the period	(3,089)	(61,364)	(935)	(794)	(833)	–	(67,015)
At 30 April 2023, net of accumulated depreciation	<u>129,141</u>	<u>574,062</u>	<u>3,164</u>	<u>8,053</u>	<u>5,328</u>	<u>2,854</u>	<u>722,602</u>
At 30 April 2023							
Cost	135,135	1,242,242	12,834	20,189	16,249	2,854	1,429,503
Accumulated depreciation	(5,994)	(668,180)	(9,670)	(12,136)	(10,921)	–	(706,901)
Net carrying amount	<u>129,141</u>	<u>574,062</u>	<u>3,164</u>	<u>8,053</u>	<u>5,328</u>	<u>2,854</u>	<u>722,602</u>

Notes:

- (a) As at 31 December 2020, 2021 and 2022 and 30 April 2023, certain of the Group's and the Company's intralogistics equipment with net carrying amounts of approximately RMB160,108,000, RMB253,408,000, RMB281,782,000 and RMB299,891,000 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 and 30 April 2023, the fully-depreciated property, plant and equipment with the gross carrying amount of RMB4,191,000, RMB16,777,000, RMB27,712,000 and RMB32,577,000 were still in use.
- (c) As at 31 December 2020, 2021 and 2022 and 30 April 2023, the Group had not obtained ownership certificates of certain buildings with net carrying amounts of nil, RMB130,766,000, RMB104,240,000 and RMB103,087,000, respectively.

As at 31 December 2020, 2021 and 2022 and 30 April 2023, the Company had not obtained ownership certificates of certain buildings with net carrying amounts of nil, RMB130,766,000, nil 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 office premises 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>note 13</i>)	–	(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 (<i>note 13</i>)	–	(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 (<i>note 13</i>)	–	(30,455)	–	(30,455)
Depreciation charge	(13,002)	(195,763)	(751)	(209,516)
As at 31 December 2022 and 1 January 2023	32,828	981,520	34,972	1,049,320
Additions	1,512	39,700	–	41,212
Transfer to property, plant and equipment (<i>note 13</i>)	–	(3,244)	–	(3,244)
Depreciation charge	(4,317)	(63,835)	(250)	(68,402)
As at 30 April 2023	<u>30,023</u>	<u>954,141</u>	<u>34,722</u>	<u>1,018,886</u>

Company

	Office premises	Intralogistics equipment	Leasehold land	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>note 13</i>)	–	(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 (<i>note 13</i>)	–	(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 (<i>note 13</i>)	–	(30,455)	–	(30,455)
Depreciation charge	(12,732)	(195,763)	(313)	(208,808)
As at 31 December 2022 and 1 January 2023	32,151	981,520	14,205	1,027,876
Additions	1,512	39,700	–	41,212
Transfer to property, plant and equipment (<i>note 13</i>)	–	(3,244)	–	(3,244)
Depreciation charge	(4,083)	(63,835)	(105)	(68,023)
As at 30 April 2023	<u>29,580</u>	<u>954,141</u>	<u>14,100</u>	<u>997,821</u>

Note:

As at 31 December 2020, 2021 and 2022 and 30 April 2023, all of the leasehold land 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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of the year/period	619,722	766,139	781,380	786,102
New leases	428,201	334,656	311,967	41,212
Accretion of interest recognised during the year/period	51,845	62,157	61,927	19,820
Payments	<u>(333,629)</u>	<u>(381,572)</u>	<u>(369,172)</u>	<u>(137,867)</u>
Carrying amount at end of the year/period	<u>766,139</u>	<u>781,380</u>	<u>786,102</u>	<u>709,267</u>
Analysed into:				
Current portion	343,523	321,779	353,908	302,153
Non-current portion	<u>422,616</u>	<u>459,601</u>	<u>432,194</u>	<u>407,114</u>
	<u>766,139</u>	<u>781,380</u>	<u>786,102</u>	<u>709,267</u>

Company

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of the year/period	619,722	766,139	781,177	785,384
New leases	428,201	334,052	308,659	41,212
Accretion of interest recognised during the year/period	51,845	62,140	61,902	19,810
Payments	<u>(333,629)</u>	<u>(381,154)</u>	<u>(366,354)</u>	<u>(137,574)</u>
Carrying amount at end of the year/period	<u>766,139</u>	<u>781,177</u>	<u>785,384</u>	<u>708,832</u>
Analysed into:				
Current portion	343,523	321,576	353,426	301,890
Non-current portion	<u>422,616</u>	<u>459,601</u>	<u>431,958</u>	<u>406,942</u>
	<u>766,139</u>	<u>781,177</u>	<u>785,384</u>	<u>708,832</u>

The maturity analysis of lease liabilities is disclosed in note 34 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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Interest on lease liabilities	51,845	62,157	61,927	20,089	19,819
Depreciation charge of right-of-use assets	153,364	198,847	209,516	64,347	68,402
Expense relating to short-term leases	49,211	27,321	7,707	2,742	2,235
Total amount recognised in profit or loss	<u>254,420</u>	<u>288,325</u>	<u>279,150</u>	<u>87,178</u>	<u>90,457</u>

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 each of the Relevant Periods and the four months ended 30 April 2022, were as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Revenue from the operating lease	<u>522,868</u>	<u>584,066</u>	<u>574,727</u>	<u>188,902</u>	<u>189,716</u>

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

Group

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	365,359	374,049	343,899	350,869
After one year but within two years	155,592	152,173	126,658	136,339
After two years but within three years	52,372	45,923	47,508	54,135
After three years but within four years	12,321	12,835	17,102	39,843
	<u>585,644</u>	<u>584,980</u>	<u>535,167</u>	<u>581,186</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	362,984	371,931	342,642	350,146
After one year but within two years	154,745	151,348	126,456	136,245
After two years but within three years	51,801	45,757	47,503	54,135
After three years but within four years	12,298	12,834	17,102	39,843
	<u>581,828</u>	<u>581,870</u>	<u>533,703</u>	<u>580,369</u>

15. INTANGIBLE ASSETS

Group and Company

	<u>Software</u>
	<i>RMB'000</i>
31 December 2020	
At 1 January 2020:	
Cost	4,404
Accumulated amortisation	<u>(1,214)</u>
Net carrying amount	<u>3,190</u>
At 1 January 2020, net of accumulated amortisation	3,190
Additions	1,203
Amortisation provided during the year	<u>(539)</u>
At 31 December 2020, net of accumulated amortisation	<u>3,854</u>
At 31 December 2020:	
Cost	5,607
Accumulated amortisation	<u>(1,753)</u>
Net carrying amount	<u>3,854</u>
31 December 2021	
At 1 January 2021:	
Cost	5,607
Accumulated amortisation	<u>(1,753)</u>
Net carrying amount	<u>3,854</u>
At 1 January 2021, net of accumulated amortisation	3,854
Additions	1,009
Amortisation provided during the year	<u>(1,001)</u>
At 31 December 2021, net of accumulated amortisation	<u>3,862</u>
At 31 December 2021:	
Cost	6,616
Accumulated amortisation	<u>(2,754)</u>
Net carrying amount	<u>3,862</u>

	<u>Software</u>	<u>Technical know-how</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
31 December 2022			
At 1 January 2022			
Cost	6,616	–	6,616
Accumulated amortisation	(2,754)	–	(2,754)
Net carrying amount	<u>3,862</u>	<u>–</u>	<u>3,862</u>
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	<u>3,683</u>	<u>5,001</u>	<u>8,684</u>
At 31 December 2022			
Cost	7,920	5,406	13,326
Accumulated amortisation	(4,237)	(405)	(4,642)
Net carrying amount	<u>3,683</u>	<u>5,001</u>	<u>8,684</u>
Group			
30 April 2023			
At 1 January 2023			
Cost	7,920	5,406	13,326
Accumulated amortisation	(4,237)	(405)	(4,642)
Net carrying amount	<u>3,683</u>	<u>5,001</u>	<u>8,684</u>
At 1 January 2023, net of accumulated amortisation	3,683	5,001	8,684
Additions	314	–	314
Amortisation provided during the period	(421)	(180)	(601)
At 30 April 2023, net of accumulated amortisation	<u>3,576</u>	<u>4,821</u>	<u>8,397</u>
At 30 April 2023			
Cost	8,234	5,406	13,640
Accumulated amortisation	(4,658)	(585)	(5,243)
Net carrying amount	<u>3,576</u>	<u>4,821</u>	<u>8,397</u>

	Software	Technical know-how	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
31 December 2022			
At 1 January 2022			
Cost	6,616	–	6,616
Accumulated amortisation	(2,754)	–	(2,754)
Net carrying amount	<u>3,862</u>	<u>–</u>	<u>3,862</u>
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	<u>3,683</u>	<u>–</u>	<u>3,683</u>
At 31 December 2022			
Cost	7,920	–	7,920
Accumulated amortisation	(4,237)	–	(4,237)
Net carrying amount	<u>3,683</u>	<u>–</u>	<u>3,683</u>
	Software	Technical know-how	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
30 April 2023			
At 1 January 2023			
Cost	7,920	–	7,920
Accumulated amortisation	(4,237)	–	(4,237)
Net carrying amount	<u>3,683</u>	<u>–</u>	<u>3,683</u>
At 1 January 2023, net of accumulated amortisation	3,683	–	3,683
Additions	314	–	314
Amortisation provided during the period	(421)	–	(421)
At 30 April 2023, net of accumulated amortisation	<u>3,576</u>	<u>–</u>	<u>3,576</u>
At 30 April 2023			
Cost	8,234	–	8,234
Accumulated amortisation	(4,658)	–	(4,658)
Net carrying amount	<u>3,576</u>	<u>–</u>	<u>3,576</u>

16. INVESTMENTS IN ASSOCIATES

Group and Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	18,177	8,869	10,561	9,799

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”) (note (a))	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:

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

The following table illustrates the aggregate financial information of the Group's associates:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of the associates' total comprehensive income/(loss) for the year/period	(228)	(4,929)	948	(1,041)	(762)

17. INVENTORIES

Group

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	56,619	69,174	84,502	95,190

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	55,933	61,548	75,737	84,481

18. TRADE AND BILLS RECEIVABLES

Group

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	242,311	258,830	287,434	323,921
Bills receivable	18,578	26,695	25,645	18,774
	260,889	285,525	313,079	342,695
Less: Impairment	(21,019)	(15,915)	(19,042)	(20,965)
	239,870	269,610	294,037	321,730

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	211,136	228,025	263,120	283,590
Bills receivable	18,270	24,146	20,965	17,585
Amounts due from subsidiaries	67,398	19,182	–	26,592
	296,804	271,353	284,085	327,767
Less: Impairment	(19,308)	(14,015)	(17,512)	(19,626)
	<u>277,496</u>	<u>257,338</u>	<u>266,573</u>	<u>308,141</u>

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. 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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
One to three months	204,937	232,002	242,481	258,446
Four to six months	25,425	25,476	36,987	42,928
Six to twelve months	8,274	6,077	10,788	12,827
Over one year	1,234	6,055	3,781	7,529
	<u>239,870</u>	<u>269,610</u>	<u>294,037</u>	<u>321,730</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
One to three months	247,316	223,076	219,681	245,174
Four to six months	23,066	22,922	33,527	41,788
Six to twelve months	6,618	5,410	10,486	13,653
Over one year	496	5,930	2,879	7,526
	<u>277,496</u>	<u>257,338</u>	<u>266,573</u>	<u>308,141</u>

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

Group

	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year/period	15,160	21,019	15,915	19,042
Impairment losses	6,808	4,498	4,178	2,106
Amount written off as uncollectible	(949)	(9,602)	(1,051)	(183)
At end of the year/period	<u>21,019</u>	<u>15,915</u>	<u>19,042</u>	<u>20,965</u>

Company

	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year/period	13,410	19,308	14,015	17,512
Impairment losses	6,583	2,228	3,497	2,114
Amount written off as uncollectible	(685)	(7,521)	-	-
At end of the year/period	<u>19,308</u>	<u>14,015</u>	<u>17,512</u>	<u>19,626</u>

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 accounts management 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 minimal since the settlement are made from creditworthy banks with no recent history of default as at 31 December 2020, 2021 and 2022 and 30 April 2023.

Group

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

*At 31 December 2020**Category A*

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

Category C

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

Total

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

At 31 December 2021

Category A

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

Category B

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

Category C

	Past due			Total
	Current	Less than 1 year	Over 1 year	
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			Total
	Current	Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

At 30 April 2023

Category A

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	0.6	2.6	100.0	0.6
Gross carrying amount (RMB'000)	67,718	457	–	68,175
Expected credit losses (RMB'000)	380	12	–	392

Category B

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	3.5	12.4	100.0	8.2
Gross carrying amount (RMB'000)	209,298	29,056	9,483	247,837
Expected credit losses (RMB'000)	7,238	3,594	9,483	20,315

Category C

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	0.2	3.1	100.0	3.3
Gross carrying amount (RMB'000)	7,291	386	232	7,909
Expected credit losses (RMB'000)	14	12	232	258

Total

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	2.7	12.1	100.0	6.5
Gross carrying amount (RMB'000)	284,307	29,899	9,715	323,921
Expected credit losses (RMB'000)	7,632	3,618	9,715	20,965

Company

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

At 31 December 2020

Category A

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

Total

	Past due			Total
	Current	Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

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

Total

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

	Current	Past due		Total
		Less than 1 year	Over 1 year	
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

At 30 April 2023

Category A

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	0.5	2.6	100.0	0.6
Gross carrying amount (RMB'000)	66,991	306	–	67,297
Expected credit losses (RMB'000)	364	8	–	372

Category B

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	3.7	12.2	100.0	8.9
Gross carrying amount (RMB'000)	177,819	28,301	9,095	215,215
Expected credit losses (RMB'000)	6,506	3,463	9,095	19,064

Category C

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	0.4	3.7	100.0	17.6
Gross carrying amount (RMB'000)	710	188	180	1,078
Expected credit losses (RMB'000)	3	7	180	190

Category D

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	–	–	100.0	–
Gross carrying amount (RMB'000)	26,592	–	–	26,592
Expected credit losses (RMB'000)	–	–	–	–

Total

	Past due			Total
	Current	Less than 1 year	Over 1 year	
Expected credit loss rate (%)	2.5	12.1	100.0	6.3
Gross carrying amount (RMB'000)	272,112	28,795	9,275	310,182
Expected credit losses (RMB'000)	6,873	3,478	9,275	19,626

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, RMB40,700,000 and RMB25,503,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023, 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, RMB21,779,000 and RMB12,193,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023, 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 and 30 April 2023, 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, RMB18,921,000 and RMB13,310,000, respectively.

The breakdown for the Group’s and the Company’s Endorsed Notes are summarised as below during the Relevant Period:

Group

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts of Endorsed Notes	30,408	38,076	40,700	25,503
Less: the amount of derecognition upon the Endorsement	(14,477)	(16,611)	(21,779)	(12,193)
Endorsed bills receivables that have not been derecognised and not yet due (note 22)	15,931	21,465	18,921	13,310

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts of Endorsed Notes	28,015	34,484	30,432	21,518
Less: the amount of derecognition upon the Endorsement	(12,256)	(15,567)	(16,063)	(8,395)
Endorsed bills receivables that have not been derecognised and not yet due (note 22)	15,759	18,917	14,369	13,123

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	13,115	10,623	13,261	24,607
Deposits	90,784	93,804	105,007	101,190
Other receivables	1,028	1,885	1,363	2,469
Tax recoverable	63,149	78,063	82,903	82,427
	168,076	184,375	202,534	210,693
Less: Current portion	(89,087)	(98,201)	(106,027)	(118,333)
Non-current portion	<u>78,989</u>	<u>86,174</u>	<u>96,507</u>	<u>92,360</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	12,229	8,898	12,312	23,752
Deposits	90,050	93,672	104,464	100,653
Other receivables	927	1,632	1,268	2,331
Tax recoverable	58,604	64,256	68,310	67,859
	161,810	168,458	186,354	194,595
Less: Current portion	(82,911)	(82,284)	(89,847)	(102,235)
Non-current portion	<u>78,899</u>	<u>86,174</u>	<u>96,507</u>	<u>92,360</u>

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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	115,073	232,924	151,488	187,327
Less: Restricted deposits	(31,462)	(44,762)	(30,850)	(54,030)
Cash and cash equivalents	<u>83,611</u>	<u>188,162</u>	<u>120,638</u>	<u>133,297</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	112,645	173,929	137,391	119,543
Less: Restricted deposits	(31,462)	(44,762)	(30,850)	(35,332)
Cash and cash equivalents	<u>81,183</u>	<u>129,167</u>	<u>106,541</u>	<u>84,211</u>

At the end of each Relevant Periods, all cash and bank balances of the Group and of the Company are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Administration 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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	107,210	138,866	159,876	190,504
Bills payable	85,991	96,585	102,684	117,625
	<u>193,201</u>	<u>235,451</u>	<u>262,560</u>	<u>308,129</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade creditors	99,892	130,594	135,422	140,063
Bills payable	85,991	96,585	102,684	117,625
Amounts due to subsidiaries	21,881	23,937	12,354	10,341
	<u>207,764</u>	<u>251,116</u>	<u>250,460</u>	<u>268,029</u>

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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	159,441	194,392	212,550	270,270
Three months to one year	24,789	35,845	42,644	29,686
Over one year	8,971	5,214	7,366	8,173
	<u>193,201</u>	<u>235,451</u>	<u>262,560</u>	<u>308,129</u>

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	174,133	210,178	200,582	230,679
Three months to one year	24,660	35,724	42,512	29,295
Over one year	8,971	5,214	7,366	8,055
	<u>207,764</u>	<u>251,116</u>	<u>250,460</u>	<u>268,029</u>

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.

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			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities (<i>note (i)</i>)	7,242	8,972	14,559	12,945
Other payables (<i>note (ii)</i>)	74,578	76,109	70,255	68,491
Endorsed bills receivable that have not been derecognised and not yet due (<i>note 18</i>)	15,931	21,465	18,921	13,310
Accruals	3,580	1,743	4,489	18,444
Salary and welfare payable	14,450	14,682	14,845	13,725
Other tax payable	3,792	6,100	9,561	5,104
	119,573	129,071	132,630	132,019
Less: Current portion	(92,387)	(103,199)	(112,853)	(112,849)
Non-current portion	27,186	25,872	19,777	19,170

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities (<i>note (i)</i>)	2,528	3,660	3,532	6,002
Other payables (<i>note (ii)</i>)	68,908	69,352	63,403	62,513
Endorsed bills receivable that have not been derecognised and not yet due (<i>note 18</i>)	15,759	18,917	14,369	13,123
Accruals	3,120	1,156	4,363	18,265
Salary and welfare payable	9,689	10,178	12,312	11,230
Other tax payable	1,683	5,036	8,108	4,206
	101,687	108,299	106,087	115,339
Less: Current portion	(74,501)	(82,427)	(86,310)	(96,169)
Non-current portion	27,186	25,872	19,777	19,170

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.

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

	At 31 December				At 30 April			
	2020		2021		2022		2023	
	Effective interest rate (%)	Maturity RMB'000	Effective interest rate (%)	Maturity RMB'000	Effective interest rate (%)	Maturity RMB'000	Effective interest rate (%)	Maturity RMB'000
Other borrowings repayable:								
Within one year or on demand		138,003		110,070		114,111		156,500
In the second year		55,213		60,950		86,022		104,394
In the third year to fifth years, inclusive		64,124		37,207		42,895		49,312
		<u>257,340</u>		<u>208,227</u>		<u>243,028</u>		<u>310,206</u>
Lease liabilities repayable:								
Within one year or on demand		343,523		321,779		353,908		302,153
In the second year		238,753		236,231		241,657		235,046
In the third year to fifth years, inclusive		183,863		223,370		190,121		171,722
Beyond five years		–		–		416		346
		<u>766,139</u>		<u>781,380</u>		<u>786,102</u>		<u>709,267</u>
		<u>1,174,070</u>		<u>1,329,794</u>		<u>1,367,187</u>		<u>1,398,245</u>

Company	At 31 December						At 30 April		
	2020		2021		2022		2023		
	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans – secured	4.35	2021	–	–	–	–	–	–	–
Current portion of long term bank loans – secured	4.90-6.18	2021	4.40-6.18	2022	27,337	4.00-6.18	2023	29,601	36,265
Other borrowings – secured	4.90-9.93	2021	6.89-9.93	2022	110,070	6.82-8.21	2023	114,111	156,500
Lease liabilities (note 14(b))	5.23-9.93	2021	4.37-9.93	2022	321,576	4.37-9.43	2023	353,426	301,890
					458,983			497,138	494,655
Non-current									
Bank loans – secured	4.65-6.18	2022-2029	4.40-6.18	2023-2029	192,850	4.00-6.18	2024-2029	184,393	184,507
Other borrowings – secured	4.90-9.93	2022-2024	6.89-9.93	2023-2024	98,157	6.82-8.21	2024-2025	128,917	153,706
Lease liabilities (note 14(b))	5.23-9.93	2022-2025	4.37-9.93	2023-2026	459,601	4.37-9.43	2024-2029	431,958	406,942
					656,204			745,268	745,155
					1,167,760			1,242,406	1,239,810
Analysed into:									
Bank loans repayable:									
Within one year or on demand					30,118			29,601	36,265
In the second year					24,390			26,375	19,783
In the third year to fifth years, inclusive					52,817			106,018	112,724
Beyond five years					37,044			52,000	52,000
					144,369			213,994	220,772

	At 31 December		At 30 April	
	2020	2021	2022	2023
	Effective interest rate (%)	Effective interest rate (%)	Effective interest rate (%)	Effective interest rate (%)
	Maturity	Maturity	Maturity	Maturity
	RMB'000	RMB'000	RMB'000	RMB'000
Other borrowings repayable:				
Within one year or on demand	137,915	110,070	114,111	156,500
In the second year	55,213	60,950	86,022	104,394
In the third year to fifth years, inclusive	64,124	37,207	42,895	49,312
	<u>257,252</u>	<u>208,227</u>	<u>243,028</u>	<u>310,206</u>
Lease liabilities repayable:				
Within one year or on demand	343,523	321,576	353,426	301,890
In the second year	238,753	236,231	241,421	234,874
In the third year to fifth years, inclusive	183,863	223,370	190,121	171,722
Beyond five years	—	—	416	346
	<u>766,139</u>	<u>781,177</u>	<u>785,384</u>	<u>708,832</u>
	<u>1,167,760</u>	<u>1,209,591</u>	<u>1,242,406</u>	<u>1,239,810</u>

Other borrowings repayable:
 Within one year or on demand
 In the second year
 In the third year to fifth years, inclusive

Lease liabilities repayable:
 Within one year or on demand
 In the second year
 In the third year to fifth years, inclusive
 Beyond five years

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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land	36,474	35,723	34,972	34,722
Property, plant and equipment	160,108	253,408	281,782	299,891
	196,582	289,131	316,754	334,613

Company

	At 31 December			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land	14,831	14,518	14,205	14,100
Property, plant and equipment	160,108	253,408	281,782	299,891
	174,939	267,926	295,987	313,991

- (iii) The Group's total facilities for bank and other borrowings amounted to RMB1,998,649,000, RMB2,173,068,000, RMB2,235,911,000 and RMB2,480,680,000 of which RMB1,174,070,000, RMB1,329,794,000, RMB1,367,187,000 and RMB1,398,245,000 had been utilised as at 31 December 2020, 2021 and 2022 and 30 April 2023, 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	Tax losses available for offsetting against future taxable profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
At 1 January 2020	4,425	–	4,425
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	754	–	754
At 31 December 2020 and 1 January 2021	5,179	–	5,179
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(873)	–	(873)
At 31 December 2021 and 1 January 2022	4,306	–	4,306
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	525	–	525
At 31 December 2022 and 1 January 2023	4,831	–	4,831
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	306	607	913
At 30 April 2023	<u>5,137</u>	<u>607</u>	<u>5,744</u>
Company			
At 1 January 2020	2,011	–	2,011
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	885	–	885
At 31 December 2020 and 1 January 2021	2,896	–	2,896
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(794)	–	(794)
At 31 December 2021 and 1 January 2022	2,102	–	2,102
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	525	–	525
At 31 December 2022 and 1 January 2023	2,627	–	2,627
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	317	236	553
At 30 April 2023	<u>2,944</u>	<u>236</u>	<u>3,180</u>

Deferred tax liabilities

	Fair value adjustments arising from acquisition of the subsidiary
	<i>RMB'000</i>
Group	
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, and 1 January 2022	–
Acquisition of a subsidiary (<i>note 27</i>)	705
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	(53)
	<hr/>
At 31 December 2022 and 1 January 2023	652
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	(23)
	<hr/>
At 30 April 2023	629
	<hr/> <hr/>

At Group level, deferred tax assets have not been recognised in respect of the losses of RMB664,000, RMB664,000, nil, and nil in the consolidated statement of financial position as at 31 December 2020, 2021 and 2022 and 30 April 2023, 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			At 30 April
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised and issued and fully paid: Ordinary shares with par value of RMB1.00 each	80,484	83,972	83,972	83,972
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Number of shares in issue	Share capital	Share premium	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020, 31 December 2020 and 1 January 2021	80,484,062	80,484	418,762	499,246
Issue of ordinary shares (<i>note (a)</i>)	3,487,642	3,488	126,512	130,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021, 31 December 2022, and 30 April 2023	83,971,704	83,972	545,274	629,246
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) 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 and the four months ended 30 April 2022 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>418,762</u>	<u>5,191</u>	<u>18,545</u>	<u>164,031</u>	<u>606,529</u>
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)	<u>126,512</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>126,512</u>
At 31 December 2021	<u>545,274</u>	<u>512</u>	<u>23,380</u>	<u>207,543</u>	<u>776,709</u>

	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>545,274</u>	<u>512</u>	<u>25,780</u>	<u>230,055</u>	<u>801,621</u>
	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	545,274	512	25,780	230,055	801,621
Profit and total comprehensive income for the period	–	–	–	6,952	6,952
Transfer to statutory surplus reserve	–	–	695	(695)	–
At 30 April 2023	<u>545,274</u>	<u>512</u>	<u>26,475</u>	<u>236,312</u>	<u>808,573</u>

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:

	<i>Notes</i>	Fair value recognised on acquisition <i>RMB'000</i>
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		<u>6,000</u>
Fair value of consideration which is satisfied by:		
Cash		4,200
Fair value of 30% equity interest in Hefei Langyun		<u>1,800</u>
Total consideration		<u>6,000</u>

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
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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 and the four months ended 30 April 2022 and 2023, the Group had non-cash additions to right-of-use assets of RMB428,201,000, RMB334,656,000, RMB311,967,000, RMB58,491,000 (unaudited) and RMB41,212,000, 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
	<i>RMB'000</i>
At 1 January 2020	997,550
Changes from financing cash flows	(328,375)
Interest expenses	76,694
New leases	428,201
	<hr/>
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
	<hr/>
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
	<hr/>
At 31 December 2022 and 1 January 2023	1,367,187
Changes from financing cash flows	(38,899)
Interest expenses	28,745
New leases	41,212
	<hr/>
At 30 April 2023	1,398,245
	<hr/> <hr/>

(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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
With operating activities	49,211	27,321	7,707	2,742	2,235
With financing activities	333,629	381,572	369,172	131,922	137,867
	<u>382,840</u>	<u>408,893</u>	<u>376,879</u>	<u>134,664</u>	<u>140,102</u>

29. CONTINGENT LIABILITIES

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

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			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for construction in progress	<u>6,367</u>	<u>49,465</u>	<u>37,697</u>	<u>38,509</u>

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 Zebing	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 Yingchun	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 Yingchun, 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

- * The Group disposed of all shares of Hefei Kejin during the year ended 31 December 2021.
- ** 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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Associates:					
Sales of intralogistics equipment and parts	86	491	16	–	178
Purchases of intralogistics equipment and parts	–	1,187	72	–	–
	<u>86</u>	<u>1,678</u>	<u>88</u>	<u>–</u>	<u>178</u>
Companies significantly influenced by key management:					
Provision of intralogistics equipment subscription services	2,106	2,823	2,225	789	767
	<u>2,106</u>	<u>2,823</u>	<u>2,225</u>	<u>789</u>	<u>767</u>

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 balances 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 and companies significantly influenced by key management and are trade in nature, details of which are disclosed in notes 18 and 21 to the Historical Financial Information.

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Associates:				
Trade receivables	107	32	–	77
Contract liabilities*	–	–	–	49
Trade payables	–	709	134	134
	<u>107</u>	<u>741</u>	<u>134</u>	<u>260</u>

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Companies significantly influenced by key management:				
Trade receivables	266	26	27	102
Trade payable	–	50	–	–
	<u>266</u>	<u>76</u>	<u>27</u>	<u>102</u>

* Contract liabilities included in other payables and accruals.

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			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	3,876	5,288	4,511	1,463	1,661
Pension scheme contributions	106	168	205	64	72
	<u>3,982</u>	<u>5,456</u>	<u>4,716</u>	<u>1,527</u>	<u>1,733</u>

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			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
<i>Financial assets at amortised cost</i>				
Trade and bills receivables	239,870	269,610	294,037	321,730
Financial assets included in prepayments, deposits and other receivables	91,812	95,689	106,370	103,659
Restricted deposits	31,462	44,762	30,850	35,332
Cash and cash equivalents	83,611	188,162	120,638	151,995
	<u>446,755</u>	<u>598,223</u>	<u>551,895</u>	<u>612,716</u>

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
<i>Financial assets at amortised cost</i>				
Trade and bills receivables	277,496	257,338	266,573	308,141
Financial assets included in prepayments, deposits and other receivables	90,977	95,304	105,732	102,984
Restricted deposits	31,462	44,762	30,850	35,332
Cash and cash equivalents	81,183	129,167	106,541	84,211
	<u>481,118</u>	<u>526,571</u>	<u>509,696</u>	<u>530,668</u>

Financial liabilities

	At 31 December			At 30 April
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
<i>Financial liabilities at amortised cost</i>				
Trade and bills payables	193,201	235,451	262,560	308,129
Financial liabilities included in other payables and accruals	94,089	99,317	93,665	100,245
Interest-bearing bank loans and other borrowings	1,174,070	1,329,794	1,367,187	1,398,245
	<u>1,461,360</u>	<u>1,664,562</u>	<u>1,723,412</u>	<u>1,806,619</u>
Company				
<i>Financial liabilities at amortised cost</i>				
Trade and bills payables	207,764	251,116	250,460	268,029
Financial liabilities included in other payables and accruals	87,787	89,425	82,135	93,901
Interest-bearing bank loans and other borrowings	1,167,760	1,209,591	1,242,406	1,239,810
	<u>1,463,311</u>	<u>1,550,132</u>	<u>1,575,001</u>	<u>1,601,740</u>

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			
	At 31 December			At	At 31 December			At
	2020	2021	2022	30 April	2020	2021	2022	30 April
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Deposits (non-current)	78,989	86,174	96,507	92,360	67,473	73,442	83,566	79,331
Financial liabilities								
Interest-bearing bank loans and other borrowing (other than lease liabilities) (non-current)	239,810	391,006	406,971	465,243	239,810	391,006	406,971	465,243
Other payable and accruals (non-current)	27,186	25,872	19,777	19,170	23,191	21,061	15,857	15,333
	<u>266,996</u>	<u>416,878</u>	<u>426,748</u>	<u>484,413</u>	<u>263,001</u>	<u>412,067</u>	<u>422,828</u>	<u>480,576</u>

Company

	Carrying amounts				Fair value			
	At 31 December			At	At 31 December			At
	2020	2021	2022	30 April	2020	2021	2022	30 April
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Deposits (non-current)	78,899	86,174	96,507	92,360	67,393	73,442	83,566	79,331
Financial liabilities								
Interest-bearing bank loans and other borrowing (other than lease liabilities) (non-current)	233,588	291,005	313,310	338,213	233,588	291,005	313,310	338,213
Other payable and accruals (non-current)	27,186	25,872	19,777	19,170	23,191	21,061	15,857	15,333
	<u>260,774</u>	<u>316,877</u>	<u>333,087</u>	<u>357,383</u>	<u>256,779</u>	<u>312,066</u>	<u>329,167</u>	<u>353,546</u>

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, 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 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 and 30 April 2023 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 for a period of 12 months (through the impact on floating rate borrowings).

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

	<u>Increase/(decrease) in basis point</u>	<u>(Decrease)/increase in the Group's profit before tax</u> <i>RMB'000</i>	<u>(Decrease)/increase in the Company's profit before tax</u> <i>RMB'000</i>
Year ended 31 December 2022			
RMB	100	<u>(13,672)</u>	<u>(12,424)</u>
RMB	(100)	<u>13,672</u>	<u>12,424</u>
Four months ended 30 April 2023			
RMB	100	<u>(13,982)</u>	<u>(12,398)</u>
RMB	(100)	<u>13,982</u>	<u>12,398</u>

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.

	<u>12-month ECLs Stage 1</u> <i>RMB'000</i>	<u>Lifetime ECLs Simplified approach</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
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	<u>83,611</u>	<u>–</u>	<u>83,611</u>
	<u>225,463</u>	<u>242,311</u>	<u>467,774</u>

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>221,892</u>	<u>278,534</u>	<u>500,426</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>355,308</u>	<u>258,830</u>	<u>614,138</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>293,379</u>	<u>247,207</u>	<u>540,586</u>

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>283,503</u>	<u>287,434</u>	<u>570,937</u>
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
	<u>264,088</u>	<u>263,120</u>	<u>527,208</u>
	<u>12-month ECLs Stage 1</u>	<u>Lifetime ECLs Simplified approach</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 30 April 2023			
Group			
Trade receivables*	–	323,921	323,921
Bills receivable	18,774	–	18,774
Financial assets included in prepayments, deposits and other receivables			
– Normal**	103,659	–	103,659
Restricted deposits			
– Not yet past due	35,332	–	35,332
Cash and cash equivalents			
– Not yet past due	151,995	–	151,995
	<u>309,760</u>	<u>323,921</u>	<u>633,681</u>

	12-month ECLs	Lifetime ECLs	Total
	Stage 1	Simplified approach	
	RMB'000	RMB'000	RMB'000
Company			
Trade receivables*	–	310,182	310,182
Bills receivable	17,585	–	17,585
Financial assets included in prepayments, deposits and other receivables			
– Normal**	102,984	–	102,984
Restricted deposits			
– Not yet past due	35,332	–	35,332
Cash and cash equivalents			
– Not yet past due	84,211	–	84,211
	<u>240,112</u>	<u>310,182</u>	<u>550,294</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and exposure to credit risk are 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
	<u>14,312</u>	<u>862,217</u>	<u>402,662</u>	<u>248,431</u>	<u>124,371</u>	<u>39,955</u>	<u>1,691,948</u>

	<u>On demand</u>	<u>Within one year</u>	<u>One to two years</u>	<u>Two to three years</u>	<u>Three to five years</u>	<u>Over five years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>36,193</u>	<u>848,214</u>	<u>401,343</u>	<u>246,646</u>	<u>120,514</u>	<u>39,955</u>	<u>1,692,865</u>
31 December 2021							
	<u>On demand</u>	<u>Within one year</u>	<u>One to two years</u>	<u>Two to three years</u>	<u>Three to five years</u>	<u>Over five years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>13,211</u>	<u>891,460</u>	<u>438,300</u>	<u>280,291</u>	<u>228,624</u>	<u>89,656</u>	<u>1,941,542</u>
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
	<u>37,148</u>	<u>848,341</u>	<u>403,141</u>	<u>245,322</u>	<u>184,293</u>	<u>89,656</u>	<u>1,807,901</u>

31 December 2022

	<u>On demand</u>	<u>Within one year</u>	<u>One to two years</u>	<u>Two to three years</u>	<u>Three to five years</u>	<u>Over five years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>23,080</u>	<u>959,102</u>	<u>470,459</u>	<u>291,363</u>	<u>179,509</u>	<u>54,338</u>	<u>1,977,851</u>
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
	<u>35,434</u>	<u>886,905</u>	<u>432,345</u>	<u>243,355</u>	<u>165,179</u>	<u>54,338</u>	<u>1,817,556</u>

At 30 April 2023

	<u>On demand</u>	<u>Within one year</u>	<u>One to two years</u>	<u>Two to three years</u>	<u>Three to five years</u>	<u>Over five years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group							
Trade and bills payables	15,111	293,018	–	–	–	–	308,129
Financial liabilities included in other payables and accruals	–	81,075	5,465	3,650	10,055	–	100,245
Lease liabilities	–	417,920	285,799	151,713	52,707	358	908,497
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	224,721	185,995	135,609	134,500	53,005	733,830
	<u>15,111</u>	<u>1,016,734</u>	<u>477,259</u>	<u>290,972</u>	<u>197,262</u>	<u>53,363</u>	<u>2,050,701</u>

	<u>On demand</u>	<u>Within one year</u>	<u>One to two years</u>	<u>Two to three years</u>	<u>Three to five years</u>	<u>Over five years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company							
Trade and bills payables	25,294	242,735	–	–	–	–	268,029
Financial liabilities included in other payables and accruals	–	74,731	5,465	3,650	10,055	–	93,901
Lease liabilities	–	417,640	285,627	151,713	52,783	358	908,121
Interest-bearing bank loans and other borrowings (excluding lease liabilities)	–	187,626	141,933	78,972	100,532	53,005	562,068
	<u>25,294</u>	<u>922,732</u>	<u>433,025</u>	<u>234,335</u>	<u>163,370</u>	<u>53,363</u>	<u>1,832,119</u>

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 approximately RMB1,082.4 million as at 30 April 2023. 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 significant events subsequent to 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 30 April 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma 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 Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma 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 Global Offering been completed as at 30 April 2023 or at any future date.

	Consolidated net tangible assets attributable to owners of the Company as at 30 April 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 April 2023	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 April 2023	
	RMB'000 (Note 1)	RMB'000 (Note 2, 4)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$14.18 per Share	894,445	105,621	1,000,066	2.87	3.13
Based on an Offer Price of HK\$15.18 per Share	894,445	116,309	1,010,754	2.90	3.16
Based on an Offer Price of HK\$16.18 per Share	894,445	126,996	1,021,441	2.93	3.19

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2023 was equal to the audited net assets attributable to owners of the Company as at 30 April 2023 of RMB902,842,000 after deducting of intangible assets of RMB8,397,000 as of 30 April 2023 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$14.18, HK\$15.18 or HK\$16.18 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any shares which may be issued upon exercise of the Over-allotment Option.
- (3) The unaudited pro forma 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 348,022,816 Shares are in issue assuming the Subdivision and Global Offering has been completed on 30 April 2023.
- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.00 to RMB0.9174 and the unaudited pro forma 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 30 April 2023.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.



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To the Directors of FOLANGSI CO., LTD

We have completed our assurance engagement to report on the compilation of pro forma financial information of FOLANGSI CO., LTD (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 April 2023, and related notes as set out on pages II-1 of the prospectus dated 31 October 2023 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 April 2023 as if the transaction had taken place at 30 April 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the four months ended 30 April 2023, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

31 October 2023

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 Global Offering 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 prospectus, and these laws, regulations and practices are subject to change.

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) (國家稅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稅有關問題的通知(國稅函[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稅和防止偷漏稅的安排), 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 prospectus, 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 prospectus.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange.

The Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the “Forex 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 Forex 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 Forex 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 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.

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 prospectus. For discussion of laws and regulations which are relevant to business of the Company, please refer to “Regulatory Overview” in this prospectus.

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 listed on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors 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 investors.

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 listed, 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 issuing new shares 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 listed.

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 listed, and shall comply with applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

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 listed 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 public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed and traded 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 listed and traded. 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 underwriting of the untaken shares after offering 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 listed. Shareholders whose names appear on the register of shareholders after the close of trading on the record date 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 listed 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 listed 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 listed 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 listed 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 listed;
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 listed 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 listed, 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 listed (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 listed.

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 listed 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 listed 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 listed 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 listed, 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 listed, the general meeting shall be postponed pursuant to the securities regulatory rules of the place where the Company's shares are listed.

Except as provided in the preceding paragraph or the securities regulatory rules of the place where the Company's shares are listed, 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 listed;
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 listed 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 listed 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 listing 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 listed 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 listed.

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 listed;
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 listed 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 listed 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 prospectus:

- 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-IPO 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 prospectus.

4. Resolutions of the Shareholders

Pursuant to a general meeting of our Shareholders held on April 21, 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 listed 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 Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

- (c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, 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 listing 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 prospectus that are or may be material:

- (a) a cornerstone investment agreement dated October 26, 2023 entered into among our Company, LIUGONG MACHINERY HONGKONG CO., LIMITED (柳工機械香港有限公司) (“**Liugong Machinery**”), the Sole Sponsor and the Sole Overall Coordinator, pursuant to which Liugong Machinery has agreed to subscribe for Offer Shares at the Offer Price in the amount of Hong Kong dollar equivalent to RMB100 million;
- (b) the Hong Kong Underwriting Agreement.

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	<i>Folangsi</i>	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		12	December 7, 2009 – December 6, 2029
10.	Our Company	62736974	PRC		38	August 14, 2022 – August 13, 2032
11.	Our Company	62741418	PRC		9	August 14, 2022 – August 13, 2032
12.	Our Company	62745514	PRC		42	August 14, 2022 – August 13, 2032
13.	Our Company	01557086	PRC		12	January 1, 2013 – December 31, 2032
14.	Our Company	18250051	PRC		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		12, 39	March 7, 2023
2.	Our Company	306185106	Hong Kong		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

No.	Patent	Category	Patentee(s)	Patent Number	Place of Registration	Expiry date
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.	(一種叉車管理監控系統)	Utility model	Our Company	ZL202222319309.X	PRC	August 31, 2032
8.	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
9.	Intelligent onboard vehicle locator (智能車載定位器)	Exterior design	Our Company	ZL202030433455.9	PRC	August 2, 2030
10.	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
11.	(一種低壓直流繼電器用於高壓直流的電路)	Invention patent	Our Company	ZL202110098666.5	PRC	September 7, 2043

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)	2021SR1421801	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、標定的標記點跟蹤軟件)	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

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
10.	A smart community management platform software (智慧社區管理平台軟件)	2022SR0608352	Our Company	May 20, 2022
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樑斷裂測試軟件)	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

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
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
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设计)	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设计)	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	folangsisforklift.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 Global Offering (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), 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	Approximate
				percentage of shareholding in the relevant type of Shares after the Subdivision and the Global Offering ⁽¹⁾	percentage of shareholding in the total share capital of our Company after the Subdivision and the Global Offering ⁽¹⁾
				(%)	(%)
Mr. Hou ⁽²⁾	Executive Director and chairman of the Board	Beneficial owner	15,876,204 H Shares	7.68	38.74%
			37,044,480 Unlisted Shares	26.19	
		Interest held jointly with another person	46,669,696 H Shares	22.59	
			88,162,484 Unlisted Shares	62.34	
Mr. Hou Zebing (侯澤兵) ⁽²⁾	Executive Director and general manager	Beneficial owner	15,243,384 H Shares	7.38	38.74%
			35,567,896 Unlisted Shares	25.15	
		Interest in controlled corporations	15,550,108 H Shares	7.53	
			15,550,108 Unlisted Shares	11.00	
		Interest held jointly with another person	46,669,696 H Shares	22.59	
			88,162,484 Unlisted Shares	62.34	

Notes:

- (1) The calculation is based on the total number of 141,428,080 Unlisted Shares in issue and 206,594,736 H Shares (assuming the Over-allotment Option is not exercised) in issue upon Listing.
- (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 have agreed to continue to act in concert and reach consensus 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 Global Offering, 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 Prospectus.

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 Global Offering, 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

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 and the four months ended April 30, 2023, none of our Directors or Supervisors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) save as disclosed in this prospectus, 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 prospectus, 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 prospectus which is significant in relation to our business;
- (b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, 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 listed 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 listing of, and permission to deal in, 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 Global Offering.

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 prospectus 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
DLA Piper Singapore Pte. Ltd.	International Sanctions Legal Adviser

Name	Qualifications
China Insights Industry Consultancy Limited	Independent industry consultant
AllBright Law Firm (Shenzhen)	PRC litigation laws legal adviser
Shandong Hanhui Law Firm	PRC litigation laws legal adviser

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 prospectus 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 0.13% 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 III – Taxation and Foreign Exchange” to this prospectus.

(2) Consultation with professional advisers

Potential investors in the Global Offering are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMI, the Underwriters, or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing 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 prospectus, there has been no material adverse change in the financial or trading position of our Company since April 30, 2023 (being the date to which the latest audited consolidated financial statements of our Company were prepared).

9. Promoters

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

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 prospectus.

11. Binding Effect

This prospectus 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 Prospectus

The English and Chinese language versions of this prospectus 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 prospectus:

- (a) within the two years preceding the date of this prospectus, (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 listed 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 prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of the **GREEN** Application Form;
- (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 prospectus; and
- (iii) the written consents referred to in the paragraph headed “Appendix VI – Statutory and General Information – Other Information – 6. Consents” in this prospectus.

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.hk up to and including the date which is 14 days from the date of this prospectus:

- (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 prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended December 31, 2020, 2021 and 2022 and four months ended April 30, 2023;
- (d) the report prepared by Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the market research report issued by CIC referred to in the section headed “Industry Overview” in this prospectus;
- (f) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, 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 confirmation letter issued by AllBright Law Firm (Shenzhen) (上海市錦天城(深圳)律師事務所), the PRC litigation laws legal adviser of the Company, with respect to the fire incident dispute;
- (i) the confirmation letter issued by Shandong Hanhui Law Firm, the PRC litigation laws legal adviser of the Company, with respect to the trademark right infringement dispute;
- (j) 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 prospectus;
- (k) 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 prospectus;
- (l) the written consents referred to in the paragraph headed “Appendix VI – Statutory and General Information – Other Information – 6. Consents” in this prospectus; and
- (m) the PRC Company Law and Overseas Listing Trial Measures together with unofficial English translations thereof.

FolangSi

FOLANGSI CO., LTD
廣州佛朗斯股份有限公司