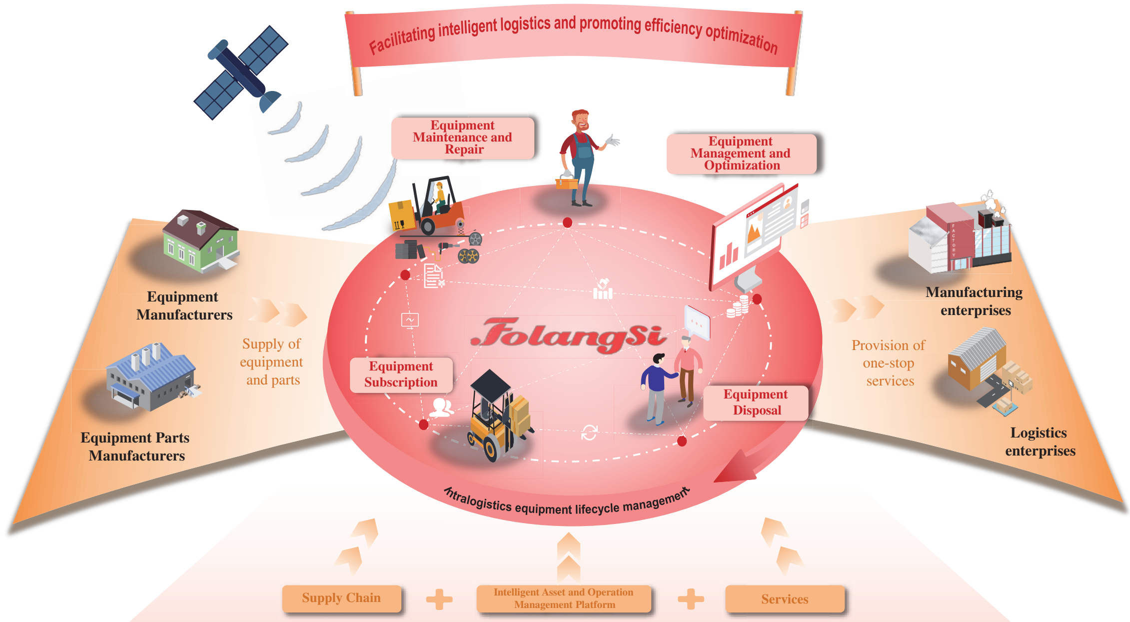
OVERVIEW

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.

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.

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.

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.

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 [**REDACTED**].

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.

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*	*%*
							(unaudited)			
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:

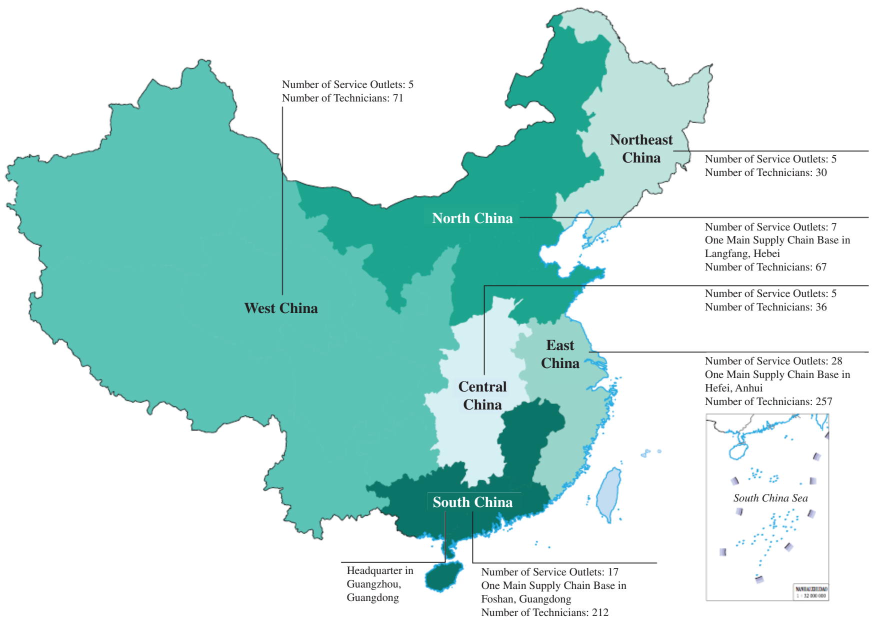
	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
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

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:

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 an subscription period depending on different business purposes, and the fee arrangement shall be determined accordingly. For details, please see "– Our Customers and Suppliers – Contracts with Customers" in this section. As confirmed by the PRC Legal Advisers, 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.

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.

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
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
							(unaudited)			
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.

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	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)*
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.

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)*
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	27,379	1,460,321	32,364	2,176,339	32,887	2,176,405	35,472	2,197,791	31,517	2,285,636

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
	2020	**2021**	**2022**	**2023**	**August 31, 2023**
	(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	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.

Note: 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 *(RMB in million)*	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:

1. A customer is deemed a KA customer under the intralogistics equipment subscription business if (i) the customer subscribes 50 units or more in that given 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.

2. 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.

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.

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.

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* *(unaudited)*	*%*	*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

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)*	*(%)*
							(unaudited)			
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.

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	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
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

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	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
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**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (*unaudited*)	*(%)*	*(RMB'000)*	*(%)*
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.

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	29
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.

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**	**Percentage**
		(Units)	*(%)*
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 April 30,**
	2020	**2021**	**2022**	**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	7,446	6,753	4,805	6,536

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.

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**
		(years)		
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.

In October 2021, the State Council of China set the target to optimize energy consumption structure, boost low-carbon transformation in use of energy, and increase the consumption ratio of non-fossil energy to 25% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (*《2030年前碳達峰行動方案》*), which is the national climate policy, aiming at achieving "peak CO_2 emissions" by 2030 and "carbon neutrality" by 2060. 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 document. For intralogistics equipment works beyond its estimated useful life, no additional depreciation or amortization costs of such equipment will be incurred thereafter. As advised by our PRC Legal Advisers, according to the Special Equipment Safety Law of the People's Republic of China (*《中華人民共和國特種設備安全法》*) and Safety and Technical Regulations of Specialized Intralogistics Vehicle (TSG 81-2022) (*《場(廠)內專用機動車輛安全技術規程(TSG 81-2022)》*), the intralogistics equipment shall be mandatorily scrapped only if such intralogistics equipment has serious potential safety hazards to the extent that additional repair is meaningless, or other mandatory scrapping condition as stipulated in related laws and regulations is triggered. In other words, our intralogistics equipment is not subject to mandatory scrapping as long as such intralogistics equipment duly passes the 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 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 document.

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.

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 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 Document.

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/ (decrease) in net profit	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit margin	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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	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; 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 has 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.

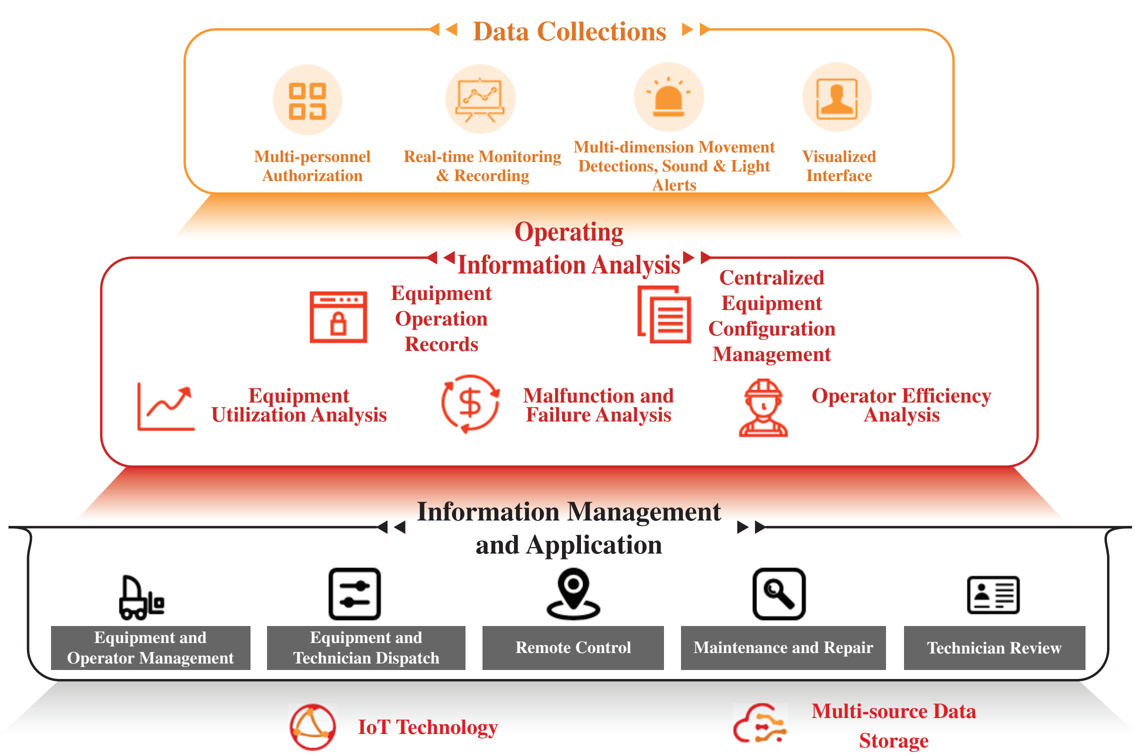
OUR TECHNOLOGY

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.

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:



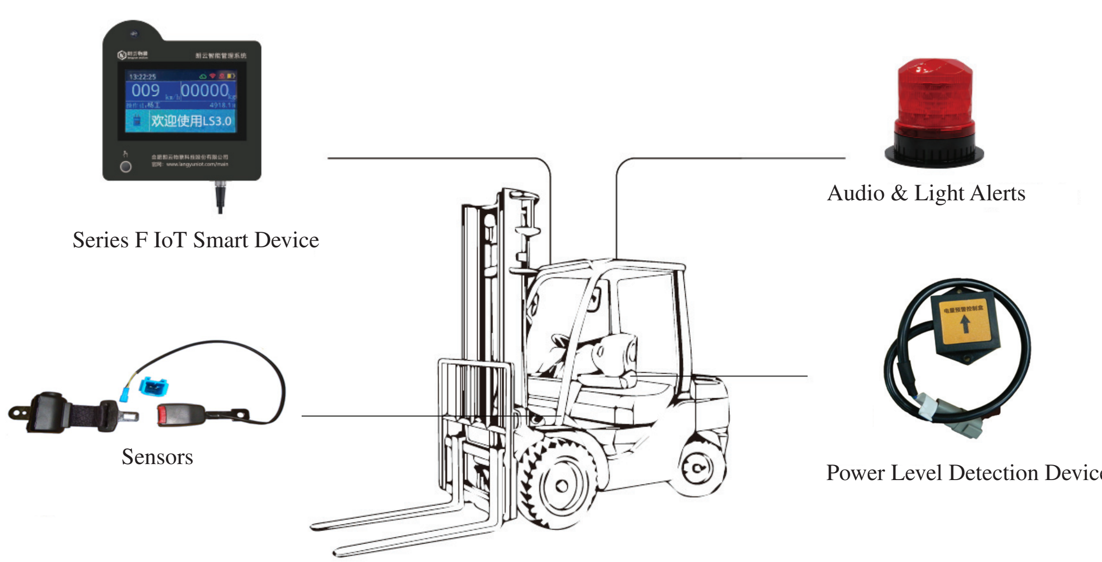
Data Collection – IoT Smart Terminals

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.

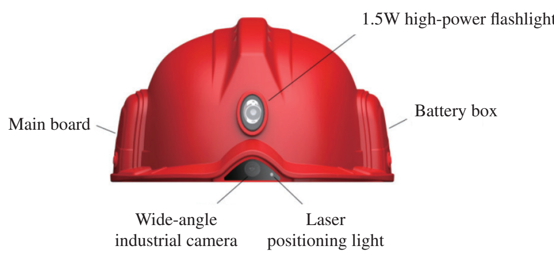
They capture movements of, and then generate and process operational information of our operating equipment and relevant operators. Such information will be shared across Series F IoT Smart Device and then transmitted to our cloud servers for storage and further analysis, allowing us to perform 24/7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

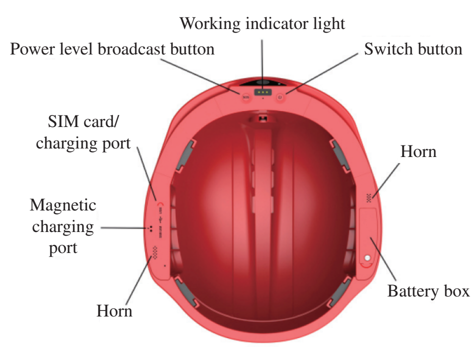
The IoT Smart Terminals serve as the solid foundation for offering intralogistics solutions at a later stage. Leveraging our data analytics capabilities, we are able to study information gathered and processed through our IoT Smart Terminals, such as movements and operating information of the intralogistics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

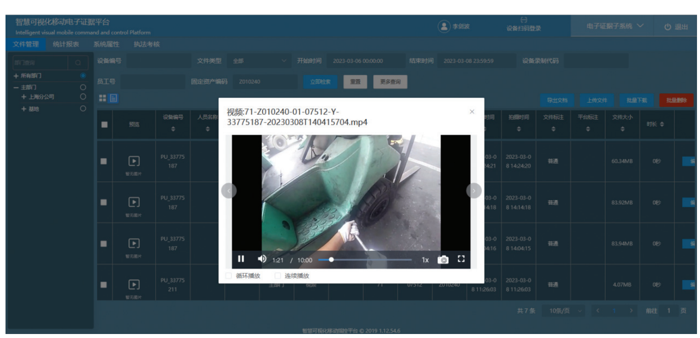
Series F IoT Smart Device is a self-developed device utilizing CAN bus, or Controller Area Network, which serves as nerve system in the intralogistics equipment that allows communication among various Electronic Control Units (ECUs) and other parts, so that we could have central measurement of the equipment 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:



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.

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

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.

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:

	Functionality	Range of the number of technicians	Range of spaces (sq.m.)	Opening hours
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 Advisers, 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.

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 Advisers advise 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.

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.

INVENTORIES

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

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

OUR CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, almost all of our customers were corporate entities, which comprised of manufacturers, logistics companies, and trading companies. 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**	
		(%)		*(%)*		*(%)*		*(%)*		*(%)*
							(unaudited)			
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.

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	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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	72,837	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.

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
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
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

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."

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 Period	Customers' Background[1]	Services Rendered by us	Credit Terms	Year in Which the Group Commenced Business with the Customer
For the year ended December 31, 2020						
Customer A	60,223.7	6.1%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	47,781.9	4.9%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2017
Customer C	31,970.5	3.3%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017
Customer D	13,255.9	1.4%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services	30 days	2017
Customer E	13,108.4	1.3%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2020
Total	166,340.4	17.0%				

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
For the year ended December 31, 2021						
Customer A	75,752.4	6.5%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016
Customer B	42,764.2	3.6%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2017
Customer C	31,180.4	2.7%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2017

Customer	Revenue	% 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
	(RMB'000)					
Customer F	21,172.5	1.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2020
Customer G	13,847.3	1.2%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	30 days	2015
Total	184,716.8	15.8%				

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	% 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
	(RMB'000)					
For the year ended December 31, 2022						
Customer A	69,244.1	5.8%	Logistics company	Intralogistics equipment subscription services, maintenance and repair services, sales of intralogistics equipment and parts	90 days	2016

Customer	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	166,172.2	13.9%				

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.

Customer	Revenue	% 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
	(RMB'000)					
For four months ended April 30,2023						
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	69,664.6	16.0%				

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;

- *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 contact to us within the prescribed period in the contract, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day. If the payment is overdue for more than 20 days, then we have the right to use customer's security deposit (if any) directly to offset overdue service fee and late fee. 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.

- *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;

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

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

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

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

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

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

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

Our Suppliers

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

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

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

Supplier	Transaction Amount (RMB'000)	% of Total Purchases in Same Period	Suppliers' Background	Products Purchased by us	Credit Terms	Year in Which the Group Commenced Business with the Supplier
For four months ended April 30, 2023						
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	137,903.4	41.2%				

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 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 Suppler 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 Suppler 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.

AWARDS AND RECOGNITION

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

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

COMPETITION

We face competition in respect of the quality and effectiveness of our intralogistics equipment 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 document. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed "Our Strengths" in this section.

THIRD-PARTY PAYMENT ARRANGEMENT

Background

During the Track Record Period, certain of our customers (the "Relevant Customer(s)") settled their payments with us through third-party payers (such payer(s), the "Third-Party Payer(s)," and such arrangement(s), the "Third-Party Payment Arrangement(s)"). In 2020, 2021, and 2022 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 Advisers, our acceptance of payments through the Third Party Payment Arrangements do not contravene any prohibitive provisions under PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, as confirmed by the Directors, (1) we had not encountered any disputes with, nor received any refund request from, any Relevant Customer or Third-Party Payer, and (2) we had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements.

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 Advisers advise 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;

(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.

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:

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
Environmental Key Performance Indicators				
Water and electricity consumption (RMB'000)	2,135	2,374	3,573	969
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	2.99	2.22
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

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 "– 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)."

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

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

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.

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

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

INTELLECTUAL PROPERTY

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed two copyrights, 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 document.

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

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.

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	1,606	100.0

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

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government.

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 document.

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.

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 Document.

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

SEASONALITY

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

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned land use rights of two parcels of land with a total site area of approximately 124,303.2 sq.m., which were primarily used for industrial purposes. We had obtained the land use right certificates for such land. As of the Latest Practicable Date, we had been building a 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 Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. 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 document.

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 related risks, please see "Risk Factors – Risks Relating to Our Business and Industry – We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties." As of the Latest Practicable Date, we had not received any request of relocation from the lessors or any third parties. Even if we are required to do so in the future, our Directors are of the view that we will not incur substantial costs for seeking alternative premises due to the convenience of relocating offices and warehouses. In addition, we reserve the right to claim the lessors' liabilities arising from an event of default under the relevant PRC laws and the lease agreements.

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

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

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

CERTIFICATES, LICENSES AND PERMITS

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

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

Name of License, Approval and Permit	Holder	Issuing Authority	Effective From	Effective as of
Production License of Special Equipment PRC (特種設備生產許可證)	The Company	Administration for Market Supervision of Guangdong Province (廣東省市場監督管理局)	November 4, 2021	December 19, 2025
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 Advisers are of the view that this legal proceedings will not have any material adverse impact on the business, financial condition, and results of operations of the Group or the [**REDACTED**].

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

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 Advisers are 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 [**REDACTED**]. 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 the 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

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 believe 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 document. According to our PRC Legal Advisers, our business operations had been carried out in compliance with applicable laws and regulations in material aspects during the Track Record Period and up to the Latest Practicable Date.

Please see "– 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.

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

During the Track Record Period, we made export sales and deliveries of intralogistics equipment parts (i.e., export sales to customers of forklift parts procured from third-party manufacturers) to customers located in jurisdictions affected by International Sanctions. During the Track Record Period, we had derived revenue primarily from offering intralogistics equipment subscription services and maintenance and repair service to the customers in China. During the Track Record Period, the Company made limited sales of intralogistics equipment parts manufactured in China to overseas customers. Such sales include sales denominated in RMB and other currencies. Occasionally, some customers, including certain customers in Iran and Syria, made payments to us in USD for certain sales at their own initiative and which payments were accepted by us upon customers' request. Notwithstanding the foregoing, the payment amount we received in USD for relevant sales in Iran and Syria was limited. As our business is focused in China, rather than overseas countries, we had insufficient knowledge about risks in relation to International Sanctions and we originally believed that our basic risk management and internal control measures were adequate to protect us against risks in relation to our limited overseas sales. Through our engagement of our International Sanctions Legal Adviser and Internal Control Consultant, we gained more comprehensive knowledge on sanction risks in relation to sales dominated in USD to customers in sanction countries and risks related to International Sanctions and strengthened the internal control measures pursuant to advice obtained from our International Sanctions Legal Adviser and Internal Control Consultant. We have ceased all sales involving Iran and Syria since May 20, 2023. In addition, as of October 2, 2023, we have implemented updated and comprehensive risk management and internal control measures.

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

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

To the best knowledge of our Directors, in 2020, 2021 and 2022, 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.

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.

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

Sanction Risks under the U.S. Law

Primary Sanction Risks

Iran USD Sales and Syria USD Sales

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

During the Track Record Period, the Company made sales of intralogistics equipment parts manufactured in China to customers located in Iran and Syria, which are subject to comprehensive U.S. economic sanctions. Such sales to Iran and Syria include sales denominated in RMB and other currencies. However, we received payments dominated in USD for certain sales to Iran ("**Iran USD Sales**") and certain sales to Syria (**"Syria USD Sales")**. The Iran USD Sales include 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

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 [REDACTED]

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

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

Our Undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

- we will implement the internal control measures to minimize International Sanctions risk as described above;
- we will not use the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Regions or any other government, individual or entity sanctioned by the United States, the European Union, Australia, or the U.K., including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, Australia, or the U.K.;
- we will not use the [**REDACTED**] from the [**REDACTED**] to pay any damages for terminating or transferring any contract that violates International Sanctions;
- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders, or potential investors to violate or become a target of sanctions laws of the United States, the European Union, Australia, or the U.K.;
- we will make timely disclosure on our website if we believe that any of our business activities would put our Company or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, Australia, or the U.K.; and
- we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, Australia, and the U.K., and our business intention relating to customers from any such country.

Our Internal Control Measures to Minimize International Sanctions Risk

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

Our Directors became aware of the comprehensive sanctions against Iran and Syria after we engaged our International Sanctions Legal Adviser and Internal Control Consultant for the purpose of [**REDACTED**]. Soon after receiving advice from our International Sanctions Legal Adviser, we ceased all sales involving Iran and Syria since May 20, 2023. With respect to other sales activities in Relevant Regions that are not currently subject to comprehensive U.S. economic sanctions, such as Russia, Belarus, and Venezuela, our Directors became aware that a significant number of entities, individuals, and industries in such Relevant Regions are subject to U.S. economic sanctions.

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:

  - to screen foreign customers and suppliers against the lists of individuals, entities, and regions subject to International Sanctions enacted by Relevant Jurisdictions;

  - 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

  - to determine appropriate measures to mitigate such risks.

- Our Trade Compliance Policy will prohibit the use of U.S. dollars and involvement with U.S. financial institutions or other U.S. Persons in connection with any transactions involving countries or regions subject to comprehensive International Sanctions enacted by the United States.

- Our Company will establish a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy

- The Sanctions Oversight Committee will be authorized to engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers.

- The Sanctions Oversight Committee will be authorized to arrange appropriate compliance training for our Directors, our senior management, and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.

- Our Company will open and maintain separate bank account(s) which is/are designated for [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual, or entity sanctioned by the United States, the European Union, Australia, or the U.K.

We have subsequently implemented the aforementioned measures recommended by International Sanctions Legal Adviser and a few additional measures as follows by October 2, 2023 (the "Implemented Measures") to control and monitor our exposure to sanctions risks, on the basis that, to avoid violation of relevant sanction laws and regulations, (i) with respect to Relevant Regions that are not currently subject to comprehensive U.S. economic sanctions, we shall prevent selling any product to any entity, individual or in a particular industry in such Relevant Regions, which are subject to economic sanctions, and (ii) involvement by parties in the [**REDACTED**] shall not implicate any applicable International Sanctions on such parties, by way of: (1) screening sanctioned regions, entities, individuals and industries from our business partners, (2) enhancing relevant knowledge and awareness of our employees; (3) establishing oversee and management department independent from business departments to ensure strict implementation of related measures and compliance across departments; and (4) monitoring and restricting the use of [**REDACTED**] from the [**REDACTED**]:

- Our Trade Compliance Policy also includes appropriate procedures:

  o to assign specific personnel to monitor our sales system 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.

- 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.

- 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.

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 Implemented Measures in relation to international sales and compliance with applicable International Sanctions laws. 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 measures recommended by them, 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 provide an adequate and effective internal control framework 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 document. 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 all trade and bills receivables. For more information, please see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process" in this document.

Liquidity Risk

As of December 31, 2020, 2021, and 2022, 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."