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

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

OVERVIEW

Who We Are

We are an unmanned retail operator in mainland China with a 7.4% market share in terms of GMV in 2022, according to Frost & Sullivan. According to the same source, we are a vending machine operator in mainland China with a 7.6% market share in terms of GMV in 2022. According to Frost & Sullivan, we ranked first in terms of both total transaction GMV and network scale in the unmanned retail industry in mainland China for each of 2019, 2020, 2021 and 2022. For over a decade since our founding, we have endeavored to cultivate the unmanned retail industry, a sub-segment of the retail industry, in mainland China and developed robust digitalization and operation capabilities, covering merchandise procurement, logistics and inventory management. Leveraging these core capabilities, we have rapidly established an extensive point-of-sale, or POS, network covering a wide range of core consumption scenarios, including schools, factories, office premises, public venues, transportation hubs and restaurants. Through our expansive POS network, we are able to provide services to a variety of participants along the unmanned retail industry value chain. As of June 30, 2023, we had a network of 61,888 Ubox POSs across 157 cities and 28 provincial-level administrative regions in mainland China, 87.3% of which were concentrated in tier one, new tier one and tier two cities.

Our Revenue Model

We strive to refine the traditional retail industry with technology, and to further digitalize and automate businesses along the retail value chain. We generated revenue during the Track Record Period from the following business segments:

- *Unmanned retail business*. We leverage our nation-wide POS network and data-driven operation system to digitalize and automate retail sales of FMCG in a wide range of consumption scenarios. We derive revenue from this segment primarily from retail sales of merchandise, including beverages and snacks, through vending machines at Ubox POSs. Our vending machines primarily include pick-and-go cabinets, beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines;

- *Advertising and system support services.* We leverage our extensive and unique consumer touch points to offer advertisers with digital advertising services that drive consumer traffic and sales, primarily consisting of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. We derive revenue from service fees charged to our advertising customers for digital advertising services. In addition, we also provide operation system support to Non-Ubox POS operators by allowing them to connect their machines to our operation system, which enables them to access a range of functionalities, including monitoring their machines' operating status in real time and receiving restocking alerts, restocking routes and schedule recommendations. We derive revenue from fees charged to our Non-Ubox POS operators for using our operation system;

- *Merchandise wholesale.* We offer merchandise wholesale primarily to merchandise wholesale customers and certain Non-Ubox POS operators. We derive revenue from this segment primarily from wholesale of merchandise;

- *Vending machine sales and leases*. We sell, lease and/or provide hardware support services for vending machine to our Non-Ubox POS operators. We provide hardware support services including machine installation and maintenance services. We derive revenue from this segment primarily from sales and leases of vending machine and/or fee charged for related hardware support services; and

- *Others*. We also offer other services, which mainly comprise mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support across mainland China.

The table below sets forth our revenue, gross profit and gross profit margin by business segment during the Track Record Period:

	For the year ended December 31,															
	2019				2020				2021				2022			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Unmanned retail business	1,539,891	56.5	683,467	44.4	1,336,763	70.3	557,516	41.7	1,915,116	71.6	888,056	46.4	1,974,657	78.4	891,398	45.1
Advertising and system support services	540,600	19.8	488,280	90.3	219,561	11.5	218,812	99.7	243,120	9.1	184,411	75.9	194,271	7.7	160,225	82.5
Merchandise wholesale	297,900	10.9	14,669	4.9	115,485	6.1	4,029	3.5	40,516	1.5	2,965	7.3	131,795	5.2	5,225	4.0
Vending machine sales and leases	91,485	3.4	15,147	16.6	47,040	2.5	(32,224)	(68.5)	44,241	1.7	13,887	31.4	33,840	1.3	10,792	31.9
Others	257,585	9.4	127,633	49.5	183,161	9.6	(189,572)	(103.5)	433,244	16.2	11,805	2.7	184,661	7.4	9,096	4.9
Total	**2,727,461**	**100.0**	**1,329,196**	**48.7**	**1,902,010**	**100.0**	**558,561**	**29.4**	**2,676,237**	**100.0**	**1,101,124**	**41.1**	**2,519,224**	**100.0**	**1,076,736**	**42.7**

	For the six months ended June 30,							
	2022				2023			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*					
Unmanned retail business	913,388	79.9	413,543	45.3	986,795	78.8	444,458	45.0
Advertising and system support services	100,074	8.8	87,918	87.9	56,450	4.5	55,769	98.8
Merchandise wholesale	54,103	4.7	2,834	5.2	110,685	8.8	3,990	3.6
Vending machine sales and leases	16,149	1.4	2,981	18.5	11,712	0.9	3,165	27.0
Others	59,376	5.2	2,961	5.0	87,036	7.0	10,594	12.2
Total	**1,143,090**	**100.0**	**510,237**	**44.6**	**1,252,678**	**100.0**	**517,976**	**41.3**

Our revenue decreased substantially from RMB2,727.5 million in 2019 to RMB1,902.0 million in 2020, with revenue declining from each of our business lines, due to a general decrease in overall outdoor consumer traffic and demand for our services as a result of COVID-19. During a partial recovery from COVID-19, we experienced a significant increase in our revenue from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021. Our revenue decreased from RMB2,676.2 million in 2021 to RMB2,519.2 million in 2022 primarily due to a decrease in revenue from our mobile device distribution services under our others segment, which was in turn mainly because downstream mobile device retail market and demand for our mobile device distribution services were negatively affected by weak macro-economic conditions and consumer demand in 2022. Such decrease was partially offset by an increase in revenue generated from merchandise wholesale. Our revenue increased from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the six months ended June 30, 2023, primarily due to an increase in revenue from unmanned retail business and merchandise wholesale following the relaxation of COVID-19 policies and overall recovery of consumer traffic and business activities. Such increase was partially offset by a decrease in revenue from advertising and system support services as the number of POSs opened during the six months ended June 30, 2023 was relatively lower as compared to the same period in 2022 and demand from advertisers has not fully recovered despite the relaxation of COVID-19 policies. For further details, see "Financial Information — Business Sustainability" and "Financial Information — Period-to-period Comparison of Results of Operations."

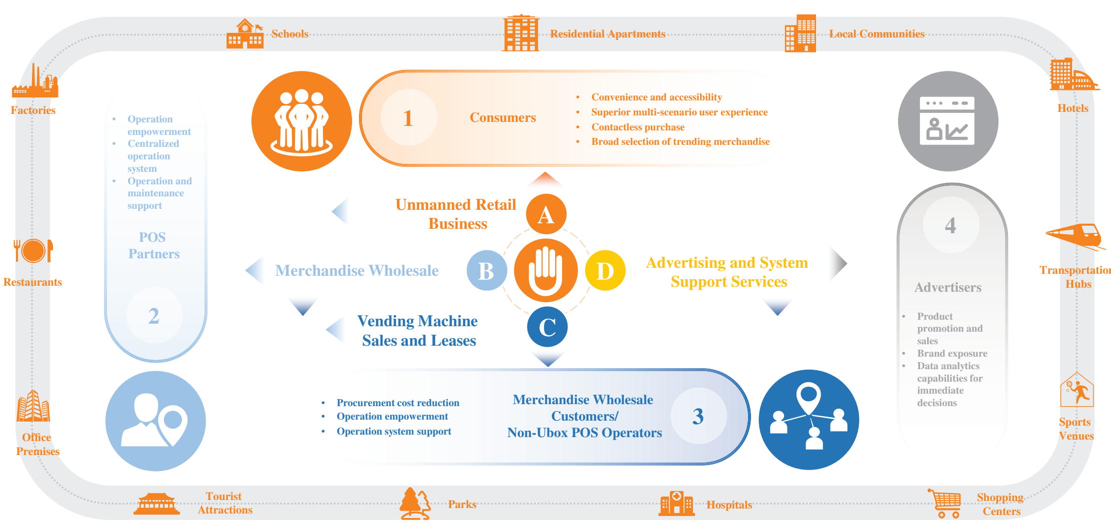
Our gross profit margin decreased from 48.7% in 2019 to 29.4% in 2020 primarily due to (i) a decrease in revenue generated from high gross margin consumption scenarios such as transportation hubs, public venues and schools as such locations were particularly affected by lockdowns, standstills and other restrictive measures adopted by PRC government authorities in combating COVID-19, (ii) a decrease in revenue generated from advertising and system support services (primarily due to the decrease in demand for such services from advertisers and their budgets and expenditures owing to the decrease in outdoor consumer traffic in light of COVID-19) which typically records higher gross profit margin than other business segments, and (iii) impairment losses recognized in 2020. Our gross profit margin increased from 29.4% in 2020 to 41.1% in 2021 primarily due to (i) improved revenue contribution and gross profit margin of our unmanned retail business, (ii) recovery of consumer traffic at consumption scenarios or POSs with higher gross profit margin, and (iii) the absence of significant amounts of impairment losses which were recognized in 2020. Our gross profit margin increased from 41.1% in 2021 to 42.7% in 2022, primarily due to (i) the increased revenue contribution of our unmanned retail business, which has a relatively higher gross profit margin and (ii) the decreased revenue contribution of our mobile device distribution services under our others segment, which typically has a lower gross profit margin. Our gross profit margin decreased from 44.6% for the six months ended June 30, 2022 to 41.3% for the six months ended June 30, 2023, primarily due to a decrease in revenue contribution from advertising and system support services which typically records higher gross profit margin than other business segments and an increase in revenue contribution from merchandise wholesale and mobile device distribution services which typically record lower gross profit margin than other business segments.

Our Market Opportunity

We are well-positioned to capture the massive market opportunity driven by the fast growth of the under-penetrated unmanned retail market in mainland China. According to Frost & Sullivan, vending machines can effectively address the pain points of the traditional fast-moving consumer goods, or FMCG, retail market, including high start-up costs and escalating operation costs, and also provide consumers with convenient consumption experiences. However, the unmanned retail market in mainland China is underpenetrated, with an average of 0.8 vending machine per thousand population in 2022 as compared to 20.8 in the United States, 22.5 in Japan and 6.0 in Europe. As of December 31, 2022, vending machines in mainland China covered only 8.8% of the country's potentially available offline sites, and such penetration rate is expected to increase to 15.6% by 2027, indicating a vast development prospect for vending machines in offline retail scenarios. Accordingly, the size of the vending machine retail market in mainland China is expected to grow from RMB28.9 billion in 2022 to RMB73.9 billion in 2027, with a CAGR of 20.7%.

Our Platform for Participants along the Industry Value Chain

We seek to capture this market opportunity as a core player by leveraging our strong capabilities in digitalization and operation. We have created a platform where we provide value to, and nurture symbiotic relationships among, a variety of participants along the unmanned retail industry value chain. For consumers, we offer convenience, accessibility, superior multi-scenario user experiences, contactless purchase and a broad selection of trending merchandise. For those who wish to start a vending machine business, we offer them an opportunity to join us as POS partners, thereby allowing them to capitalize on their POS resources and local expertise and tap into our digitalization and operation capabilities. The POS partners are typically entitled to a share of the POSs' transaction GMV subject to deduction of their responsible fees and costs. For those who already operate vending machines, we welcome them as our merchandise wholesale customers or Non-Ubox POS operators and empower them to improve operational efficiency by providing them with access to our digitalization and operation capabilities. For advertisers, we offer a vast and inter-connected platform to reach consumers. The diagram below illustrates our platform and the interactions among major participants:



Notes: Others include offering (i) mobile device distribution services to mobile device resellers and (ii) karaoke booth services, karaoke booth sales and leases and karaoke booth operation system support to karaoke booth franchisees.

Our Technology-based Retail Platform

Leveraging our technology capabilities, we digitalize, automate and refine each component of our operation with technologies, including data analytics, visual identification and IoT technologies, and have constructed a centralized operation system, which significantly enhances our operational efficiency. Utilizing these technologies, we further design and develop, and engage third-party manufacturers to produce to our specifications, a range of customized vending machines, which are deployed across our vast network of POSs, forming the bedrock of our retail platform. We may specify the type, size, design of internal compartments, payment modules and display screen of our customized vending machines, based on the intended application scenarios.

Our POS Partners

We engage POS partners, which primarily consist of individuals and enterprises with previous experience and industry knowledge in the vending machine business, to assist with sourcing and establishing, while we manage the operation of, POSs. Our POS partners are typically entitled to a share of the transaction GMV, subject to deduction of their responsible fees and costs, and are therefore incentivized to mobilize resources to set up vending machines at the best POSs. For details of our arrangements with POS partners, see "Business — Our POS Network — Our POS Partners."

Non-Ubox POS Operators

Non-Ubox POS operators, which primarily consist of individuals and SMEs which operate vending machines that are connected to our operation system, may choose to purchase or rent vending machines from us, or use their own vending machines to sell merchandise. We provide hardware support and operation system support to Non-Ubox POS operators. For details of our arrangements with Non-Ubox POS operators, see "Business — Our POS Network — Non-Ubox POS Operators."

Our Major Suppliers

Our major suppliers are primarily beverages and food manufacturers, distributors and machine manufacturers in mainland China. Purchases from our top five suppliers in each year/period during the Track Record Period accounted for 22.5%, 27.7%, 32.5%, 24.5% and 27.2% of our total purchases in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, and purchases from our largest supplier in each year/period during the Track Record Period accounted for 6.3%, 7.9%, 7.7%, 9.7% and 9.4% of our total purchases in the same periods, respectively. See "Business — Our Suppliers."

Our Major Customers

Our major customers in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 were customers of our advertising and system support services and/or mobile device distribution services categorized under others, who are primarily online payment services providers, beverages and food manufacturers and digital product sellers in mainland China. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our five largest customers in each year/period during the Track Record Period generated RMB288.8 million, RMB163.2 million, RMB408.4 million, RMB153.7 million and RMB68.0 million of revenue, accounting for 10.6%, 8.6%, 15.3%, 6.1% and 5.4% of our total revenue for the same periods, respectively. For the same periods, our largest customer in each year/period during the Track Record Period generated RMB159.2 million, RMB80.4 million, RMB120.2 million, RMB47.3 million and RMB27.1 million of revenue, respectively, accounting for 5.8%, 4.2%, 4.5%, 1.9% and 2.2% of our total revenue, respectively. See "Business — Our Customers."

OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- Well-positioned to capture the massive market opportunity in the underpenetrated unmanned retail industry in mainland China with significant growth potential;
- Powerful digitalization capabilities driving operational excellence and empowering customers and business partners;
- Strong operation capabilities underpinning our business growth;
- Flexible POS management and development strategies tailored to different consumption scenarios fueling rapid expansion of POS network;
- Large POS network in mainland China creating economies of scale and competitive edge;
- Outstanding R&D capabilities with deep industry insights; and
- Visionary management team with rich industry experience and backed by renowned strategic investors.

For further details, see "Business — Our Strengths."

OUR STRATEGIES

To achieve our mission and further solidify our position in the industry, we intend to pursue the following strategies:

- Further expand our POS network;
- Continuously invest in and enhance our services related technologies;
- Extend the boundaries of services and expand our service matrix;
- Further improve operation infrastructure and enhance operational efficiency; and
- Attract, nurture and retain talent.

For further details, see "Business — Our Strategies."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our [**REDACTED**]. Some of the major risks we face include (i) we may not be able to find suitable sites for our POSs on commercially acceptable terms, if at all; (ii) if we are not able to effectively manage our businesses, our expansion and growth in new geographical areas, our business and prospects may be materially and adversely affected; (iii) if we fail to maintain the existing scale of our partner model or retain our existing POS partners or attract new POS partners, or if our POS partners decrease their scale of business, our POS network expansion plan may be disrupted and their revenue contribution will decrease, and thus our business, financial condition and results of operation may be materially and adversely affected; (iv) any system failure or malfunctioning of our operation systems that are connected to our POSs or our vending machines in our POS network will directly affect our ability to receive orders and payments, which could adversely affect our ability to carry out our business effectively and efficiently, and could materially and adversely affect our financial condition and results of operations; (v) our vending machines are integrated with technology-based retail platform and any interruption of the vending machines and the technology-based retail platform could impair our ability to provide products and services; (vi) we face risks related to natural disasters, epidemics and other public health emergencies, which could significantly disrupt our operations and financial condition; (vii) we are subject to risks and uncertainties faced by companies in a rapidly evolving industry; (viii) impairment of our property and equipment and right-of-use assets could negatively affect our financial condition and results of operations; and (ix) we may incur impairment losses relating to goodwill and other intangible assets, which could materially affect our profits.

KEY OPERATING DATA

The table below sets forth the breakdown of our Ubox POS coverage by city tier as of the dates indicated:

	As of December 31,								As of June 30,	
	2019		2020		2021		2022		2023	
		%		%		%		%		%
Ubox POSs by city tier										
Tier one cities	16,625	26.2	15,836	27.1	21,572	25.3	19,929	30.1	19,611	31.7
New tier one cities	21,462	33.8	17,725	30.3	30,580	35.9	23,077	34.8	21,365	34.5
Tier two cities	15,838	25.0	15,228	26.0	22,097	26.0	14,405	21.7	13,031	21.1
Tier three cities	6,420	10.1	5,718	9.8	7,042	8.3	5,820	8.8	5,177	8.4
Others	3,106	4.9	3,960	6.8	3,848	4.5	3,001	4.6	2,704	4.3
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**61,888**	**100.0**

Our POS network covers a wide range of consumption scenarios. The following table sets forth the distribution of our Ubox POSs by consumption scenario as of the dates indicated:

	As of December 31,								As of June 30,	
	2019		2020		2021		2022		2023	
		%		%		%		%		%
Ubox POS by consumption scenario										
Schools	14,611	23.0	18,195	31.1	19,738	23.2	18,706	28.2	17,572	28.4
Factories	16,197	25.5	13,528	23.1	17,695	20.8	16,998	25.7	16,493	26.6
Office premises	12,797	20.2	11,059	18.9	14,113	16.6	13,876	21.0	13,342	21.6
Public venues(1)	11,321	17.8	9,063	15.5	9,877	11.6	8,751	13.2	8,122	13.1
Transportation hubs	3,884	6.1	3,773	6.5	3,587	4.2	2,265	3.4	2,281	3.7
Restaurants(2)	183	0.3	129	0.2	16,490	19.4	1,636	2.5	829	1.3
Others(3)	4,458	7.0	2,720	4.7	3,639	4.3	4,000	6.0	3,249	5.2
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**61,888**	**100.0**

Notes:

1. Public venues include, among others, tourist attractions, parks, hospitals, shopping centers and sports venues.

2. We actively enhanced our collaborations with restaurant model partners to deploy pick-and-go cabinets to restaurant premises in 2021 and achieved substantial scale during that year. The number of POSs in restaurants decreased in 2022 primarily due to the regional resurgence of COVID-19 in mainland China in the same period that affected consumer traffic in certain consumption scenarios, especially restaurants.

3. Others primarily include hotels, local communities and residential apartments.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

Selected Items of Consolidated Statements of Comprehensive Income

The following table sets forth selected items of our consolidated statements of comprehensive income in absolute amounts and as percentages of revenue for the periods indicated, which have been extracted from our Group's audited consolidated financial statements included in Appendix I:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue	**2,727,461**	**100.0**	**1,902,010**	**100.0**	**2,676,237**	**100.0**	**2,519,224**	**100.0**	**1,143,090**	**100.0**	**1,252,678**	**100.0**
Cost of sales[1]	(1,398,265)	(51.3)	(1,343,449)	(70.6)	(1,575,113)	(58.9)	(1,442,488)	(57.3)	(632,853)	(55.4)	(734,702)	(58.7)
Gross profit	**1,329,196**	**48.7**	**558,561**	**29.4**	**1,101,124**	**41.1**	**1,076,736**	**42.7**	**510,237**	**44.6**	**517,976**	**41.3**
Operating profit/(loss)[2]	**109,702**	**4.0**	**(1,135,708)**	**(59.7)**	**(167,006)**	**(6.3)**	**(243,670)**	**(9.7)**	**(110,416)**	**(9.7)**	**(138,240)**	**(11.0)**
Profit/(loss) before income tax	43,845	1.6	(1,171,524)	(61.6)	(184,615)	(6.9)	(272,256)	(10.8)	(122,462)	(10.7)	(146,645)	(11.7)
Profit/(loss) for the year/period	**39,649**	**1.5**	**(1,184,196)**	**(62.3)**	**(188,194)**	**(7.0)**	**(283,069)**	**(11.2)**	**(128,399)**	**(11.2)**	**(147,389)**	**(11.8)**
Profit/(loss) for the year/period attributable to:												
– Owners of the Company	45,142	1.7	(1,172,461)	(61.6)	(185,000)	(6.9)	(284,529)	(11.3)	(127,479)	(11.2)	(152,480)	(12.2)
– Non-controlling interests	(5,493)	(0.2)	(11,735)	(0.6)	(3,194)	(0.1)	1,460	0.1	(920)	(0.1)	5,091	0.4
	39,649	**1.5**	**(1,184,196)**	**(62.3)**	**(188,194)**	**(7.0)**	**(283,069)**	**(11.2)**	**(128,399)**	**(11.2)**	**(147,389)**	**(11.8)**

Notes:

1. Consists of (i) cost of inventories sold, (ii) subcontractor cost of advertising resources, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, (v) taxes and surcharges, (vi) impairment loss of inventories, and (vii) impairment loss of property and equipment and right-of-use assets.

2. Operating profit/(loss) represent gross profit net of (i) selling and marketing expenses, (ii) general and administrative expenses, (iii) research and development expenses, (iv) net impairment loss on financial assets, (v) other income, and (vi) other gains/(losses), net.

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
POSs operation and development expenses	574,570	553,170	585,920	587,354	263,936	261,155
Employee benefit expenses	172,563	168,206	151,386	170,190	84,073	63,303
Logistics and transportation expenses	108,480	97,243	138,277	156,637	77,222	88,642
Depreciation	98,564	177,787	137,068	186,927	90,150	102,693
Office and lease expenses	34,452	29,804	29,125	29,470	15,082	8,310
Impairment loss of property and equipment and right-of-use assets	1,240	27,573	1,449	–	–	–
Share-based payments	–	–	–	–	–	4,723
Others	33,847	29,952	34,187	25,142	16,273	16,307
Total	**1,023,716**	**1,083,735**	**1,077,412**	**1,155,720**	**546,736**	**545,133**

Non-HKFRS Measures

To supplement our financial information which are presented in accordance with HKFRS, we use non-HKFRS measures, namely, adjusted EBITDA and adjusted net profit or loss, as additional financial measures, which are not required by, or presented in accordance with, HKFRS. We believe that such non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted EBITDA and adjusted net profit or loss may not be comparable to similarly titled financial measures presented by other companies. The use of such non-HKFRS measures have limitations as analytical tools, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted EBITDA (non-HKFRS measure) as EBITDA (which is profit/(loss) for the year/period plus depreciation of property and equipment and right-of-use assets, amortization of intangible assets, income tax expenses and interest expenses on borrowings and lease liabilities) for the year/period adjusted by adding (i) share-based payment and (ii) [**REDACTED**] expenses.

We define adjusted net profit/(loss) (non-HKFRS measure) as profit/(loss) for the year/period adjusted for (i) share-based payment and (ii) [**REDACTED**] expenses.

Share-based payment consisted of non-cash expenses arising from granting options to eligible individuals under the 2020 Incentive Scheme and the Pre-[**REDACTED**] Incentive Scheme and does not result in cash outflow. [**REDACTED**] expenses are mainly expenses related to the [**REDACTED**] and added back mainly because they were incurred for the purpose of the [**REDACTED**].

The following table sets out adjusted EBITDA (non-HKFRS measure) and adjusted net profit/(loss) (non-HKFRS measure), and a reconciliation from profit/(loss) for the year/period to adjusted EBITDA (non-HKFRS measure) and adjusted net profit/(loss) (non-HKFRS measure) for the periods indicated.

	For the year ended December 31,				**For the six months ended June 30,**	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) for the year/period	39,649	(1,184,196)	(188,194)	(283,069)	(128,399)	(147,389)
Add						
Depreciation of property and equipment, right-of-use assets	203,669	276,669	202,364	242,030	122,329	121,837
Amortization of intangible assets	13,167	17,545	17,423	15,842	8,045	7,675
Income tax expenses	4,196	12,672	3,579	10,813	5,937	744
Interest expenses on borrowings and lease liabilities	58,688	32,344	13,517	13,331	7,260	4,584
EBITDA	319,369	(844,966)	48,689	(1,053)	15,172	(12,549)
Add						
Share-based payment	–	210,918	1,500	–	–	49,527
[**REDACTED**] expenses	–	–	16,411	22,077	3,790	6,581
Adjusted EBITDA (non-HKFRS measure)	319,369	(634,048)	66,600	21,024	18,962	43,559
Profit/(loss) for the year/period	**39,649**	**(1,184,196)**	**(188,194)**	**(283,069)**	**(128,399)**	**(147,389)**
Add						
Share-based payment	–	210,918	1,500	–	–	49,527
[**REDACTED**] expenses	–	–	16,411	22,077	3,790	6,581
Adjusted net profit/(loss) (non-HKFRS measure)	**39,649**	**(973,278)**	**(170,283)**	**(260,992)**	**(124,609)**	**(91,281)**

Selected Items of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our Group's audited consolidated financial statements included in Appendix I.

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total current assets	1,843,674	1,032,918	785,396	518,007	637,858
Total non-current assets	1,785,365	1,165,806	1,151,214	1,000,862	895,933
Total current liabilities	780,296	615,400	609,487	493,596	612,508
Total non-current liabilities	197,399	114,406	42,957	23,337	17,209
Equity attributable to owners of the Company	2,622,357	1,451,666	1,265,012	980,483	877,530
Non-controlling interests	28,987	17,252	19,154	21,453	26,544
Total equity/Net assets	2,651,344	1,468,918	1,284,166	1,001,936	904,074
Net current assets	1,063,378	417,518	175,909	24,411	25,350

Our net current assets remained relatively stable at RMB24.4 million as of December 31, 2022 and RMB25.4 million as of June 30, 2023.

Our net current assets decreased from RMB175.9 million as of December 31, 2021 to RMB24.4 million as of December 31, 2022, primarily due to (i) a decrease in prepayments, deposits and other receivables of RMB114.9 million primarily due to the decrease in prepayment for purchase of inventories and the decrease in amount due from POS partners, (ii) a decrease in trade receivables of RMB65.6 million primarily due to recovery of certain trade receivables with long ages and our improved trade receivables management generally, (iii) a decrease in cash and cash equivalents of RMB44.2 million, and (iv) a decrease in inventories of RMB42.9 million primarily due to a decrease in merchandise as a result of reduced procurement as sales were negatively affected in December 2022 by regional resurgences of COVID-19, partially offset by (v) a decrease in other payables and accruals of RMB50.9 million primarily due to the decrease in accrued and payments of POSs operation expenses, (vi) a decrease in lease liabilities of RMB39.2 million primarily due to the expiration of our leases for vending machines in 2021 under finance lease agreement as there were no new finance lease of machinery and equipment in 2021 and 2022, respectively, and (vii) a decrease in trade payables of RMB35.4 million primarily due to the decrease in procurement of merchandise and machines.

Our net current assets decreased from RMB417.5 million as of December 31, 2020 to RMB175.9 million as of December 31, 2021, primarily due to (i) a decrease in financial assets at fair value through profit or loss of RMB132.1 million, primarily due to disposal of our investment in wealth management products, (ii) a decrease in prepayments, deposits and other receivables of RMB99.5 million primarily due to the further development of our partner model since 2020 under which our POS partners typically bear the occupancy fee for machine spaces, (iii) an increase in trade payables of RMB81.6 million in line with the expansion of our business, and (iv) a decrease in trade receivables of RMB36.4 million due to our enhanced collection efforts, partially offset by (v) an increase in inventories of RMB36.6 million, primarily due to increased demands for our merchandise, and (vi) a decrease in lease liabilities of RMB48.7 million, primarily due to the expiration of our leases for vending machines in 2021 under finance lease agreements.

Our net current assets decreased by 60.7% from RMB1,063.4 million as of December 31, 2019 to RMB417.5 million as of December 31, 2020, primarily due to (i) a decrease in prepayments, deposits and other receivables of RMB396.9 million, primarily due to the development of our partner model in 2020 under which our POS partners typically bear the occupancy fee for machine spaces, (ii) a decrease in financial assets at fair value through profit or loss of RMB154.6 million, primarily due to disposal of our investment in wealth management products, (iii) a decrease in trade receivables of RMB147.0 million, primarily due to the decrease in trade receivables from third-parties including advertisers for our advertising and system support services and Non-Ubox POS operators in connection with our sale of vending machines, and (iv) a decrease in inventories of RMB81.0 million, primarily because we reduced the stock of merchandise in light of the COVID-19 outbreak, partially offset by (v) a decrease in trade payables of RMB92.8 million, primarily due to the decrease in procurement needs as a result of the impact of COVID-19 outbreak, and (vi) a decrease in lease liabilities of RMB88.5 million, primarily due to the expiration of our leases for vending machines in 2020 under finance lease agreements.

Our net assets decreased from RMB2,651.3 million as of December 31, 2019 to RMB1,468.9 million as of December 31, 2020, primarily due to (i) our net loss of RMB1,184.2 million in 2020 and (ii) the exercise of share options of the Company, see Note 28 to the Accountant's Report as set out in Appendix I for details, partially offset by share-based compensation expenses of RMB210.9 million. Our net assets further decreased to RMB1,284.2 million as of December 31, 2021, primarily due to (i) our net loss of RMB188.2 million in 2021 and (ii) the exercise of share options of the Company, see Note 28 to the Accountant's Report as set out in Appendix I for details, partially offset by the capital injection of RMB3.4 million by non-controlling interests. Subsequently, our net assets then decreased to RMB1,001.9 million as of December 31, 2022, primarily due to (i) our net loss of RMB283.1 million in 2022, (ii) the disposal of a subsidiary, see Note 14(e) to the Accountant's Report as set out in Appendix I for details, and (iii) the capital injection of RMB0.4 million by non-controlling interests. Our net assets further decreased to RMB904.1 million as of June 30, 2023, primarily due to (i) our net loss of RMB147.4 million in the six months ended June 30, 2023, partially offset by (ii) share-based compensation expenses, see Note 28 to the Accountant's Report as set out in Appendix I for details. For further details, see the Consolidated Statements of Changes in Equity in the Accountants' Report as set out in Appendix I. For further details of our net losses, see "— Business Sustainability."

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from/(used in) operating activities	613,393	(31,948)	178,949	153,918	155,858	186,011
Net cash (used in)/generated from investing activities	(717,349)	189,171	(22,742)	(105,250)	(89,799)	(36,022)
Net cash generated from/(used in) financing activities	20,908	(188,557)	(174,836)	(92,876)	(13,683)	(8,682)
Net (decrease)/increase in cash and cash equivalents	**(83,048)**	**(31,334)**	**(18,629)**	**(44,208)**	**52,376**	**141,307**
Cash and cash equivalents at the beginning of the year/period	305,394	222,347	191,015	172,386	172,386	128,178
Effects of exchange rate changes on cash and cash equivalents	1	2	–	–	–	–
Cash and cash equivalents at the end of the year/period	**222,347**	**191,015**	**172,386**	**128,178**	**224,762**	**269,485**

In 2020, we recorded net operating cash outflow of RMB31.9 million, primarily due to our loss before income tax of RMB1,171.5 million as adjusted by (i) positive movement of operating cash flow before movements in working capital which was mainly comprised impairment of non-financial assets of RMB414.0 million and share-based compensation expenses of RMB210.9 million, and (ii) changes in working capital that positively affected cash flow such as (a) decrease in trade receivables of RMB147.1 million, primarily due to trade receivables in connection with sales of vending machines being gradually settled and the decrease in number of vending machines sold as a result of the development of our partner model, and decrease in demand for advertising and system support services as a result of the COVID-19 outbreak, (b) a decrease in prepayments and deposits and other receivables of RMB80.7 million, primarily due to decrease in prepayments for POSs expenses.

For a more detailed cash flow analysis, see "Financial Information — Liquidity and Capital Resources — Cash Flows."

BUSINESS SUSTAINABILITY

We had retained earnings of RMB54.2 million and RMB99.3 million as of January 1, 2019 (i.e. the beginning of the Track Record Period) and December 31, 2019, respectively. We incurred net losses of RMB1,184.2 million, RMB188.2 million, RMB283.1 million and RMB147.4 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. As a result, we had accumulated losses of RMB1,073.2 million, RMB1,258.2 million, RMB1,542.7 million and RMB1,695.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. We also experienced negative operating cash flow in 2020.

We incurred a net loss of RMB1,184.2 million in 2020, primarily due to (i) a decrease in revenue from each of our business lines, primarily attributable to (a) the decrease in revenue from our unmanned retail business primarily due to the significant decrease in overall outdoor consumer traffic as a result of COVID-19 leading to a decrease in monthly average GMV per POS despite the increase in average monthly number of POSs, and (b) the decrease in revenue from our advertising and system support services primarily due to the decrease in demand for such services from advertisers and their budgets and expenditures owing to the decrease in outdoor consumer traffic in light of COVID-19, while we incurred POS operation and development expenses when maintaining our Ubox POS network and other operating expenses, (ii) an increase in general and administrative expenses, which was mainly attributable to (a) share-based payments in relation to share incentives granted to management and core employees in 2020 and (b) impairment loss of goodwill as the COVID-19 outbreak negatively affected the business and expansion of our freshly brewed beverage vending machine business and karaoke booth service business, and (iii) an increase in impairment loss of inventories, property and equipment and right-of-use assets, primarily attributable to non-core types of machines such as karaoke booths and orange juice machines and coconut juice machines as a result of the negative impacts of COVID-19. For similar reasons, we incurred a net operating cash outflow of RMB31.9 million in 2020.

During a partial recovery from COVID-19, we experienced a significant increase in our revenue from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021, mainly attributable to the increase in revenue from our unmanned retail business as a result of partial resumption of outdoor consumer traffic. Accordingly, our net loss narrowed significantly from RMB1,184.2 million in 2020 to RMB188.2 million in 2021, primarily due to (i) a significant increase in revenue from unmanned retail business and others segment, which also led to the increase of our gross profit by 97.1% from RMB558.6 million in 2020 to RMB1,101.1 million in 2021 and (ii) the decrease in selling and marketing expenses and general and administrative expenses. Our operating cash flow also improved from a net operating cash outflow of RMB31.9 million in 2020 to a net operating cash inflow of RMB178.9 million in 2021. Notwithstanding the aforesaid improvements, we incurred a loss in 2021 and our accumulated loss increased primarily because average monthly GMV per POS for unmanned retail business, and our revenue and gross profit margin from advertising and system support services, had not recovered to pre-COVID-19 levels in 2019 as business activities and general market sentiment recovered only to a limited extent from the impacts from COVID-19.

We incurred a net loss of RMB283.1 million in 2022, primarily due to (i) an increase in selling and marketing expenses incurred, in terms of both absolute amount and a percentage of our total revenue, primarily due to an increase in depreciation of our machines, logistics and transportation expenses and employee benefit expenses in relation to the expansion and optimization of our POS network, and (ii) a decrease in revenue and, in turn our gross profit, mainly from (a) a decrease in revenue from our others segment primarily because the downstream mobile device retail market and the demand for our mobile device distribution services were negatively affected by macro-economic conditions and consumer demand in 2022, and (b) a decrease in revenue from advertising and system support services primarily due to the decrease in consumer traffic as a result of the negative impact of COVID-19, which was partially offset by (c) an increase of RMB91.3 million in revenue from our merchandise wholesale as a result of the initiation of our shared warehouse initiative since the second half of 2021 and (d) an increase in revenue from our unmanned retail business primarily due to the expansion and optimization of our POS network. Specifically, the monthly average number of Ubox POSs in 2022 increased as compared to that of 2021 (despite the decrease in number of Ubox POSs from 85,139 to 66,232 as of December 31, 2021 and 2022, respectively, mainly due to the regional resurgence of COVID-19 in mainland China which significantly affected consumer traffic in certain scenarios, especially restaurants).

Our net loss increased from RMB128.4 million for the six months ended June 30, 2022 to RMB147.4 million for the same period in 2023. Such increase was primarily due to the increase in general and administrative expenses mainly attributable to an increase in share-based payments recognized in 2023 in relation to share incentives granted to our employees. Nevertheless, our net cash generated from operating activities increased by 19.3% from RMB155.9 million for the six months ended June 30, 2022 to RMB186.0 million for the same period in 2023.

We have adopted various measures to better manage our costs and expenses, including leveraging our data-driven inventory and operation system to lower procurement costs of merchandise, leveraging shared warehouses and further digitalizing and automating our operations to lower operating expenses. Nevertheless, we may still incur net losses and net operating cash outflow in the near future as the recovery of the economy from the negative impacts of COVID-19 is expected to be a gradual process especially in light of current macro-economic conditions.

We had operated profitably prior to the COVID-19 outbreak and intend to re-achieve profitability primarily by (i) further expanding our POS network especially under the partner model by increasing the density of our POSs with a strategic focus on tier one and tier two cities in the PRC, which will enable us to manage our logistics and operational costs more efficiently and to better benefit from economies of scale, (ii) further developing our advertising and system support services alongside the expansion of our POS network, and (iii) effectively managing our costs and expenses and improving our operating leverage as, other than share-based payments and certain impairment losses incurred in certain periods during the Track Record Period, a majority of our general and administrative expenses are relatively fixed or increasing at a slower pace compared to our business scale, which will enable us to benefit from economies of scale and our business expansion.

Since December 2022, the PRC government has relaxed its zero-COVID policy, including removing mass testing and central quarantine requirements and lifting travel restrictions. Many regions were facing a surge in cases following such relaxation until early February 2023. Driven by the pivot in COVID-19 policies and the early Chinese New Year holiday season, many offline business operations and consumer traffic across mainland China have started to recover. Performance at many of our POSs has also started to normalize and improve in 2023. As a result, we witnessed an increase in average monthly GMV of our vending machines from RMB2,700 per machine per month in 2022 to RMB2,992 per machine per month for the six months ended June 30, 2023 and our revenue increased by 9.6% from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the same period in 2023. For further details, see "— Impact of COVID-19" below.

Based on the foregoing and further details set forth in "Financial Information — Business Sustainability", our Directors believe, and the Joint Sponsors concur, that our Group's business is sustainable in the long run. Assuming that the negative effects of COVID-19 will be gradually alleviated following the relaxation and overall consumer traffic will recover to the pre-COVID-19 level in the foreseeable future, we expect to remain loss-making in 2023 but achieve a turnaround in 2024. For details, see "Financial Information — Business Sustainability."

Working Capital Sufficiency

Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, and for at least the next 12 months from the date of this document, taking into account RMB269.5 million of cash and cash equivalents on hand as of June 30, 2023, internally generated funds, RMB418.5 million of unutilized banking facilities as of the Latest Practicable Date and [**REDACTED**] of estimated net [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range of [**REDACTED**] to [**REDACTED**] per [**REDACTED**], and that the [**REDACTED**] is not exercised. In addition, as evidenced by our Pre-[**REDACTED**] Investments and other historical fund-raising activities, we have a good track record in being able to raise funds from renowned investors to finance our business growth and expansion. See "History and Development — Pre-[**REDACTED**] Investments." We believe that the [**REDACTED**] and other potential external financing sources, including those to which we will gain access after [**REDACTED**], will provide additional funding for our business expansion operations.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods or as of the dates indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
					(unaudited)	
Gross profit margin	48.7%	29.4%	41.1%	42.7%	44.6%	41.3%
Net profit/(loss) margin	1.5%	(62.3)%	(7.0)%	(11.2)%	(11.2)%	(11.8)%
Adjusted net profit/(loss) margin (non-HKFRS measure)	1.5%	(51.2)%	(6.4)%	(10.4)%	(10.9)%	(7.3)%
Adjusted EBITDA margin (non-HKFRS measure)	11.7%	(33.3)%	2.5%	0.8%	1.7%	3.5%

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
Current ratio	2.4	1.7	1.3	1.0	1.0
Quick ratio	2.1	1.4	1.0	0.8	0.8
Gearing ratio[(1)]	16.6%	22.4%	14.0%	12.9%	14.7%

Note:

(1) Gearing ratio is calculated using total debt divided by total equity and multiplied by 100%.

For details, see "Financial Information — Key Financial Ratios."

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Immediately after the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into account the Domestic Shares which may be issued upon the exercise of the options which were granted under the Pre-[**REDACTED**] Incentive Scheme), Mr. Wang and Mr. Chen (as parties acting in concert pursuant to the Deeds of AIC) will collectively hold and control voting rights attached to approximately [**REDACTED**]% of our Company's total number of issued Shares. Accordingly, Mr. Wang and Mr. Chen will be our Single Largest Group of Shareholders upon [**REDACTED**], and our Company will not have any controlling shareholder as defined under the Listing Rules upon [**REDACTED**]. See "Relationship with Our Single Largest Group of Shareholders."

DELISTING OF OUR SHARES FROM NEEQ

Our Company was listed on the NEEQ on February 24, 2016. Having taken into account our operation demands and long-term development plans, and having already received a few rounds of funding from certain investors on the NEEQ, the listing of our Shares on the NEEQ no longer satisfied the then financing needs of our Company. As such, considering the reasons as set out in "History and Development — Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Reasons for Seeking [**REDACTED**] on the Stock Exchange" for seeking [**REDACTED**] on the Stock Exchange, our Shareholders resolved to voluntarily delist our Shares from the NEEQ. Our Company applied for the delisting on January 11, 2019 and the delisting was completed on March 12, 2019. See "History and Development — Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Listing and Delisting in Relation to the NEEQ."

PRE-[REDACTED] INVESTMENTS

Pre-[**REDACTED**] Investments in our Company were undertaken by each of Shanghai Yunxin, Chunhua Rongshun, Mr. Xu Ge, Mr. Xiao Lin, Gongqingcheng Changyou, Guoxin Energy Fund and Qingdao Haier, as our Pre-[**REDACTED**] Investors. For details of the background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, see "History and Development — Pre-[**REDACTED**] Investments."

PREVIOUS LISTING PLAN AND PROPOSED MERGER ARRANGEMENT

In December 2016, our Company planned to apply for listing on the Shenzhen Stock Exchange. However, as we decided to focus our resources on the [**REDACTED**] on the Stock Exchange, we did not proceed with our listing plan.

In July 2017, our Single Largest Group of Shareholders entered into an absorption and merger framework agreement with New Huadu Supercenter Co., Ltd. ("**New Huadu**"), a company listed on the Shenzhen Stock Exchange (stock code: 002264), pursuant to which our Company would be merged into and absorbed by New Huadu in consideration of New Huadu issuing A shares to our then Shareholders. Nonetheless, the agreement was subsequently terminated in August 2017.

For further details, see "History and Development — Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Previous Listing Plan and Proposed Merger Arrangement."

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. See "Business — Legal Proceedings and Compliance" for details.

RECENT DEVELOPMENT

In light of the uncertainties in our operating environment, including regional resurgences of COVID-19 in mainland China and the government's subsequent relaxation of its COVID-19 policies in December 2022, we continued optimizing the layout of our POS network. Overall offline business operations and consumer traffic across mainland China have started to recover following the relaxation of COVID-19 policies. As a result, the average monthly GMV of our vending machines increased from RMB2,700 per machine per month in 2022 to RMB2,992 per machine per month for the six months ended June 30, 2023, and our revenue increased by 9.6% from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the same period in 2023. In addition, monthly average GMV per POS in July 2023 increased by approximately 12.1% as compared to the same month in 2022. As a result, revenue from our unmanned retail business for the seven months ended July 31, 2023 has exceeded that of the same period in 2022. Nevertheless, we expect to remain loss-making in 2023 as the recovery of the economy and overall consumer traffic from the negative impacts of COVID-19 is expected to be a gradual process. For details, see "Financial Information — Business Sustainability."

Impact of COVID-19

The COVID-19 pandemic disrupted the normal life and daily routine of the world population and restrictive measures were introduced by governments to curb the outbreak. Due to social distancing, lock-down, temporary shut-down and other disruptions, the COVID-19 pandemic has significantly impacted our business. To protect the health and well-being of our employees in support of efforts to control the spread of the COVID-19 outbreak, we closed, or reduced, working hours at our headquarters and offices and made remote working arrangements in early 2020. Our headquarters and offices had been reopened in an orderly manner by February 2020. The emergence of COVID-19 in mainland China has also adversely impacted the operations at our POSs because a number of public venues where our vending machines were located were required to be closed and consumer traffic and sales activities were adversely affected. For the two months of February and March 2020, approximately 27.9% of our Ubox POSs as of March 31, 2020 did not generate any sales, and our Non-Ubox POSs also experienced similar disruptions of varying degrees depending on their locations. In addition, the operations of our internal logistics functions and our logistics and transportation service providers were also negatively impacted, thereby affecting restocking of our machines. Moreover, due to closure of public venues and reduced consumer traffic, demand for our advertising and system support services and sales and leases of machines also decreased. Furthermore, during the outbreak of COVID-19 in mainland China, many of our karaoke booths, especially those located in shopping malls, were shut down since early 2020 until October 2020. As a result, our total revenue decreased by 30.3% from RMB2,727.5 million in 2019 to RMB1,902.0 million in 2020, and we recorded a loss of RMB1,184.2 million in 2020.

Following a partial recovery from COVID-19 in 2021, although we recorded a loss of RMB188.2 million in 2021, our adjusted net loss (non-HKFRS measure) decreased from RMB973.3 million in 2020 to RMB170.3 million in 2021 and our adjusted EBITDA (non-HKFRS measure) improved from negative RMB634.0 million in 2020 to positive RMB66.6 million in 2021. In addition, our operating cash flow improved from net cash used in operating activities of RMB31.9 million in 2020 to net cash generated from operating activities of RMB178.9 million in 2021.

In 2022, primarily related to the Delta and Omicron variants, COVID-19 resurged in various locations in mainland China, with particularly stringent counter-resurgence measures being taken in certain regions, including but not limited to, Beijing and Shanghai, resulting in closure of, and reduced consumer traffic and sales activities at, public venues where our vending machines are placed. Due to the resurgence and control measures, including the lock-down of Shanghai, approximately 40.0% of our Ubox POSs as of December 31, 2022 (not taking into account the sales of POSs located in schools in July and August as they generally have limited or no sales during summer holiday) did not generate any sales for at least 60 days in 2022. In addition, our POSs located at restaurants were also severely affected as the regional resurgences of COVID-19 in mainland China had a negative impact on the catering industry in mainland China. Similarly, Non-Ubox POSs also experienced disruptions of varying degrees depending on their locations. Moreover, revenue from our mobile device distribution services under our others segment decreased in 2022 as the downstream mobile device retail market and the demand for our mobile device distribution services were negatively affected by macro-economic conditions and consumer demand during the same year. As a result, our revenue decreased by 5.9% from RMB2,676.2 million in 2021 to RMB2,519.2 million in 2022.

We took a series of actions to mitigate the impact of COVID-19 on us. For example, we set up mandatory screening at the entrance of our offices and premises, checked health code (健康碼) and travel code (行程碼) of our employees and visitors from 2020 to 2022, and complied with the guidelines of health authorities if any of our employees show infection symptoms. During the Track Record Period, we also shifted our marketing efforts to the partner model by engaging more POS partners for our unmanned retail business with an aim to stabilize profit margin and alleviate the impact of interruption. Our POS partners under the partner model, while typically entitled to a share of the POSs' transaction GMV (subject to deduction of their responsible costs and expenses), are responsible for sourcing potential sites and bear the costs for developing POSs, occupancy fees and utility costs. As such, we are insulated, to a certain extent and as compared to the direct operation model, from the risk that revenue from POSs is insufficient to cover such costs and expenses, especially in light of the negative impact of COVID-19. To this end, during the period when our POSs operation was heavily impacted by COVID-19, we believe our POS partners, who maintained their POSs on site and bore the costs of developing POSs and occupancy fees, were motivated to actively negotiate with the site owners on the occupancy fees to better manage their costs and expenses associated with the POS sites. The partner model therefore helped make us more resilient to the uncertainties of overall business environment. In addition, we have become less susceptible, in terms of sourcing and developing potential POSs, to travel restrictions and quarantine measures by collaborating with a larger number of POS partners located across the country, instead of relying on a small number of internal marketing staff. See "Business — Our POS Network" for details. Moreover, our vending machines offer consumers with contactless purchase. With no human interaction required in the process, unmanned retail also represents a safer and more hygienic way of purchasing, which helps it gain an advantage at the time of the COVID-19 pandemic. According to Frost & Sullivan, in light of the fact that various social distancing measures being implemented in China are increasingly being regarded as normative behavior that guides consumers' daily activities, consumers are becoming increasingly adapted to unmanned retail which offers a contactless and time-saving shopping experience, where consumers may keep social distance and avoid spending time in crowded places. Consumers have also gradually embraced a variety of digital technologies, such as biometric authentication payment, that facilitate unmanned retail. Furthermore, we have entered into cooperation with a number of our customers, including merchandise wholesale customers as part of our shared warehouse initiative, under which we would share our warehouses with each other or we jointly establish new warehouses to save rental costs. In certain cases, we were able to leverage our customers' warehouses to shorten the re-stocking distance for our POSs. In addition, we also expanded our POS partner recruitment channels to include online recruitment with a view to attracting POS partners from different industries, and actively discussed and negotiated with site owners for rent deduction.

In general, our Directors are of the view that, as our business operations strongly rely on stable offline consumer traffic, the COVID-19 pandemic and the emergence of new COVID-19 variants which led to regional resurgences and certain pandemic control measures such as travel restrictions, mass testing and lockdowns, have had temporary adverse impact on our business operations and financial performance. Nevertheless, partially due to our promotion of the partner model, our business demonstrated resilience against the pandemic as evidenced by the significant increase in revenue by 40.7% from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021, approximately 98% of our revenue in 2019 before the outbreak of COVID-19. Since December 2022, the PRC government has relaxed its zero-COVID policy, including removing mass testing and central quarantine requirements and lifting travel restrictions. Many regions were facing a surge in cases following such relaxation until early February 2023. We also implemented various measures in light of such relaxation and surge in cases to mitigate their impact on our business operations:

– we adjusted our procurement plans and placed order in advance to avoid potential disruption to supply chains caused by the recent surge in cases;

– we flexibly adjusted work arrangement of our employees and adopted shifts to ensure that we could maintain sufficient number of employees to maintain our daily operation and, especially, to avoid logistics and transportation paralysis; and

– we increased supply and replenishment of merchandise in our vending machines that are currently in strong demand, such as electrolyte beverages and drinks that contain Vitamin C.

Driven by the pivot in COVID-19 policies and the early Chinese New Year holiday season, many offline business operations and consumer traffic across mainland China have started to recover in 2023. According to government statistics, railways, highways, waterways, and civil aviation in mainland China transported a total of 226 million passengers during the seven-day Chinese New Year holiday in early 2023, representing an increase of over 70% year-on-year over the same period in 2022. Performance of our POSs at many transportation hubs and public venues also experienced improvement. For instance, for our POSs at airports that were in operation in both January 2022 and January 2023, transaction GMV increased by approximately 23.0% from January 2022 to January 2023. Following the end of the Chinese New Year holiday, consumer traffic at and performance of our POSs at other consumption scenarios, such as schools, factories and office premises started to normalize and improve in 2023. As a result, transaction GMV of Ubox POSs and our revenue from unmanned retail increased by approximately 10.4% and 8.0%, respectively, from the six months ended June 30, 2022 to the same period in 2023. According to Frost & Sullivan, as people move more frequently and economic activities resume, the demand for and consumption of consumer goods are expected to recover in 2023. Our Directors believe that our business operations and financial performance will steadily improve following the change in COVID-19 policies as well as the improvement in consumer sentiment and overall business environment. For further details of risks associated with COVID-19, see "Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters, epidemics and other public health emergencies, which could significantly disrupt our operations and financial condition."

Recent Regulatory Development

Regulations Relating to Information Security and Privacy Protection

On November 14, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**") released the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**"), and accepted public comments until December 13, 2021. The Draft Cyber Data Security Regulations define data processors as individuals or organizations that autonomously determine the purpose and the manner of processing data. If a data processor who is in possession of personal data of more than one million users would like to listing in a foreign country, it shall apply for a cybersecurity review according to the Draft Cyber Data Security Regulations. Besides, data processors that are listed overseas shall carry out annual data security assessment. Public consultation for the Draft Cyber Data Security Regulations ended on December 13, 2021. The final version and effective date of such regulations are subject to change with substantial uncertainty.

On December 28, 2021, the CAC and certain other regulatory authorities in mainland China published the Measures for Cybersecurity Review (《網絡安全審查辦法》), which reiterates and expands the applicable scope of the cybersecurity review. Pursuant to the new measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. A network platform operator that has personal information of more than one million users must apply for a cybersecurity review when it seeks to list in a foreign country.

On April 20, 2022, our PRC Legal Advisor conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**"), which is a competent authority according to our PRC Legal Advisor. The CCRC confirmed that (i) the Company is not required to apply for cybersecurity review for the proposed [**REDACTED**] in Hong Kong; and (ii) the Company is not bound by the requirements on cybersecurity review for Hong Kong [**REDACTED**] under the Draft Cyber Data Security Regulations as such regulations have not come into effect. The CCRC also confirmed that the Company is not required to notify the CAC of its proposed [**REDACTED**] in Hong Kong because (i) the Company's current application for [**REDACTED**] in Hong Kong is not listing in a foreign country, and (ii) the Draft Cyber Data Security Regulations, which requires data processors to apply for cybersecurity review if its [**REDACTED**] in Hong Kong will affect or may affect national security, have not taken into effect, and such requirement is not included in the Measures for Cybersecurity Review.

The Directors and our PRC Legal Advisor are of the view that the Measures for Cybersecurity Review and the Draft Cyber Data Security Regulations (if implemented in current forms) would not have a material adverse impact on our Group's business operations or our Company's proposed [**REDACTED**] in Hong Kong. Based on the Directors' and PRC Legal Advisor's view above, nothing has come to the Joint Sponsors' attention that would cast a doubt on or cause the Joint Sponsors to disagree with such view. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection and will adjust and enhance data practices in a timely manner to ensure compliance with all applicable laws and regulations.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Data Export Measure**s"), which became effective on September 1, 2022. The Data Export Measures stipulates that any data processor who processes or exports personal information exceeding a certain volume threshold shall apply for a security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of mainland China. See "Regulatory Overview — Regulations Relating to Information Security and Privacy Protection" for more details. As of the Latest Practicable Date, (i) we had not received any notification from relevant regulatory authorities identifying us as a critical information infrastructure operator, (ii) the identification of important data and the implementation are still subject to elaboration by relevant government authorities, and (iii) the data collected and generated in our daily business operation are kept within mainland China and not transmitted overseas. Therefore, our Directors and our PRC Legal Advisor are of the view that the Measures on Security Assessment of Cross-border Data Transfer do not apply to us.

For further details, see "Regulatory Overview — Regulations Relating to Information Security and Privacy Protection" and "Risk Factors — Risks Relating to Legal, Compliance and Regulatory Matters — Any failure to protect our customer data, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business."

Regulations Relating to Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Measures for Administration of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which took effect on March 31, 2023. The Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of securities of mainland China-based companies and regulate both direct and indirect overseas offering and listing of securities of mainland China-based companies by adopting a filing-based regulatory regime.

According to the Trial Measures, a domestic company seeking direct overseas offering and listing shall file with the CSRC, submit the filing report, legal opinions and other relevant materials as required under the Trial Measures, and state the shareholders' information and other matters in a truthful, accurate and complete manner. Where a domestic company submits an application for initial public offering to the competent overseas regulators, such domestic company shall file with the CSRC within three business days after such application is submitted. The Trial Measures also require subsequent reports to be filed with the CSRC on material events, such as a change of control event, or voluntary or forced delisting of the issuer who has completed the overseas offering and listing. If the issuer fails to complete the filing procedure, conceals any material fact or falsifies any major content in its filing documents, it may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. However, since the Trial Measures were newly promulgated, the interpretation, application and enforcement of the Trial Measures remain unclear.

The Company's filing documents for the [**REDACTED**] has been received by the CSRC on April 20, 2023. Our Directors, after having consulted with the PRC Legal Advisor, believe that the Company does not fall within any of the circumstances in which an issuer is expressly prohibited from seeking listing or conducting securities dealing overseas under Article 8 of the Trial Measures. The CSRC published the notification on completion of the filing procedures on July 3, 2023 for the [**REDACTED**] and the Conversion of Domestic Shares into H Shares and the making of the application to [**REDACTED**] our H Shares on the Hong Kong Stock Exchange. We have taken, and will take, comprehensive steps to ensure our compliance with the requirements of the Trial Measures, and will continue to monitor the developments in the interpretation and implementation of the Trial Measures as well as any other legislative and regulatory developments in respect of overseas listing of domestic companies. Any failure to do so may limit our ability to complete the [**REDACTED**], which could have a material adverse effect on our business and financial conditions.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Management Provisions**"), which took effect on March 31, 2023. The Confidentiality and Archives Management Provisions outline obligations of issuers listed in overseas markets with operations in mainland China when they provide information involving state secrets or sensitive information to their securities service providers (such as auditors) and overseas regulators. In addition, under the Confidentiality and Archives Management Provisions, such issuers will also be required to obtain approval from the CSRC and other authorities in mainland China before accepting any investigation or inspection by overseas regulators. As the Confidentiality and Archives Management Provisions were recently promulgated, there are uncertainties with respect to their interpretation and implementation. For further details, see "Regulatory Overview — Regulations Relating to Overseas Listing."

No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since June 30, 2023, being the end of the period reported on in the Accountant's Report as set out in Appendix I.

DIVIDENDS

We do not currently have a fixed dividend policy and may declare dividends from time to time as our Board considers appropriate in compliance with our Articles of Association and the applicable laws and regulations. As confirmed by our PRC Legal Advisor, according to relevant PRC Law, we cannot pay any dividends considering our accumulated loss position. No dividends were paid to the shareholders of the Company during the Track Record Period.

[REDACTED] STATISTICS

	Based on the [REDACTED] of [REDACTED] per Share	Based on an [REDACTED] of [REDACTED] per Share
Market capitalization of our Shares(1)	[REDACTED]	[REDACTED]
Market capitalization of our H Shares(2)	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible asset value per Share(3)	[REDACTED]	[REDACTED]

Notes:

1. The calculation of the market capitalization of our Shares is based on the assumption that [**REDACTED**] Shares will be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

2. The calculation of the market capitalization of our H Shares is based on the assumption that [**REDACTED**] H Shares will be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, comprising [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**], [**REDACTED**] H shares to be converted from Domestic Shares.

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II – Unaudited [**REDACTED**] Financial Information" in this document.

[REDACTED] EXPENSES

The [**REDACTED**] expenses in connection with the [**REDACTED**] are estimated to be [**REDACTED**] (including [**REDACTED**]-related expenses of approximately [**REDACTED**], and non-[**REDACTED**] related expenses of approximately [**REDACTED**], which consists of fees and expenses of legal advisors and accountant of approximately [**REDACTED**] and other fees and expenses of approximately [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the proposed [**REDACTED**] range), representing [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] of [**REDACTED**] based on the [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the proposed [**REDACTED**] range. During the Track Record Period, we incurred [**REDACTED**] expenses of RMB46.4 million, of which RMB45.1 million was recognized in the consolidated statement of comprehensive income and RMB1.3 million was recognized as prepayments in the consolidated statement of financial position which will be accounted for as a deduction from equity upon [**REDACTED**]. Subsequent to the Track Record Period, we expect to further incur [**REDACTED**] expenses of [**REDACTED**] prior to and upon completion of the [**REDACTED**], of which (i) [**REDACTED**] is expected to be recognized as expenses in our consolidated statement of comprehensive income; and (ii) [**REDACTED**] is expected to be accounted for as a deduction from equity upon [**REDACTED**] under the relevant accounting standard.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range of [**REDACTED**] to [**REDACTED**] per [**REDACTED**], and that the [**REDACTED**] is not exercised, we estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**] (after deducting the [**REDACTED**] commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**]). We intend to use the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]%, or [**REDACTED**], for expanding the coverage and penetration of our POS network in tier one, new tier one, tier two and tier three cities in mainland China;
- approximately [**REDACTED**]%, or [**REDACTED**], for further developing our operation capabilities and enhancing our warehouse inventory management capabilities by building or upgrading our warehouses and/or logistics systems across mainland China;
- approximately [**REDACTED**]%, or [**REDACTED**], for enhancing our technologies in our operation systems and vending machines through hardware upgrade, software enhancement and recruitment of talents; and
- approximately [**REDACTED**]%, or [**REDACTED**], for working capital and other general corporate purposes.

See "Future Plans and Use of [**REDACTED**]."

APPLICATION FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2022, being approximately RMB2.52 billion (equivalent to approximately HK$2.89 billion), which is over HK$500 million; and (ii) our expected market capitalization at the time of [**REDACTED**], which, based on the low-end of the indicative [**REDACTED**] range of [**REDACTED**] per Share, exceeds HK$4 billion.