

## APPENDIX I

## ACCOUNTANT’S REPORT

*The following is the text of a report set out on pages [I-1] to [I-3], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers]*

*[Draft]*

### **ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING UBOX ONLINE TECHNOLOGY CORP. (北京友寶在線科技股份有限公司), CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED**

#### **Introduction**

We report on the historical financial information of Beijing UBOX Online Technology Corp. (北京友寶在線科技股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-[117], which comprises the consolidated statements of financial position as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the Company’s statements of financial position as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-[117] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### **Directors’ responsibility for the Historical Financial Information**

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

#### **Reporting accountant’s responsibility**

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

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

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

**Dividends**

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid and declared by the Company in respect of the Track Record Period.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong  
[Date]

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**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Year ended December 31,				Six months ended	
		2019	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)	
Revenues	6	2,727,461	1,902,010	2,676,237	2,519,224	1,143,090	1,252,678
Cost of sales	7	(1,398,265)	(1,343,449)	(1,575,113)	(1,442,488)	(632,853)	(734,702)
<b>Gross profit</b>		1,329,196	558,561	1,101,124	1,076,736	510,237	517,976
Selling and marketing expenses	7	(1,023,716)	(1,083,735)	(1,077,412)	(1,155,720)	(546,736)	(545,133)
General and administrative expenses	7	(156,075)	(511,016)	(123,347)	(127,405)	(54,306)	(95,146)
Research and development expenses	7	(57,301)	(41,484)	(36,761)	(31,556)	(17,668)	(15,098)
Net impairment losses on financial assets	3.1(b), 24	(10,858)	(58,389)	(28,224)	(9,264)	(6,904)	(842)
Other income	8	17,112	20,199	12,269	12,027	4,140	2,923
Other gains/(losses), net	9	11,344	(19,844)	(14,655)	(8,488)	821	(2,920)
<b>Operating profit/(loss)</b>		109,702	(1,135,708)	(167,006)	(243,670)	(110,416)	(138,240)
Finance costs	11	(58,688)	(32,344)	(13,517)	(13,331)	(7,260)	(4,584)
Share of results of investments accounted for using the equity method	20	(7,169)	(3,472)	(4,092)	(15,255)	(4,786)	(3,821)
<b>Profit/(loss) before income tax</b>		43,845	(1,171,524)	(184,615)	(272,256)	(122,462)	(146,645)
Income tax expense	12	(4,196)	(12,672)	(3,579)	(10,813)	(5,937)	(744)
<b>Profit/(loss) for the year/period</b>		<u>39,649</u>	<u>(1,184,196)</u>	<u>(188,194)</u>	<u>(283,069)</u>	<u>(128,399)</u>	<u>(147,389)</u>

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	<i>Note</i>	Year ended December 31,				Six months ended	
		2019	2020	2021	2022	June 30,	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>	
<b>Profit/(loss) for the year/period attributable to:</b>							
– Owners of the Company		45,142	(1,172,461)	(185,000)	(284,529)	(127,479)	(152,480)
– Non-controlling interests		<u>(5,493)</u>	<u>(11,735)</u>	<u>(3,194)</u>	<u>1,460</u>	<u>(920)</u>	<u>5,091</u>
		<u>39,649</u>	<u>(1,184,196)</u>	<u>(188,194)</u>	<u>(283,069)</u>	<u>(128,399)</u>	<u>(147,389)</u>
<b>Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>							
Basic and diluted	13	<u>0.07</u>	<u>(1.55)</u>	<u>(0.24)</u>	<u>(0.38)</u>	<u>(0.17)</u>	<u>(0.20)</u>
<b>Other comprehensive income, net of tax</b>							
<i>Items that may be reclassified to profit or loss</i>							
Exchange differences arising on translation of foreign operations		<u>1</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total comprehensive income/(loss) for the year/period</b>		<u>39,650</u>	<u>(1,184,194)</u>	<u>(188,194)</u>	<u>(283,069)</u>	<u>(128,399)</u>	<u>(147,389)</u>

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<i>Note</i>	<b>Year ended December 31,</b>				<b>Six months ended</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
Total comprehensive income/(loss) for the year/period attributable to:						
– Owners of the Company	45,143	(1,172,459)	(185,000)	(284,529)	(127,479)	(152,480)
– Non-controlling interests	<u>(5,493)</u>	<u>(11,735)</u>	<u>(3,194)</u>	<u>1,460</u>	<u>(920)</u>	<u>5,091</u>
	<u>39,650</u>	<u>(1,184,194)</u>	<u>(188,194)</u>	<u>(283,069)</u>	<u>(128,399)</u>	<u>(147,389)</u>

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at December 31,			As at	
	Note	2019	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	RMB'000	2023
						RMB'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property and equipment	16	589,483	305,242	398,795	296,338	223,570
Right-of-use assets	17	570,852	446,249	359,487	289,070	247,138
Intangible assets	18	318,366	136,156	118,580	102,881	95,206
Investments accounted for using the equity method	20	54,573	61,023	76,457	62,702	58,881
Financial assets at fair value through profit or loss	22	95,852	34,740	32,800	36,100	34,500
Prepayments, deposits and other receivables	24	79,317	135,551	123,285	177,106	196,143
Trade receivables	24	26,754	4,499	49	–	–
Deferred income tax assets	29	50,168	42,346	41,761	36,665	40,495
<b>Total non-current assets</b>		<u>1,785,365</u>	<u>1,165,806</u>	<u>1,151,214</u>	<u>1,000,862</u>	<u>895,933</u>
<b>Current assets</b>						
Inventories	23	231,158	150,163	186,779	143,887	126,834
Trade receivables	24	303,634	156,675	120,284	54,693	64,144
Prepayments, deposits and other receivables	24	799,901	402,987	303,447	188,514	174,269
Financial assets at fair value through profit or loss	22	286,634	132,078	–	–	–
Restricted cash	25	–	–	2,500	2,735	3,126
Cash and cash equivalents	25	222,347	191,015	172,386	128,178	269,485
<b>Total current assets</b>		<u>1,843,674</u>	<u>1,032,918</u>	<u>785,396</u>	<u>518,007</u>	<u>637,858</u>
<b>Total assets</b>		<u><u>3,629,039</u></u>	<u><u>2,198,724</u></u>	<u><u>1,936,610</u></u>	<u><u>1,518,869</u></u>	<u><u>1,533,791</u></u>
<b>EQUITY</b>						
Share capital	26	757,259	757,259	757,259	757,259	757,259
Reserves	27	1,765,801	1,767,571	1,765,917	1,765,917	1,815,444
Retained earnings/ (Accumulated losses)		99,297	(1,073,164)	(1,258,164)	(1,542,693)	(1,695,173)
<b>Equity attributable to owners of the Company</b>		<u>2,622,357</u>	<u>1,451,666</u>	<u>1,265,012</u>	<u>980,483</u>	<u>877,530</u>
Non-controlling interests		28,987	17,252	19,154	21,453	26,544
<b>Total equity</b>		<u><u>2,651,344</u></u>	<u><u>1,468,918</u></u>	<u><u>1,284,166</u></u>	<u><u>1,001,936</u></u>	<u><u>904,074</u></u>



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		As at December 31,			As at	
	Note	2019	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	RMB'000	2023
						RMB'000
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Lease liabilities	17	194,274	112,359	41,025	21,287	14,759
Other payables and accruals	31	1,279	451	7	-	-
Deferred income tax liabilities	29	1,846	1,596	1,925	2,050	2,450
<b>Total non-current liabilities</b>		<u>197,399</u>	<u>114,406</u>	<u>42,957</u>	<u>23,337</u>	<u>17,209</u>
<b>Current liabilities</b>						
Lease liabilities	17	214,675	126,199	77,543	38,390	29,481
Trade payables	30	261,297	168,523	250,093	214,666	234,585
Other payables and accruals	31	247,858	218,071	210,386	159,475	217,899
Contract liabilities	6	14,747	10,421	8,592	7,496	37,575
Current income tax liabilities		10,719	1,342	1,893	3,569	3,918
Borrowings	32	31,000	90,844	60,980	70,000	89,050
<b>Total current liabilities</b>		<u>780,296</u>	<u>615,400</u>	<u>609,487</u>	<u>493,596</u>	<u>612,508</u>
<b>Total liabilities</b>		<u>977,695</u>	<u>729,806</u>	<u>652,444</u>	<u>516,933</u>	<u>629,717</u>
<b>Total equity and liabilities</b>		<u>3,629,039</u>	<u>2,198,724</u>	<u>1,936,610</u>	<u>1,518,869</u>	<u>1,533,791</u>

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**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

		As at December 31,				As at
	Note	2019	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	RMB'000	2023
						RMB'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property and equipment	16	166,062	92,698	192,112	68,463	32,376
Right-of-use assets	17	468,074	273,591	200,887	132,569	105,456
Intangible assets	18	37,163	29,056	25,934	23,064	21,679
Investments in subsidiaries	19	432,864	338,731	388,731	398,731	420,378
Investments accounted for using the equity method	20	24,495	21,229	36,517	34,289	31,867
Financial assets at fair value through profit or loss	22	590	–	–	–	–
Prepayments, deposits and other receivables	24	65,674	127,979	116,733	167,105	196,088
Trade receivables	24	91	–	–	–	–
Deferred income tax assets		8,608	–	–	–	–
<b>Total non-current assets</b>		<u>1,203,621</u>	<u>883,284</u>	<u>960,914</u>	<u>824,221</u>	<u>807,844</u>
<b>Current assets</b>						
Inventories	23	103,250	65,875	63,380	45,512	38,888
Trade receivables	24	549,118	642,549	906,274	1,275,951	1,417,588
Prepayments, deposits and other receivables	24	1,668,874	1,132,859	770,030	627,566	581,580
Financial assets at fair value through profit or loss	22	186,584	88,114	–	–	–
Cash and cash equivalents	25	80,692	45,491	39,103	1,982	11,228
<b>Total current assets</b>		<u>2,588,518</u>	<u>1,974,888</u>	<u>1,778,787</u>	<u>1,951,011</u>	<u>2,049,284</u>
<b>Total assets</b>		<u><u>3,792,139</u></u>	<u><u>2,858,172</u></u>	<u><u>2,739,701</u></u>	<u><u>2,775,232</u></u>	<u><u>2,857,128</u></u>
<b>EQUITY</b>						
Share capital	26	757,259	757,259	757,259	757,259	757,259
Reserves	27	2,096,193	2,097,961	2,096,193	2,096,193	2,145,720
Accumulated losses		(12,407)	(464,294)	(463,550)	(456,365)	(463,014)
<b>Total equity</b>		<u><u>2,841,045</u></u>	<u><u>2,390,926</u></u>	<u><u>2,389,902</u></u>	<u><u>2,397,087</u></u>	<u><u>2,439,965</u></u>

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		As at December 31,				As at
	<i>Note</i>	2019	2020	2021	2022	June 30,
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
						<i>RMB’000</i>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Lease liabilities	17	151,481	82,539	17,732	3,872	644
Other payables and accruals	31	2,121	–	–	–	–
Deferred income tax liabilities		238	527	–	–	–
<b>Total non-current liabilities</b>		<u>153,840</u>	<u>83,066</u>	<u>17,732</u>	<u>3,872</u>	<u>644</u>
<b>Current liabilities</b>						
Lease liabilities	17	184,338	105,962	59,116	11,420	7,415
Trade payables	30	89,159	6,862	79,339	136,652	153,964
Other payables and accruals	31	522,004	271,356	193,612	226,201	255,140
Current income tax liabilities		1,753	–	–	–	–
<b>Total current liabilities</b>		<u>797,254</u>	<u>384,180</u>	<u>332,067</u>	<u>374,273</u>	<u>416,519</u>
<b>Total liabilities</b>		<u>951,094</u>	<u>467,246</u>	<u>349,799</u>	<u>378,145</u>	<u>417,163</u>
<b>Total equity and liabilities</b>		<u>3,792,139</u>	<u>2,858,172</u>	<u>2,739,701</u>	<u>2,775,232</u>	<u>2,857,128</u>

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Attributable to owners of the Company					Total equity RMB'000
		Share capital RMB'000	Reserves RMB'000	Retained earnings/	Total RMB'000	Non-controlling interests RMB'000	
				(Accumulated losses) RMB'000			
<b>As at January 1, 2019</b>		630,943	545,672	54,155	1,230,770	36,412	1,267,182
Profit/(loss) for the year		–	–	45,142	45,142	(5,493)	39,649
Currency translation differences		–	1	–	1	–	1
<b>Total comprehensive income/(loss) for the year</b>		–	1	45,142	45,143	(5,493)	39,650
<b>Transactions with owners of the Company</b>							
Issuance of new shares	26	126,316	1,069,242	–	1,195,558	–	1,195,558
Acquisitions of non-controlling interests	27	–	886	–	886	(2,438)	(1,552)
Transfer of repurchased shares	27	–	150,000	–	150,000	–	150,000
Acquisition of subsidiaries		–	–	–	–	506	506
<b>Total transactions with owners of the Company</b>		126,316	1,220,128	–	1,346,444	(1,932)	1,344,512
<b>As at December 31, 2019</b>		<u>757,259</u>	<u>1,765,801</u>	<u>99,297</u>	<u>2,622,357</u>	<u>28,987</u>	<u>2,651,344</u>
<b>As at January 1, 2020</b>		757,259	1,765,801	99,297	2,622,357	28,987	2,651,344
Loss for the year		–	–	(1,172,461)	(1,172,461)	(11,735)	(1,184,196)
Currency translation differences		–	2	–	2	–	2
<b>Total comprehensive income/(loss) for the year</b>		–	2	(1,172,461)	(1,172,459)	(11,735)	(1,184,194)
<b>Transactions with owners of the Company</b>							
Share-based compensation expenses	28	–	210,918	–	210,918	–	210,918
Exercise of share options of the Company	28	–	(209,150)	–	(209,150)	–	(209,150)
<b>Total transactions with owners of the Company</b>		–	1,768	–	1,768	–	1,768
<b>As at December 31, 2020</b>		<u>757,259</u>	<u>1,767,571</u>	<u>(1,073,164)</u>	<u>1,451,666</u>	<u>17,252</u>	<u>1,468,918</u>

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		Attributable to owners of the Company			Non-	Total
	Note	Share capital	Accumulated Reserves	losses	controlling interests	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at January 1, 2021</b>		757,259	1,767,571	(1,073,164)	1,451,666	1,468,918
Loss for the year		–	–	(185,000)	(185,000)	(188,194)
<b>Total comprehensive loss for the year</b>		–	–	(185,000)	(185,000)	(188,194)
<b>Transactions with owners of the Company</b>						
Exercise of the share options of the Company	28	–	(1,768)	–	(1,768)	(1,768)
Transactions with non-controlling interests	27	–	(1,386)	–	(1,386)	340
Capital injection by non-controlling interests		–	–	–	3,370	3,370
Share-based compensation expenses due to equity transactions	14(f)	–	1,500	–	1,500	1,500
<b>Total transactions with owners of the Company</b>		–	(1,654)	–	(1,654)	3,442
<b>As at December 31, 2021</b>		<u>757,259</u>	<u>1,765,917</u>	<u>(1,258,164)</u>	<u>1,265,012</u>	<u>1,284,166</u>
<b>As at January 1, 2022</b>		757,259	1,765,917	(1,258,164)	1,265,012	1,284,166
(Loss)/profit for the year		–	–	(284,529)	(284,529)	(283,069)
<b>Total comprehensive (loss)/income for the year</b>		–	–	(284,529)	(284,529)	(283,069)
<b>Transactions with owners of the Company</b>						
Disposal of a subsidiary	14(e)	–	–	–	459	459
Capital injection by non-controlling interests		–	–	–	380	380
<b>Total transactions with owners of the Company</b>		–	–	–	839	839
<b>As at December 31, 2022</b>		<u>757,259</u>	<u>1,765,917</u>	<u>(1,542,693)</u>	<u>980,483</u>	<u>1,001,936</u>

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	<i>Note</i>	Attributable to owners of the Company			Non-controlling interests	Total equity	
		Share capital	Accumulated Reserves	losses			Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			<i>RMB'000</i>
<b>As at January 1, 2023</b>		757,259	1,765,917	(1,542,693)	980,483	21,453	1,001,936
(Loss)/profit for the period		–	–	(152,480)	(152,480)	5,091	(147,389)
<b>Total comprehensive (loss)/income for the period</b>		–	–	(152,480)	(152,480)	5,091	(147,389)
<b>Transactions with owners of the Company</b>							
Share-based compensation expenses	28	–	49,527	–	49,527	–	49,527
<b>Total transactions with owners of the Company</b>		–	49,527	–	49,527	–	49,527
<b>As at June 30, 2023</b>		<u>757,259</u>	<u>1,815,444</u>	<u>(1,695,173)</u>	<u>877,530</u>	<u>26,544</u>	<u>904,074</u>
<b>(Unaudited)</b>							
<b>As at January 1, 2022</b>		757,259	1,765,917	(1,258,164)	1,265,012	19,154	1,284,166
Loss for the period		–	–	(127,479)	(127,479)	(920)	(128,399)
<b>Total comprehensive loss for the period</b>		–	–	(127,479)	(127,479)	(920)	(128,399)
<b>Transactions with owners of the Company</b>							
Disposal of a subsidiary	14(e)	–	–	–	–	459	459
Capital injection by non-controlling interests		–	–	–	–	380	380
<b>Total transactions with owners of the Company</b>		–	–	–	–	839	839
<b>As at June 30, 2022</b>		<u>757,259</u>	<u>1,765,917</u>	<u>(1,385,643)</u>	<u>1,137,533</u>	<u>19,073</u>	<u>1,156,606</u>

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Year ended December 31,			Six months ended		
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	June 30, 2022 RMB'000	2023 RMB'000
<i>(Unaudited)</i>							
<b>Cash flows from operating activities</b>							
Cash generated from/(used in) operations	34	634,778	(18,798)	179,234	156,153	155,696	189,136
Interest received		1,885	1,327	1,829	1,681	631	700
Income taxes paid		(23,270)	(14,477)	(2,114)	(3,916)	(469)	(3,825)
<b>Net cash generated from/ (used in) operating activities</b>		<u>613,393</u>	<u>(31,948)</u>	<u>178,949</u>	<u>153,918</u>	<u>155,858</u>	<u>186,011</u>
<b>Cash flows from investing activities</b>							
Payments for acquisition of subsidiaries, net of cash received	33, 14(f)	(112,806)	–	–	–	–	–
Proceeds from disposal of a subsidiary		–	–	–	500	500	–
Payments for investment in a joint venture	20	(4,000)	–	–	(1,500)	(1,500)	–
Payments for investment in associates	20	(20,822)	(40,000)	(19,526)	–	–	–
Prepayments for investment in an associate	35	(3,000)	–	–	–	–	–
Return of prepayments for investment in an associate	35	–	3,000	–	–	–	–
Proceeds from disposal of investment in associates	20	3,700	30,078	–	–	–	–
Proceeds from disposal of property and equipment	34	115,955	27,206	17,929	22,143	6,090	8,582
Payments for purchase of financial assets at fair value through profit or loss	22	(2,508,000)	(438,000)	(240,000)	(70,000)	(40,000)	(20,000)
Proceeds from disposal of financial assets at fair value through profit or loss	22	2,540,478	635,410	372,078	70,000	40,000	20,000
Payments for purchase of property and equipment		(420,628)	(76,655)	(223,847)	(145,749)	(114,104)	(45,720)
Payments for purchase of intangible assets		(59,742)	(4,625)	–	(143)	(68)	–

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	Note	Year ended December 31,				Six months ended	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	June 30, 2022 RMB'000 (Unaudited)	2023 RMB'000
Advances to a shareholder and business partners		(416,019)	(11,872)	(13,701)	-	-	-
Proceeds from repayment of advances to a shareholder and business partners		162,400	58,331	83,083	19,326	19,239	1,047
Interest received from wealth management products	22	<u>5,135</u>	<u>6,298</u>	<u>1,242</u>	<u>173</u>	<u>44</u>	<u>69</u>
<b>Net cash (used in)/generated from investing activities</b>		<u>(717,349)</u>	<u>189,171</u>	<u>(22,742)</u>	<u>(105,250)</u>	<u>(89,799)</u>	<u>(36,022)</u>
<b>Cash flows from financing activities</b>							
Proceeds from issuance of new shares	26	1,200,000	-	-	-	-	-
Payments of issuance cost for issuance of new shares	26	(4,442)	-	-	-	-	-
Proceeds from transfer of repurchased shares	27	150,000	-	-	-	-	-
Payments for acquisition of non-controlling interests		(1,552)	-	-	-	-	-
Proceeds from borrowings		210,998	97,244	64,990	80,920	44,920	59,050
Repayments of borrowings		(227,498)	(37,400)	(94,854)	(71,900)	(5,900)	(40,000)
Principal elements and interest element of lease payments	17	(584,080)	(245,940)	(144,176)	(93,519)	(47,862)	(23,195)
Repayment of loans from non-financial institutions		(700,000)	-	-	-	-	-
Transaction with non-controlling interests	27	-	-	280	-	-	-
Capital injection by non-controlling interests		-	-	3,370	380	380	-
[REDACTED] expenses		-	-	(1,548)	(2,511)	(2,203)	(1,926)
Interest paid	11	<u>(22,518)</u>	<u>(2,461)</u>	<u>(2,898)</u>	<u>(6,246)</u>	<u>(3,018)</u>	<u>(2,611)</u>
<b>Net cash generated from/ (used in) financing activities</b>		<u>20,908</u>	<u>(188,557)</u>	<u>(174,836)</u>	<u>(92,876)</u>	<u>(13,683)</u>	<u>(8,682)</u>



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<i>Note</i>	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>	
<b>Net (decrease)/increase in cash and cash equivalents</b>	(83,048)	(31,334)	(18,629)	(44,208)	52,376	141,307
Cash and cash equivalents at 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	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u>222,347</u>	<u>191,015</u>	<u>172,386</u>	<u>128,178</u>	<u>224,762</u>	<u>269,485</u>

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**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

**1 GENERAL INFORMATION**

Beijing UBOX Online Technology Corp. (北京友寶在線科技股份有限公司) (the “Company”), formerly known as Beijing UBOX Technology & Trade Company Limited (北京友博科斯科貿有限公司), was incorporated in the People’s Republic of China (the “PRC”) as a wholly foreign-owned limited liability company on March 1, 2012 and converted into a joint stock company with limited liability on September 10, 2015. On February 24, 2016, the shares of the Company was listed on the National Equities Exchange and Quotation (“NEEQ”). On March 12, 2019, the shares of the Company was delisted from the NEEQ. The address of the Company’s registered office is Room 128, Yunkai Real Estate Office Building, No. 8 Kangbao Road, Economic Development Zone, Miyun District, Beijing, the PRC.

The Company and its subsidiaries (collectively the “Group”) are primarily engaged in the unmanned retail business, advertising and system support services , merchandise wholesale, vending machine sales and leases and others.

**2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The Historical Financial Information of the Group has been prepared in accordance with principal accounting policies as set out below which are in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, the Group has consistently adopted all applicable new and amended HKFRSs throughout all the years presented except for any new or interpretation that are not yet effective.

***New standards, amendments to standards and interpretations not yet adopted.***

The following new standards, amendments to existing standards and interpretation to existing standards that have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKFRS 16	Lease liability in a sales and leaseback	January 1, 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK Interpretation 5 (2020)	Presentation of financial statement – classification by the borrower of a term loan that contains a repayment on demand clause	Applied when an entity applies Amendments to HKAS 1

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The management is in the process of assessing the impact of these new and amended standards, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 2.2 Principles of consolidation and equity accounting

#### 2.2.1 *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.2.6).

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### 2.2.2 *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method (see Note 2.2.4 below), after initially being recognized at cost in the consolidated statements of financial position.

#### 2.2.3 *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method (see Note 2.2.4 below), after initially being recognized at cost in the consolidated statements of financial position. The Group’s investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group’s share of the net fair value of the associate’s identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income or loss is reclassified to consolidated statement of comprehensive income or loss where appropriate.

#### 2.2.4 *Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

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Where the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

### *2.2.5 Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

### *2.2.6 Business Combination*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any preexisting equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,

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- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

### 2.2.7 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

### 2.4 **Foreign currency translation**

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company is RMB. The Company’s primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its Historical Financial Information in RMB (unless otherwise stated).

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

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Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of comprehensive income within “other gains/(losses), net.”

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss (“FVPL”), are recognized in the consolidated statements of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income (“FVOCI”), are included in other comprehensive income (“OCI”).

### (c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.5 **Property and equipment**

Property and equipment are stated at historical costs less depreciation. Historical costs includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	<b>Useful lives</b>	<b>Residual values</b>
• Vending Machines	5-10 years	5%
• Electronic equipment	5 years	5%
• Motor vehicles	5 years	5%
• Office equipment and others	5 years	5%
• Leasehold improvements	Shorter of estimated useful lives and remaining lease terms	–

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in “other gains/(losses), net” in the consolidated statement of comprehensive income.

### 2.6 Intangible assets

#### (a) *Goodwill*

Goodwill is measured as described in Note 2.2.6. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

#### (b) *Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining software are recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or database so that it will be available for use;
- management intends to complete the software or database, and use or sell it;
- there is an ability to use or sell the software or database;
- it can be demonstrated how the software or database will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software or database are available, and
- the expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. There was RMB3,430,000 development costs capitalized as intangible assets for the year ended December 31, 2019, and there were no development costs meeting these criteria and capitalized as intangible assets for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

#### (c) *Research and development expenditures*

Research and development expenditures that do not meet the criteria in (b) above are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent period.

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### *(d) Amortization method and period*

The Group amortizes software licenses using the straight-line method over 3-10 years. The Group can use the software as long as it can meet the Group’s business needs. Based on the current functionalities equipped by software licenses and the daily operation needs, the Group considers a useful life of 3-10 years is the best estimation under current business needs.

### **2.7 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or “CGU”). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **2.8 Investment and other financial assets**

#### *(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *(c) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



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### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other gains/(losses), net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “other gains/(losses), net.” Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other gains/(losses), net” and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other gains/(losses), net” in the period in which it arises.

### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as “other income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other gains/(losses), net” in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *(d) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1 for further details.

Impairment on other financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for advertising and system support services, merchandise wholesale or vending machine sales and leases in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. Other receivables are recognized initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 24 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

### 2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### 2.13 Share capital

Ordinary shares are classified as equity (Note 26).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share repurchase or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled.

### 2.14 Trade and other payables

These amounts represent liabilities for products and services provided to the Group prior to the end of each reporting period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### 2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

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Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

### 2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

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### 2.18 Employee benefits

#### (a) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

#### (b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

### 2.19 Share-based benefits

Share-based compensation benefits are provided to employees via the employee option plan. Information relating to the scheme is set out in Note 28. The fair value of the employee service received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g., the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### 2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

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### 2.21 Revenue recognition

Revenue are recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity’s performance and the customer’s payment.

A contract asset is the Group’s right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

#### *Revenue from unmanned retail business*

The Group operates a network of vending machines which located the points of sale (“POS”) for selling fast-moving consumer goods such as food and beverage. Revenue from unmanned retail business arises from the end customers buy the fast-moving consumer goods through the vending machines operated by the Group. Revenue is recognized when the control of the goods have been transferred by the vending machines to the customers. There was no right of return for the sales to the end customers. The consideration of the goods are usually due immediately paid by the end customers through online payment platforms before the goods delivered.

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The Group sources POS sites directly from site owners under the direct operation model and sources POS sites through POS partners under our partner model. Under the direct operation model, the Group is responsible for sourcing potential sites, the development cost of the POS, the cost of the occupancy fee, utility cost and vending machines by itself. Under the partner model, the POS partners are responsible for sourcing potential sites, the costs for developing POSs, occupancy fees, utility costs and sometimes providing vending machines, and are entitled to a share of the income generated from the vending machines.

Under the partner model, the Group evaluates agreements with the POS partners in order to determine whether or not the Group acts as principal or as an agent in the arrangement, which it considers in determining if relevant revenues should be reported gross or net of the predetermined amount of the commission shared with POS partners. The Group considers it controls the goods before they are transferred to the customer and acts as a principal because it: (1) is primarily responsible for fulfilling the promise to provide the goods to the customers, including provision of vending machines, procurement and cash collection through different payment channels, (2) has general inventory risk, (3) has latitude in establishing the merchandises’ selling price, and (4) has involvement in the determination of product or services specifications. Accordingly, the POS partners act as the agent of the Group rather than the principal in the transaction and the Group records the revenue on a gross basis. Revenue is recognized when control of the goods has been transferred to the customer, and the commission shared to POS partners is determined based on certain percentage of the revenue agreed between the Group and the POS partners and charged to “selling and marketing expenses.”

### *Revenue from advertising and system support services*

The Group offers advertising and system support services to brand owners and merchandise suppliers, payment platform companies, other advertising agencies and the Group’s Non-Ubox POSs operators through the Group’s digital platform and network of vending machines with the aid of its data of consumer behavior.

Since these services are separate identifiable services and the Group has the ability to determine the pricing of the services and has taken responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from advertising and system support services on a gross basis.

These revenues comprise (i) revenues derived from display screen advertising services, (ii) revenues derived from after-payment advertising services, (iii) revenue derived from merchandise display advertising services, (iv) revenues derived from machine body advertising services, and (v) revenue derived from fees charged to the Group’s Non-Ubox POSs operators for using its operation system, etc.

The Group should recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. The Group shall determine at contract inception whether it satisfies the performance obligation over time or at a point in time. If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

For displaying advertising services, merchandise display advertising services, machine body advertising services and operation system services, since the customer receives and consumes the benefits of the Group’s performance as it performs, the performance obligation is satisfied over the contract period, and the revenue should be recognized over time. Accordingly, the Group recognized revenues derived from above mentioned services ratably over the contracted period in which the advertisements are displayed or services are provided.

For after-payment advertising services, since the performance obligation is satisfied at a point in time, the revenue should be recognized at a point in time when the services are delivered to the customers. Accordingly, revenue derived from after-payment advertising services is recognized based on actual performance measurement. The Group recognizes the revenue from the delivery of pay-for click or pay-for instant display advertisements for advertizers to users of the Group based on the relevant performance measures.

The excess of cumulative revenue recognized in consolidated statement of comprehensive income over the cumulative payments made by customers is recognized as contract assets.

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The contract assets are recognized as a receivable when the Group's right to consideration is unconditional. Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognized by allocating the transaction price based on the stand-alone service price.

When the Group involves other parties to provide the advertising service, it does not arrange other parties to provide services directly to the customers of the Group. Instead, those subcontractors are responsible to the Group and acts under its direction only. The Group control the specified service before the services are transferred to customers, and it satisfies the performance obligation by itself or engage another party (for example, a subcontractor) to satisfy some of the performance obligations on its behalf, at its sole discretion.

### *Revenue from merchandise wholesale*

Revenue are recognized when control of the goods have been transferred, being when goods are delivered to the customers.

Receivable is recognized when the merchandises are delivered, which is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### *Revenue from vending machine sales and leases*

The vending machine sales and leases primarily comprise (i) vending machine sales, (ii) vending machine leases, and (iii) provision of hardware support services.

#### *Sale of goods – vending machines sales*

The Group sells vending machines to third party customers, which are mainly another vending machines operators. Revenue is recognized when control over the vending machines has been transferred to the third party customers, being when legally binding unconditional sales contracts were entered, the machines have been shipped to the designated location and the control of the machines have been transferred to the third party customers.

Receivable is recognized when the vending machines are delivered, which is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### *Lease income from vending machines*

Lease income from vending machines leasing under operating leases is recognized on a straight-line basis over the lease terms.

#### *Hardware support services*

The Group also provides hardware support services to customers. Revenue from hardware support services is recognized over the period of the contract or at a point in time when the customer obtains control of the services.

### *Revenue from others*

Others primarily comprise (i) mobile device distribution services, (ii) karaoke booth services, (iii) karaoke booth sales and leases, and (iv) karaoke booth operation system support.

#### *Mobile device distribution services*

The Group provides mobile devices to mobile device retailers where the Group acquires mobile devices from manufacturers and resells them to the mobile device retailers. The Group places the mobile devices to vending machines after the receipt of order and deposit from retailers. Retailers take the mobile devices from the vending machines with designated code provided by the Group when the end customers confirm the purchase or at anytime agreed by the retailers. Taking in to consideration that the Group enters into contracts with manufacturers in its own name, which gives the Group the legal title and control to the mobile devices provided by the manufacturers before passing them to retailers. Furthermore, the Group is responsible for fulfilling the promise to provide the mobile devices to the retailers, takes inventory risk before delivering to the retailers and has pricing latitude with the retailers. Therefore, the Group is the principal to the sales and recognizes revenue at a point in time when control of the mobile devices has been transferred to retailers, being when retailers get the mobile devices from the vending machines, and there is no unfulfilled obligation that could affect the mobile device retailers' acceptance of the mobile devices and the enforceable right to payment is established.

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Receivable is recognized when the mobile devices are delivered, which is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### *Karaoke booth services*

Karaoke booth services income are recognized in the period in which the performance obligation is satisfied by transferring control of a promised service.

### *Karaoke booth sales and leases*

For Karaoke booths sales, revenue is recognized when control over the Karaoke booths has been transferred to the third party customers, being when the Karaoke booths have been shipped to the designated location. Receivable is recognized when the Karaoke booths are delivered, which is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Lease income from Karaoke booths leasing under operating leases is recognized on a straight-line basis over the lease terms.

Revenue from hardware support services is recognized over the period of the contract or at a point in time when the customer obtains control of the services.

### *Karaoke booth operation system support*

Revenue from operation system support to the Group's karaoke booth franchisees for using its operation system is recognized over the period of the contract or at a point in time when the customer obtains control of the services.

## **2.22 Dividend income**

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

## **2.23 Leases**

### *The Group as lessor under operating leases*

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

### *The Group as lessee*

The Group leases certain offices, warehouses, cars and machinery. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.



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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a buildup approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise machineries with value below RMB35,000.

### 2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of each reporting period.

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### 2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group’s financial performance.

#### (a) *Market risk*

##### (i) *Currency risk*

The Group’s businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

##### (ii) *Cash flow and fair value interest rate risk*

The Group’s income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, details of which have been disclosed in Note 25.

The Group’s exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 32. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. All of the Group’s borrowings were carried at fixed rates which does not expose the Group to cash flow interest rate risk. As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, borrowings of the Group which were bearing at fixed rates amounted to approximately RMB31,000,000, RMB90,844,000, RMB60,980,000, RMB70,000,000 and RMB89,050,000 respectively. For the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, if the fixed interest rate on borrowings had been higher/lower by 100 basis points with all other variables held constant, the finance costs would be approximately RMB310,000, RMB908,000, RMB610,000, RMB700,000 and RMB445,000 higher/lower respectively.

#### (b) *Credit risk*

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, trade receivables and other receivables.

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### (i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in the PRC.

For trade and other receivables, the Group has policies in place to ensure that sale of goods service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents and restricted cash, trade and other receivables and contract assets represent the Group’s maximum exposure to credit risk in relation to the assets.

### (ii) Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

- Trade receivables;
- Deposits and other receivables;
- Cash and cash equivalents and restricted cash.

While cash and cash equivalents and restricted cash is also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023.

The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the third party debtor’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the customers;
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

### Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been assessed on individual basis or grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Total Retail Sales of Consumer goods and the Gross Domestic Product (“GDP”) of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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On that basis, the loss allowance as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 were determined as follows for trade receivables:

**The Group**

<b>As at December 31, 2019</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	5.2%	5.2%	5.2%	8.4%	20.3%	48.7%	100.0%	8.6%
Gross carrying amount (RMB'000)	154,977	6,345	58,068	32,349	22,731	6,308	2,355	283,133
Loss allowance (RMB'000)	8,112	332	3,040	2,732	4,607	3,069	2,355	24,247
<u>On individual basis</u>								
Expected loss rate	-	-	-	100.0%	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB'000)	-	-	-	657	1,580	3,915	1,203	7,355
Loss allowance (RMB'000)	-	-	-	657	1,580	3,915	1,203	7,355
<u>On individual basis (machines pledged)*</u>								
Expected loss rate	-	-	-	-	-	-	-	-
Gross carrying amount (RMB'000)	11,187	11,187	22,373	19,378	4,733	2,641	3	71,502
Loss allowance (RMB'000)	-	-	-	-	-	-	-	-
<b>As at December 31, 2020</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	5.2%	5.2%	5.2%	11.0%	27.8%	48.8%	100.0%	12.7%
Gross carrying amount (RMB'000)	68,542	10,802	24,522	29,141	18,345	3,893	4,611	159,856
Loss allowance (RMB'000)	3,577	564	1,280	3,201	5,092	1,899	4,611	20,224
<u>On individual basis</u>								
Expected loss rate	-	-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB'000)	-	-	13,049	52	443	1,373	4,339	19,256
Loss allowance (RMB'000)	-	-	13,049	52	443	1,373	4,339	19,256
<u>On individual basis (machines pledged)*</u>								
Expected loss rate	-	-	-	-	-	-	-	-
Gross carrying amount (RMB'000)	4261	4261	8,521	3,728	283	218	270	21,542
Loss allowance (RMB'000)	-	-	-	-	-	-	-	-
<b>As at December 31, 2021</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	6.5%	6.5%	6.5%	20.5%	27.8%	51.0%	100.0%	13.3%
Gross carrying amount (RMB'000)	76,365	2,670	5,409	37,104	10,731	2,777	528	135,584
Loss allowance (RMB'000)	4,974	174	352	7,598	2,985	1,417	528	18,028
<u>On individual basis</u>								
Expected loss rate	-	-	100.0%	-	-	100.0%	100.0%	100.0%
Gross carrying amount (RMB'000)	-	-	4,503	-	-	59	1,554	6,116
Loss allowance (RMB'000)	-	-	4,503	-	-	59	1,554	6,116
<u>On individual basis (machines pledged)*</u>								
Expected loss rate	-	-	-	-	-	-	-	-
Gross carrying amount (RMB'000)	682	682	1,364	16	33	-	-	2,777
Loss allowance (RMB'000)	-	-	-	-	-	-	-	-

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<b>As at December 31, 2022</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	6.5%	6.5%	6.5%	20.0%	33.4%	61.4%	100.0%	13.3%
Gross carrying amount (RMB'000)	31,041	8,823	9,947	3,902	3,092	3,865	725	61,395
Loss allowance (RMB'000)	2,014	573	646	782	1,033	2,373	725	8,146
<u>On individual basis</u>								
Expected loss rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB'000)	128	193	52	3,157	6,553	2,025	2,496	14,604
Loss allowance (RMB'000)	128	193	52	3,157	6,553	2,025	2,496	14,604
<u>On individual basis (machines pledged)*</u>								
Expected loss rate	-	-	-	-	-	-	-	-
Gross carrying amount (RMB'000)	361	361	722	-	-	-	-	1,444
Loss allowance (RMB'000)	-	-	-	-	-	-	-	-
<b>As at June 30, 2023</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	4.8%	4.8%	4.8%	22.6%	42.3%	79.4%	100.0%	13.1%
Gross carrying amount (RMB'000)	39,837	7,690	9,960	9,326	2,747	2,984	1,270	73,814
Loss allowance (RMB'000)	1,911	369	478	2,111	1,161	2,370	1,270	9,670
<u>On individual basis</u>								
Expected loss rate	100.0%	-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB'000)	110	-	16	44	159	400	1,375	2,104
Loss allowance (RMB'000)	110	-	16	44	159	400	1,375	2,104
<b>The Company</b>								
<b>As at December 31, 2019</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	0.2%	0.2%	0.2%	1.6%	6.0%	-	-	1.1%
Gross carrying amount (RMB'000)	109,007	27,437	62,933	351,275	3,553	-	-	554,205
Loss allowance (RMB'000)	201	51	116	5,532	214	-	-	6,114
<u>On individual basis</u>								
Expected loss rate	-	-	-	-	-	100.0%	-	100.0%
Gross carrying amount (RMB'000)	-	-	-	-	-	1,238	-	1,238
Loss allowance (RMB'000)	-	-	-	-	-	1,238	-	1,238
<u>On individual basis (machines pledged)*</u>								
Expected loss rate	-	-	-	-	-	-	-	-
Gross carrying amount (RMB'000)	212	212	425	268	1	-	-	1,118
Loss allowance (RMB'000)	-	-	-	-	-	-	-	-

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<b>As at December 31, 2020</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	0.2%	0.2%	0.2%	1.9%	–	–	–	0.2%
Gross carrying amount (RMB'000)	129,949	175,945	337,927	266	–	–	–	644,087
Loss allowance (RMB'000)	309	419	805	5	–	–	–	1,538
<u>On individual basis</u>								
Expected loss rate	–	–	100.0%	–	–	–	100.0%	100.0%
Gross carrying amount (RMB'000)	–	–	4,686	–	–	–	1,238	5,924
Loss allowance (RMB'000)	–	–	4,686	–	–	–	1,238	5,924
<b>As at December 31, 2021</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	0.2%	0.2%	0.2%	1.9%	5.6%	–	–	0.2%
Gross carrying amount (RMB'000)	186,445	220,670	500,301	52	266	–	–	907,734
Loss allowance (RMB'000)	297	351	796	1	15	–	–	1,460
<u>On individual basis</u>								
Expected loss rate	–	–	–	–	–	–	100.0%	100.0%
Gross carrying amount (RMB'000)	–	–	–	–	–	–	1,238	1,238
Loss allowance (RMB'000)	–	–	–	–	–	–	1,238	1,238
<b>As at December 31, 2022</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	0.3%	0.3%	0.3%	16.7%	21.2%	60.4%	–	0.3%
Gross carrying amount (RMB'000)	294,509	327,258	657,579	6	52	265	–	1,279,669
Loss allowance (RMB'000)	816	907	1,823	1	11	160	–	3,718
<b>As at June 30, 2023</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 4 years</b>	<b>Total</b>
<u>On collective basis</u>								
Expected loss rate	0.3%	0.3%	0.3%	3.5%	16.7%	55.8%	100.0%	1.0%
Gross carrying amount (RMB'000)	290,129	249,405	594,640	296,941	6	52	265	1,431,438
Loss allowance (RMB'000)	839	722	1,720	10,274	1	29	265	13,850

\* These trade receivables were pledged by the certain vending machines of customers, considering the fair value of the pledged machines can cover the carrying amount of the receivables, the directors of the Company consider the impairment amount is minimal.

Considering there were no significant differences in the credit risk characteristics for trade receivables with aging of “0-3 months”, “3-6 months” and “6-12 months”, the Group uses same expected loss rate to measure the expected credit losses for these trade receivables as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023.

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The loss allowances for trade receivables as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2022 and 2023 reconcile to the opening loss allowances as follows:

**The Group**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<b>At the beginning of the year/period</b>	21,509	31,602	39,480	24,144	24,144	22,750
Increase in loss allowance recognized in profit or loss	11,806	22,129	3,916	4,604	4,761	2,371
Receivables written off during the year/period as uncollectible	(1,713)	(6,649)	(19,247)	(5,962)	(3,263)	(13,347)
Disposal of subsidiaries	–	(7,602)	(5)	(36)	(36)	–
<b>At the end of the year/period</b>	<u>31,602</u>	<u>39,480</u>	<u>24,144</u>	<u>22,750</u>	<u>25,606</u>	<u>11,774</u>

**The Company**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<b>At the beginning of the year/period</b>	3,147	7,352	7,462	2,698	2,698	3,718
Increase/(decrease) in loss allowance recognized in profit or loss	4,205	110	(78)	4,455	3,207	10,132
Receivables written off during the year/period as uncollectible	–	–	(4,686)	(3,435)	(3,235)	–
<b>At the end of the year/period</b>	<u>7,352</u>	<u>7,462</u>	<u>2,698</u>	<u>3,718</u>	<u>2,670</u>	<u>13,850</u>

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Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### Deposits and other receivables

Deposits and other receivables primarily comprise advances to a shareholder, advances to and receivable from business partners, deposits, advances to staffs, amount due from POS partners and others. The Group formulates the credit losses of deposits and other receivables using ECL models according to HKFRS 9 requirements.

### Parameters of ECL model

The parameters and assumptions involved in ECL model are described below:

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD).

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

The Group uses three stages for deposits and other receivables which reflect their credit risk and how the credit loss provision is determined for each of those categories. A summary of the assumptions underpinning the company’s expected credit loss model is as follows:

<b>Category</b>	<b>Company definition of category</b>	<b>Basis for recognition of expected credit loss provision</b>
Stage 1 – performing	Deposits and other receivables whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2 – underperforming	Deposits and other receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due or adverse changes in solvency and operational capabilities. (see below in more detail)	Lifetime expected losses.



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Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage 3 – Non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses.

Judgment of significant increase in credit risk (“SICR”)

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk when determining the ECL staging for financial assets. Major factor being considered include overdue status, solvency and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with those at initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgment criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debt has overdue after the contract payment date.
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor’s financial difficulties, where such concessions are normally reluctant to be made by the lender.
- The debtor has significant financial difficulties.
- The debtor is likely to go bankrupt or needs other financial restructuring.
- The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12-month and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macro-economic variables associated with credit risk and ECL for each portfolio.

The Group established the values used for different scenarios. In addition to the base economic scenario, the Group also considers other possible scenarios and relative weightings. The Group regularly reassess the number of scenarios and their attributes. The Group combined statistical analysis results to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, to determine the final macro-economic assumptions and weights for measuring the relevant ECL.

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The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the loss allowance provision for deposits and other receivables was determined as follows:

Other receivable	Average expected credit loss rate	Stage	As at December 31, 2019		
			Gross amount RMB'000	Impairment provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Individual	11.52%	Stage 1	85,326	(9,833)	75,493
Individual – underperforming	16.33%	Stage 2	22,850	(3,731)	19,119
Individual – equity interest pledged (Note 24)	–	Stage 1	246,010	–	246,010
Corporate entities with credit rating	0.21%	Stage 1	61,478	(131)	61,347
Corporate entities without credit rating	7.52%	Stage 1	133,528	(10,035)	123,493
Corporate entities – underperforming	16.33%	Stage 2	2,058	(336)	1,722
			<u>551,250</u>	<u>(24,066)</u>	<u>527,184</u>

Other receivable	Average expected credit loss rate	Stage	As at December 31, 2020		
			Gross amount RMB'000	Impairment provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Individual	12.86%	Stage 1	38,536	(4,957)	33,579
Individual – equity interest pledged (Note 24)	–	Stage 1	46,435	–	46,435
Corporate entities with credit rating	0.41%	Stage 1	50,759	(207)	50,552
Corporate entities without credit rating	9.73%	Stage 1	125,373	(12,198)	113,175
Corporate entities – underperforming	12.50%	Stage 2	8	(1)	7
Corporate entities – Non-performing	49.21%	Stage 3	78,316	(38,542)	39,774
			<u>339,427</u>	<u>(55,905)</u>	<u>283,522</u>

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<b>As at December 31, 2021</b>					
<b>Other receivable</b>	<b>Average expected credit loss rate</b>	<b>Stage</b>	<b>Gross amount RMB'000</b>	<b>Impairment provision RMB'000</b>	<b>Carrying amount (net of impairment provision) RMB'000</b>
Individual	16.73%	Stage 1	33,658	(5,630)	28,028
Individual – underperforming	23.02%	Stage 2	669	(154)	515
Corporate entities with credit rating	0.77%	Stage 1	21,923	(169)	21,754
Corporate entities without credit rating	10.49%	Stage 1	142,029	(14,896)	127,133
Corporate entities – underperforming	21.95%	Stage 2	41	(9)	32
Corporate entities – Non-performing	100.00%	Stage 3	59,355	(59,355)	–
			<b>257,675</b>	<b>(80,213)</b>	<b>177,462</b>

<b>As at December 31, 2022</b>					
<b>Other receivable</b>	<b>Average expected credit loss rate</b>	<b>Stage</b>	<b>Gross amount RMB'000</b>	<b>Impairment provision RMB'000</b>	<b>Carrying amount (net of impairment provision) RMB'000</b>
Individual	14.86%	Stage 1	22,479	(3,340)	19,139
Individual – underperforming	20.57%	Stage 2	661	(136)	525
Corporate entities with credit rating	0.43%	Stage 1	11,726	(50)	11,676
Corporate entities without credit rating	4.57%	Stage 1	60,661	(2,774)	57,887
Corporate entities – Non-performing	100.00%	Stage 3	65,675	(65,675)	–
			<b>161,202</b>	<b>(71,975)</b>	<b>89,227</b>

<b>As at June 30, 2023</b>					
<b>Other receivable</b>	<b>Average expected credit loss rate</b>	<b>Stage</b>	<b>Gross amount RMB'000</b>	<b>Impairment provision RMB'000</b>	<b>Carrying amount (net of impairment provision) RMB'000</b>
Individual	12.17%	Stage 1	18,073	(2,199)	15,874
Individual – underperforming	17.12%	Stage 2	660	(113)	547
Corporate entities with credit rating	0.38%	Stage 1	25,532	(97)	25,435
Corporate entities without credit rating	3.64%	Stage 1	53,074	(1,934)	51,140
Corporate entities – Non-performing	100.00%	Stage 3	60,132	(60,132)	–
			<b>157,471</b>	<b>(64,475)</b>	<b>92,996</b>

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(c) *Liquidity risk*

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The table below analyzes the Group’s financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year RMB’000</b>	<b>Between 1 and 5 years RMB’000</b>	<b>Total contractual cash flows RMB’000</b>	<b>Carrying amount Total RMB’000</b>
<b>As at December 31, 2019</b>				
Trade payables	261,297	–	261,297	261,297
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	208,577	1,279	209,856	209,856
Lease liabilities	291,024	199,779	490,803	408,949
Borrowings	31,742	–	31,742	31,000
	<u>792,640</u>	<u>201,058</u>	<u>993,698</u>	<u>911,102</u>
<b>As at December 31, 2020</b>				
Trade payables	168,523	–	168,523	168,523
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	179,327	451	179,778	179,778
Lease liabilities	145,446	117,680	263,126	238,558
Borrowings	92,124	–	92,124	90,844
	<u>585,420</u>	<u>118,131</u>	<u>703,551</u>	<u>677,703</u>
<b>As at December 31, 2021</b>				
Trade payables	250,093	–	250,093	250,093
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	164,960	7	164,967	164,967
Lease liabilities	83,903	41,346	125,249	118,568
Borrowings	63,708	–	63,708	60,980
	<u>562,664</u>	<u>41,353</u>	<u>604,017</u>	<u>594,608</u>

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	<b>Less than 1 year RMB’000</b>	<b>Between 1 and 5 years RMB’000</b>	<b>Total contractual cash flows RMB’000</b>	<b>Carrying amount Total RMB’000</b>
<b>As at December 31, 2022</b>				
Trade payables	214,666	–	214,666	214,666
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	115,836	–	115,836	115,836
Lease liabilities	40,048	20,984	61,032	59,677
Borrowings	71,708	–	71,708	70,000
	<u>442,258</u>	<u>20,984</u>	<u>463,242</u>	<u>460,179</u>

	<b>Less than 1 year RMB’000</b>	<b>Between 1 and 5 years RMB’000</b>	<b>Total contractual cash flows RMB’000</b>	<b>Carrying amount Total RMB’000</b>
<b>As at June 30, 2023</b>				
Trade payables	234,585	–	234,585	234,585
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	157,089	–	157,089	157,089
Lease liabilities	31,086	14,873	45,959	44,240
Borrowings	91,646	–	91,646	89,050
	<u>514,406</u>	<u>14,873</u>	<u>529,279</u>	<u>524,964</u>

**3.2 Capital management**

The Group’s objectives on managing capital are to safeguard the Group’s ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders’ value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total equity. Net debts include borrowings and lease liabilities, less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated statements of financial position.

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The calculation of net debts and gearing ratio as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 were as follows:

	2019	As at December 31,			As at June 30,
	RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Borrowings	31,000	90,844	60,980	70,000	89,050
Lease liabilities	408,949	238,558	118,568	59,677	44,240
Total	439,949	329,402	179,548	129,677	133,290
Less: Cash and cash equivalents and restricted cash	(222,347)	(191,015)	(174,886)	(130,913)	(272,611)
Net debts/(cash)	<u>217,602</u>	<u>138,387</u>	<u>4,662</u>	<u>(1,236)</u>	<u>(139,321)</u>
Total equity	<u>2,651,344</u>	<u>1,468,918</u>	<u>1,284,166</u>	<u>1,001,936</u>	<u>904,074</u>
Gearing ratio	<u>8.21%</u>	<u>9.42%</u>	<u>0.36%</u>	<u>N/A</u>	<u>N/A</u>

**3.3 Fair value measurements of financial instruments**

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The tables below analyze the Group’s financial instruments carried at fair value as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at December 31, 2019</b>				
<b>Financial assets at FVPL</b>				
Investments in wealth management products (Note 22(a))	–	–	336,866	336,866
Investments in unlisted equity securities (Note 22(b))	–	–	45,620	45,620
	<u>–</u>	<u>–</u>	<u>382,486</u>	<u>382,486</u>



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All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

**3.3.2 Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

	<b>Investments in wealth management products RMB'000</b>	<b>Investments in unlisted equity securities RMB'000</b>
<b>As at January 1, 2019</b>	400,066	15,750
Acquisitions	2,475,000	33,000
Disposals	(2,540,478)	–
Interest received	(5,135)	–
Unrealized changes in fair value	2,278	(3,130)
Realized interest income	5,135	–
	<u>336,866</u>	<u>45,620</u>
<b>As at December 31, 2019</b>	<b>336,866</b>	<b>45,620</b>
<b>As at January 1, 2020</b>	336,866	45,620
Acquisitions	423,000	15,000
Disposals	(632,407)	(3,003)
Interest received	(6,298)	–
Unrealized changes in fair value	4,619	(22,877)
Realized interest income	6,298	–
	<u>132,078</u>	<u>34,740</u>
<b>As at December 31, 2020</b>	<b>132,078</b>	<b>34,740</b>
<b>As at January 1, 2021</b>	132,078	34,740
Acquisitions	240,000	–
Disposals	(372,078)	–
Interest received	(1,242)	–
Unrealized changes in fair value	–	(1,940)
Realized interest income	1,242	–
	<u>–</u>	<u>32,800</u>
<b>As at December 31, 2021</b>	<b>–</b>	<b>32,800</b>
<b>As at January 1, 2022</b>	–	32,800
Acquisitions	70,000	–
Disposals	(70,000)	–
Interest received	(173)	–
Unrealized changes in fair value	–	3,300
Realized interest income	173	–
	<u>–</u>	<u>36,100</u>
<b>As at December 31, 2022</b>	<b>–</b>	<b>36,100</b>



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	<b>Investments in wealth management products RMB’000</b>	<b>Investments in unlisted equity securities RMB’000</b>
<b>(Unaudited)</b>		
<b>As at January 1, 2022</b>	–	32,800
Acquisitions	40,000	–
Disposals	(40,000)	–
Interest received	(44)	–
Unrealized changes in fair value	–	3,400
Realized interest income	44	–
	<u>–</u>	<u>–</u>
<b>As at June 30, 2022</b>	<u>–</u>	<u>36,200</u>
<b>As at January 1, 2023</b>		
	–	36,100
Acquisitions	20,000	–
Disposals	(20,000)	–
Interest received	(69)	–
Unrealized changes in fair value	–	(1,600)
Realized interest income	69	–
	<u>–</u>	<u>–</u>
<b>As at June 30, 2023</b>	<u>–</u>	<u>34,500</u>

**3.3.3 Valuation process, inputs and relationships to fair value**

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer (“CFO”). Discussions of valuation processes and results are held between the CFO and the valuation team at least once year. External valuation experts will be involved when necessary.

At each financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analyzed at each reporting date during the yearly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The valuation of the level 3 instruments mainly included investments in wealth management products (Note 22(a)) and investments in unlisted equity securities (Note 22(b)). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flow model and market approach etc.

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The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value					Unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair value	
	as at December 31,		as at				as at December 31,					
	2019	2020	2021	2022	2023		2019	2020	2021	2022		2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000							
Investment in wealth management products	336,866	132,078	-	-	-	Expected rate of return	1.43%~6.50%	4.15%~6.50%	N/A	N/A	N/A	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL	45,620	34,740	32,800	36,100	34,500	Equity value/Revenue ratio	0.2x-129.4x	2.9x-51.8x	1.2x-51.8x	2.0x-42.7x	2.1x-39.9x	The higher the equity value/revenue ratio, the higher the fair value
						Discounts for lack of marketability (“DLOM”)	15%	N/A	N/A	N/A	N/A	The higher the DLOM, the lower the fair value

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the year ended December 31, 2019 would have been approximately RMB38,249,000 higher/lower.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, would have been approximately RMB16,682,000, RMB3,280,000, RMB3,610,000 and RMB3,450,000 lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023.

The carrying amount of the Group’s other financial assets, including cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, and the Group’s financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group’s accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**(a) Estimation of the fair value of certain financial assets**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

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### (b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6(a). In determining where goodwill is impaired requires an estimation of the recoverable amount of CGU to which goodwill has been allocated. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions which are made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 18.

### (c) Impairment of other non-current assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgment is required to evaluate, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. The recoverable amount of the CGU has been determined based on value-in-use calculations or fair value less cost to sell, whichever is higher. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns. Significant changes in the key assumptions on which the recoverable amount of the assets is based could significantly affect the Group's financial position and results of operations. Details of management's assessment have been disclosed in Note 16.

### (d) Measurement of the expected credit loss

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Note 3.1(b).

A number of judgments are also required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss; and
- Establishing the number and relative weightings for forward-looking scenarios and the associated expected credit loss.

### (e) Recognition of share-based compensation expenses

The fair value of options is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer.

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### (f) Useful lives, residual values and depreciation charges of property and equipment

The Group’s management determines the estimated useful lives, residual values and related depreciation charges for the Group’s property and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods. The current estimated useful lives are stated in Note 2.5.

If the estimated useful lives of vending machines had been increased/decreased by 10%, the depreciation expenses of property and equipment would have been decreased/increased by approximately RMB6,891,000, RMB10,836,000, RMB5,316,000, RMB9,865,000 and RMB5,163,000 for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023.

### (g) Useful lives and amortization charges of intangible assets

The Group’s management determines the estimated useful lives and related amortization charges for the Group’s intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortizable lives and therefore amortization expense in future periods. The current estimated useful lives are stated in Note 2.6.

If the estimated amortization lives of internally generated software and purchased software had been increased/decreased by 10%, the amortization expenses of intangible assets would have been decreased/increased by approximately RMB988,000, RMB1,316,000, RMB1,307,000, RMB1,188,000 and RMB576,000 for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023.

### (h) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

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**5 SEGMENT INFORMATION**

The CODM has been identified as executive directors of the Company. The executive directors review the Group’s internal reporting which is prepared based on a number of factors, including but not limited to customer base, homogeneity of products and technology, in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group has identified the following operating segments:

- Unmanned retail business consists of sales of fast-moving consumer goods such as food and beverage to end customers through a network of vending machines located at the POSs developed by the Group or POS partners.
- Advertising and system support services consist of provision of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services, (iv) machine body advertising services to customers, and (v) revenue derived from fees charged to the Group’s Non-Ubox POSs operators for using its operation system.
- Merchandise wholesale consist of merchandise wholesale to the customers.
- Vending machine sales and leases consist of vending machine sales and leases and provision of hardware support services.
- Others consist of provision of (i) mobile device distribution services, (ii) karaoke booth services, (iii) karaoke booth sales and leases, and (iv) karaoke booth operation system support.

The CODM assesses the performance of the operating segments based on the revenue and gross profit of each segment. The selling and marketing expenses, general and administrative expenses, research and development expenses and net impairment losses on financial assets are not included in the measure of the segments’ performance which is used by CODM as the basis for the purpose of resource allocation and assessment of segment performance. Other income, other gains/(losses), net, finance costs and share of results of investments accounted for using the equity method and income tax expense are also not allocated to individual operating segment. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

Substantially all of the businesses of the Group are carried out in the PRC. Accordingly, no geographic information is presented.

There were no material inter-segment sales during the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023. The revenue for external customers report to the CODM are measured in a manner consistent with that applied in the consolidated income statements.

The segment information for the year ended December 31, 2019 is as follows:

	<b>Unmanned retail business RMB’000</b>	<b>Advertising and system support services RMB’000</b>	<b>Merchandise wholesale RMB’000</b>	<b>Vending machine sales and leases RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
Revenues from external customer	1,539,891	540,600	297,900	91,485	257,585	2,727,461
Cost of sales	(856,424)	(52,320)	(283,231)	(76,338)	(129,952)	(1,398,265)
<b>Gross profit</b>	<b>683,467</b>	<b>488,280</b>	<b>14,669</b>	<b>15,147</b>	<b>127,633</b>	<b>1,329,196</b>

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The segment information for the year ended December 31, 2020 is as follows:

	<b>Unmanned retail business RMB’000</b>	<b>Advertising and system support services RMB’000</b>	<b>Merchandise wholesale RMB’000</b>	<b>Vending machine sales and leases RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
Revenues from external customer	1,336,763	219,561	115,485	47,040	183,161	1,902,010
Cost of sales	<u>(779,247)</u>	<u>(749)</u>	<u>(111,456)</u>	<u>(79,264)</u>	<u>(372,733)</u>	<u>(1,343,449)</u>
<b>Gross profit</b>	<b><u>557,516</u></b>	<b><u>218,812</u></b>	<b><u>4,029</u></b>	<b><u>(32,224)</u></b>	<b><u>(189,572)</u></b>	<b><u>558,561</u></b>

The segment information for the year ended December 31, 2021 is as follows:

	<b>Unmanned retail business RMB’000</b>	<b>Advertising and system support services RMB’000</b>	<b>Merchandise wholesale RMB’000</b>	<b>Vending machine sales and leases RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
Revenues from external customer	1,915,116	243,120	40,516	44,241	433,244	2,676,237
Cost of sales	<u>(1,027,060)</u>	<u>(58,709)</u>	<u>(37,551)</u>	<u>(30,354)</u>	<u>(421,439)</u>	<u>(1,575,113)</u>
<b>Gross profit</b>	<b><u>888,056</u></b>	<b><u>184,411</u></b>	<b><u>2,965</u></b>	<b><u>13,887</u></b>	<b><u>11,805</u></b>	<b><u>1,101,124</u></b>

The segment information for the year ended December 31, 2022 is as follows:

	<b>Unmanned retail business RMB’000</b>	<b>Advertising and system support services RMB’000</b>	<b>Merchandise wholesale RMB’000</b>	<b>Vending machine sales and leases RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
Revenues from external customer	1,974,657	194,271	131,795	33,840	184,661	2,519,224
Cost of sales	<u>(1,083,259)</u>	<u>(34,046)</u>	<u>(126,570)</u>	<u>(23,048)</u>	<u>(175,565)</u>	<u>(1,442,488)</u>
<b>Gross profit</b>	<b><u>891,398</u></b>	<b><u>160,225</u></b>	<b><u>5,225</u></b>	<b><u>10,792</u></b>	<b><u>9,096</u></b>	<b><u>1,076,736</u></b>

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The segment information for the six months ended June 30, 2022 is as follows:

(Unaudited)

	<b>Unmanned retail business</b>	<b>Advertising and system support services</b>	<b>Merchandise wholesale</b>	<b>Vending machine sales and leases</b>	<b>Others</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenues from external customer	913,388	100,074	54,103	16,149	59,376	1,143,090
Cost of sales	(499,845)	(12,156)	(51,269)	(13,168)	(56,415)	(632,853)
<b>Gross profit</b>	<b>413,543</b>	<b>87,918</b>	<b>2,834</b>	<b>2,981</b>	<b>2,961</b>	<b>510,237</b>

The segment information for the six months ended June 30, 2023 is as follows:

	<b>Unmanned retail business</b>	<b>Advertising and system support services</b>	<b>Merchandise wholesale</b>	<b>Vending machine sales and leases</b>	<b>Others</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenues from external customer	986,795	56,450	110,685	11,712	87,036	1,252,678
Cost of sales	(542,337)	(681)	(106,695)	(8,547)	(76,442)	(734,702)
<b>Gross profit</b>	<b>444,458</b>	<b>55,769</b>	<b>3,990</b>	<b>3,165</b>	<b>10,594</b>	<b>517,976</b>

**6 REVENUES**

The Group’s revenue includes revenues from unmanned retail business, advertising and system support services, merchandise wholesale, vending machine sales and leases and others. Revenue is stated net of value-added tax (“VAT”) in the PRC and comprises the following:

	<b>Year ended December 31,</b>				<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Revenue from contract with customers</b>						
Revenue from unmanned retail business	1,539,891	1,336,763	1,915,116	1,974,657	913,388	986,795
– Direct operation model (a)	1,289,146	574,339	435,917	362,309	158,849	183,752
– Partner model (b)	250,745	762,424	1,479,199	1,612,348	754,539	803,043
Revenue from advertising and system support services	540,600	219,561	243,120	194,271	100,074	56,450
Revenue from merchandise wholesale	297,900	115,485	40,516	131,795	54,103	110,685
Revenue from vending machine sales and leases	91,485	47,040	44,241	33,840	16,149	11,712
Revenue from others	257,585	183,161	433,244	184,661	59,376	87,036
	<b>2,727,461</b>	<b>1,902,010</b>	<b>2,676,237</b>	<b>2,519,224</b>	<b>1,143,090</b>	<b>1,252,678</b>

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	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>					
<b>Timing of revenue recognition</b>						
At a point in time						
– Unmanned retail business	1,539,891	1,336,763	1,915,116	1,974,657	913,388	986,795
– Advertising and system support services	300,294	71,674	135,493	86,444	47,567	4,575
– Merchandise wholesale	297,900	115,485	40,516	131,795	54,103	110,685
– Vending machine sales	63,117	28,254	28,243	18,141	7,377	5,998
– Others	76,982	146,752	399,452	165,031	47,937	75,669
Over time						
– Advertising and system support services	240,306	147,887	107,627	107,827	52,507	51,875
– Others	180,555	36,198	33,654	19,524	11,419	11,350
Lease income from vending machine leases	28,368	18,786	15,998	15,699	8,772	5,714
Lease income from others	48	211	138	106	20	17
	<u>2,727,461</u>	<u>1,902,010</u>	<u>2,676,237</u>	<u>2,519,224</u>	<u>1,143,090</u>	<u>1,252,678</u>

- (a) Revenue from direct operation model represents the revenue generated from the selling of fast-moving consumer goods on the vending machines which are located at the POSs sourced and developed by the Group.
- (b) Revenue from partner model represents the revenue generated from the selling of fast-moving consumer goods on the vending machines which are located at the POSs sourced and developed by the network partners which are entitled to a share of the income generated from the vending machines that is accounted for as POSs operation and development expenses (Note 7).
- (c) Performance obligations for contracts with customers

Revenue is recognized when the Group satisfy a performance obligation by transferring a promised goods or service to a customer. Control of the goods or service refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

- (d) Liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

	As at		As at December 31,			As at
	January 1,	2019	2020	2021	2022	June 30,
	2019	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>15,997</u>	<u>14,747</u>	<u>10,421</u>	<u>8,592</u>	<u>7,496</u>	<u>37,575</u>

Contract liabilities of the Group mainly arise from the non-refundable advance payments made by customers while the underlying services or goods are yet to be provided or delivered.

- (e) Revenue recognized in relation to contract liabilities



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The following table shows how much of the revenue is recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30,	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period	13,771	9,843	8,777	5,411	3,413	3,801

All contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

- (f) There were no individual customer contributing over 10% of the total revenue for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

**7 EXPENSES BY NATURES**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30,	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold	1,256,210	1,058,640	1,466,389	1,368,474	597,483	720,726
POSS operation and development expenses (a)	574,570	553,170	585,920	587,354	263,936	261,155
Subcontractor cost of the advertising resources	50,315	499	58,095	33,507	11,908	478
Employee benefit expenses excluding share-based compensation (Note 10)	273,672	254,828	207,915	235,505	120,461	88,976
Share-based compensation (Note 28)	-	210,918	1,500	-	-	49,527
Depreciation of property and equipment (Note 16)	101,900	158,130	102,035	144,070	70,525	74,120
Depreciation of right-of-use assets (Note 17)	101,769	118,539	100,329	97,960	51,804	47,717
Amortization of intangible assets (Note 18)	13,167	17,545	17,423	15,842	8,045	7,675
Traveling and entertainment expenses	26,097	15,261	11,037	7,382	2,966	2,637
Logistics and transportation expenses	109,092	97,755	138,543	156,786	77,317	88,846
Outsourced research consulting service expenses	25,665	599	10,714	-	-	-
Warehouse and short-term and low-value leases expenses	8,022	14,147	17,913	20,884	10,420	7,528
Office expenses	38,580	24,073	19,743	16,743	8,160	6,386
Consultation expenses	6,499	5,261	2,804	5,064	619	862
Impairment loss of prepayments	3,907	-	-	-	-	-
Impairment loss of inventories (Note 23)	2,530	53,912	-	-	-	-
Impairment loss of intangible assets (Note 18) (c)	2,155	9,728	-	-	-	-
Impairment loss of property and equipment (Note 16) (c)	1,240	140,281	1,449	-	-	-
Impairment loss of right-of-use assets (Note 17) (c)	-	51,730	-	-	-	-
Impairment loss of goodwill (Note 18) (c)	-	158,386	-	-	-	-

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	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30,	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Taxes and surcharges	10,116	2,166	6,764	6,984	2,831	4,502
Bank and payment charges	12,582	10,855	17,116	13,340	6,541	7,252
Auditor’s remuneration						
– Audit services	600	1,360	–	200	–	–
– Other services	250	–	–	–	–	–
[REDACTED] expenses	–	–	16,411	22,077	3,790	6,581
Others	16,419	21,901	30,533	24,997	14,757	15,111
<b>Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses</b>	<b>2,635,357</b>	<b>2,979,684</b>	<b>2,812,633</b>	<b>2,757,169</b>	<b>1,251,563</b>	<b>1,390,079</b>

- (a) POSs operation and development expenses mainly represented fixed or variable expenses paid or payables to POS providers and POS partners for maintaining and exploring the Group’s POS network. Variable POSs operation and development expenses were determined based on certain percentage of the income generated by the corresponding vending machines as agreed between the Group and individual POSs providers and POS partners.
- (b) During the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the Group incurred expenses for the purpose of research and development of approximately RMB57,301,000, RMB41,484,000, RMB36,761,000, RMB31,556,000, RMB17,668,000 and RMB15,098,000 respectively, which included employee benefits expenses of RMB19,363,000, RMB29,727,000, RMB15,782,000, RMB23,057,000, RMB13,384,000 and RMB10,997,000 respectively. During the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, research and development expenses of RMB3,430,000, RMB nil, RMB nil, RMB nil, RMB nil and RMB nil had been capitalized as intangible assets respectively (Note 18).
- (c) During the years ended December 31, 2019 and 2020, the impairment loss of intangible assets and impairment loss of goodwill were recognized as “general and administrative expenses”. During the year ended December 31, 2020, the impairment loss amounting to RMB120,136,000 of property and equipment and the impairment loss amounting to RMB44,302,000 of right-of-use assets, which were related to the karaoke booth services were recognized as “cost of sales”. During the years ended December 31, 2019, 2020 and 2021, the impairment loss amounting to RMB1,240,000, RMB20,145,000 and RMB1,449,000 of property and equipment, which were related to the vending machines were recognized as “selling and marketing expenses”. During the year ended December 31, 2020, the impairment loss amounting to RMB 7,428,000 of right-of-use assets, which were related to the vending machines were recognized as “selling and marketing expenses”.

8 OTHER INCOME

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30,	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Government grants (a)	3,322	5,392	1,701	5,117	2,532	1,166
Interest income arising from trade receivables and bank deposits	8,016	5,272	3,001	1,854	946	1,176
Interest income from wealth management products (Note 22)	5,135	6,298	1,242	173	44	69

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	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Additional deduction of input value-added tax	599	3,023	5,949	4,795	530	418
Others	40	214	376	88	88	94
	<u>17,112</u>	<u>20,199</u>	<u>12,269</u>	<u>12,027</u>	<u>4,140</u>	<u>2,923</u>

(a) During the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the government grants mainly consist of value-added tax levied immediately returned and subsidies received from the local government due to industry support policies.

**9 OTHER GAINS/(LOSSES), NET**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Fair value change on financial assets at fair value through profit or loss (Note 22)	(852)	(18,258)	(1,940)	3,300	3,400	(1,600)
Net gains on disposal of investments accounted for using the equity method	14,141	-	-	-	-	-
Net gains/(losses) on disposal/deregistration of subsidiaries (Note 14(e))	-	5,603	(2,315)	(199)	151	-
Net losses on disposal of property and equipment	(2,059)	(7,216)	(5,418)	(5,408)	(421)	(395)
Others	114	27	(4,982)	(6,181)	(2,309)	(925)
	<u>11,344</u>	<u>(19,844)</u>	<u>(14,655)</u>	<u>(8,488)</u>	<u>821</u>	<u>(2,920)</u>

**10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS’ EMOLUMENTS)**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Salaries, wages, and bonuses	222,998	214,104	168,996	186,122	94,717	69,065
Pension costs – defined contribution plans (a)	23,046	6,645	18,416	21,638	11,081	8,895
Other social security costs, housing benefits and other employee benefits (a)	27,628	34,079	20,503	27,745	14,663	11,016
Share-based compensation (Note 28)	-	210,918	1,500	-	-	49,527
	<u>273,672</u>	<u>465,746</u>	<u>209,415</u>	<u>235,505</u>	<u>120,461</u>	<u>138,503</u>

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**(a) Pension costs – defined contribution plans**

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees’ salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the Group was not entitled to any forfeited contributions to reduce the Group’s future contributions.

Pension costs were decreased during the year ended December 31, 2020 as the government has implemented a policy to reduce the impact of Coronavirus Disease 2019 (the “COVID-19”) to companies in the PRC.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 3, 4, 2, 2, 2 and 3 directors for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 respectively, and their emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 2, 1, 3, 3, 3 and 2 individuals for the Track Record Period are as follows:

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Salaries, wages, and bonuses	1,088	418	2,039	2,097	1,042	740
Pension costs – defined contribution plans	78	19	144	159	79	45
Other social security costs, housing benefits and other employee benefits	366	41	144	161	82	50
Share-based compensation	–	28,200	–	–	–	7,216
	<u>1,532</u>	<u>28,678</u>	<u>2,327</u>	<u>2,417</u>	<u>1,203</u>	<u>8,051</u>

The emoluments fell within the following bands:

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	Number of individuals					
	(Unaudited)					
Emoluments bands:						
HKD500,001 to HKD1,000,000	2	–	2	2	3	–
HKD1,000,001 to HKD1,500,000	–	–	1	1	–	–
HKD1,500,001 to HKD2,000,000	–	–	–	–	–	1
HKD7,000,001 to HKD7,500,000	–	–	–	–	–	1
HKD30,000,001 to HKD35,000,000	–	1	–	–	–	–
	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

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(c) Directors’ and chief executive’s emoluments

Remuneration of every director and the chief executive’s is set out below:

	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
For the year ended December 31, 2019						
Chairman and executive director:						
Mr. Wang Bin (i)	–	2,140	50	61	–	2,251
Directors:						
Mr. Chen Kunrong (ii)	–	786	35	56	–	877
Mr. Huang Heming (iii)	–	491	50	60	–	601
Ms. Cui Yan (iv)	–	563	–	20	–	583
Ms. An Yufang (v)	–	–	–	–	–	–
	–	3,980	135	197	–	4,312

	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
For the year ended December 31, 2020						
Chairman and executive director:						
Mr. Wang Bin (i)	–	1,688	4	44	65,800	67,536
Directors:						
Mr. Chen Kunrong (ii)	–	512	26	44	37,600	38,182
Mr. Huang Heming (iii)	–	323	4	44	26,092	26,463
Ms. Cui Yan (iv)	–	385	–	33	28,200	28,618
Mr. Yu Lizhi (vi)	–	139	14	20	–	173
Ms. An Yufang (v)	–	–	–	–	–	–
	–	3,047	48	185	157,692	160,972

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	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
For the year ended December 31, 2021						
Chairman and executive director:						
Mr. Wang Bin (i)	–	1,801	53	55	–	1,909
Executive directors:						
Mr. Chen Kunrong (ii)	–	605	39	40	–	684
Ms. Cui Yan (iv)	–	433	48	50	–	531
Mr. Yu Lizhi (vi)	–	149	29	22	–	200
Non-executive directors:						
Ms. An Yufang (v)	–	–	–	–	–	–
Mr. Zhu Chao (vii)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Chen (viii)	–	–	–	–	–	–
Mr. Wang Xiaochuan (ix)	–	–	–	–	–	–
Ms. Guo Wei (x)	–	–	–	–	–	–
	–	2,988	169	167	–	3,324

	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
For the year ended December 31, 2022						
Chairman and executive director:						
Mr. Wang Bin (i)	–	1,275	54	53	–	1,382
Executive directors:						
Mr. Chen Kunrong (ii)	–	605	45	48	–	698
Ms. Cui Yan (iv)	–	432	54	53	–	539
Mr. Yu Lizhi (vi)	–	148	41	30	–	219
Non-executive directors:						
Ms. An Yufang (v)	–	–	–	–	–	–
Mr. Zhu Chao (vii)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Chen (viii)	–	–	–	–	–	–
Mr. Wang Xiaochuan (ix)	–	–	–	–	–	–
Ms. Guo Wei (x)	–	–	–	–	–	–
	–	2,460	194	184	–	2,838

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	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
(Unaudited)						
For the six months ended June 30, 2022						
Chairman and executive director:						
Mr. Wang Bin (i)	–	800	27	27	–	854
Executive directors:						
Mr. Chen Kunrong (ii)	–	303	22	24	–	349
Ms. Cui Yan (iv)	–	216	27	27	–	270
Mr. Yu Lizhi (vi)	–	74	19	15	–	108
Non-executive directors:						
Ms. An Yufang (v)	–	–	–	–	–	–
Mr. Zhu Chao (vii)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Chen (viii)	–	–	–	–	–	–
Mr. Wang Xiaochuan (ix)	–	–	–	–	–	–
Ms. Guo Wei (x)	–	–	–	–	–	–
	–	1,393	95	93	–	1,581

	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
For the six months ended June 30, 2023						
Chairman and executive director:						
Mr. Wang Bin (i)	–	450	27	27	19,680	20,184
Executive directors:						
Mr. Chen Kunrong (ii)	–	387	22	25	7,872	8,306
Ms. Cui Yan (iv)	–	216	27	27	6,166	6,436
Mr. Yu Lizhi (vi)	–	74	21	16	–	111
Non-executive directors:						
Ms. An Yufang (v)	–	–	–	–	–	–
Mr. Zhu Chao (vii)	–	–	–	–	–	–

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	Director’s fee RMB’000	Salaries, wages and bonus RMB’000	Pension cost-defined contribution plan RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Share-based compensation RMB’000	Total RMB’000
Independent non-executive directors:						
Mr. Zhang Chen (viii)	–	–	–	–	–	–
Mr. Wang Xiaochuan (ix)	–	–	–	–	–	–
Ms. Guo Wei (x)	–	–	–	–	–	–
	–	1,127	97	95	33,718	35,037

Notes:

- (i) Mr. Wang Bin was appointed as the Company’s director, chief executive officer and chairman of the board of directors in February 2016.
- (ii) Mr. Chen Kunrong was appointed as the Company’s director in February 2016 and appointed as executive director in May 2021.
- (iii) Mr. Huang Heming was appointed as the Company’s director in January 2018, and resigned as director in October 2020.
- (iv) Ms. Cui Yan was appointed as the Company’s director in June 2017 and appointed as executive director in May 2021.
- (v) Ms. An Yufang was appointed as the Company’s director in November 2017 and appointed as non-executive director in May 2021.
- (vi) Mr. Yu Lizhi was appointed as the Company’s director in October 2020 and appointed as executive director in May 2021.
- (vii) Mr. Zhu Chao was appointed as the Company’s non-executive director in May 2021.
- (viii) Mr. Zhang Chen was appointed as the Company’s independent non-executive director in May 2021.
- (ix) Mr. Wang Xiaochuan was appointed as the Company’s independent non-executive director in May 2021.
- (x) Ms. Guo Wei was appointed as the Company’s independent non-executive director in May 2021.

**(d) Directors’ retirement and termination benefits**

No retirement and termination benefits were paid to the directors of the Company by the Group in respect of the director’s services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries during the Track Record Period.

**(e) Consideration provided to third parties for making available directors’ services**

No consideration provided to third parties for making available Directors’ services subsisted at the end of each reporting period or at any time during the Track Record Period.





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The tax on the Group’s profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, being the standard income tax rate in the PRC. The differences are analyzed as follows:

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before income tax expense	43,845	(1,171,524)	(184,615)	(272,256)	(122,462)	(146,645)
Tax calculated at the tax rate of 25%	10,961	(292,881)	(46,154)	(68,064)	(30,616)	(36,661)
Effects of different tax rates of the subsidiaries	(23,231)	57,091	3,722	1,739	1,454	4,691
Effects of share of post-tax results of investments accounted for using the equity method	1,792	868	1,023	3,814	1,197	955
Super deduction for research and development expenses	(3,421)	(3,847)	(3,329)	(4,930)	(2,718)	(2,312)
Expenses not deductible for tax purpose (i)	2,338	49,027	5,285	6,259	954	1,829
Utilization of tax losses and temporary differences previously not recognized	(7,882)	(35)	(1,725)	(386)	(1,615)	(7,273)
Tax losses and temporary differences not recognized as deferred income tax assets or liabilities	23,639	202,449	44,757	72,381	37,281	39,515
Income tax expense	4,196	12,672	3,579	10,813	5,937	744

(i) Expenses not deductible for tax purpose mainly comprise impairment of goodwill (Note 18) for the year ended December 31, 2020.

(a) PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

The Company had applied to the relevant tax bureau and was granted the qualification as “High and New Technology Enterprise” (“HNTE”) in December 2017, and the Company has renewed the qualification as HNTE in December 2020. As a result, it is subject to a preferential CIT rate of 15% for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

Beijing Youbao Anglai Technology Co., Ltd. (“Youbao Anglai”) and Shenzhen Youbaokesi Technology Co., Ltd. (“Shenzhen Youbaokesi”), two subsidiaries of the Company, had also applied to the relevant tax bureau and were granted the HNTE in December 2016, and they have renewed the qualification as HNTE in December 2019. As a result, they are subject to a preferential CIT rate of 15% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

Shenzhen Youbaokesi has renewed the qualification as HNTE in December 2022 and thus it is subject to CIT rate of 15% for the year ended December 31, 2022 and the six months ended June 30, 2023. Youbao Anglai has not continued to apply for the qualification as HNTE and it is subject to CIT rate of 25% for the year ended December 31, 2022 and the six months ended June 30, 2023.

Save as aforesaid, the Company and other major subsidiaries were subject to CIT at a rate of 25%.

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**(b) Research and development super deduction**

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2019 to 2022 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenses from January 1, 2019 to September 30, 2022 and from October 1, 2022 to June 30, 2023, respectively.

For those companies which were granted the qualification as “Small and Medium-sized Sci-tech Enterprise” during the financial years from 2019 to 2021, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

**13 EARNINGS/(LOSSES) PER SHARE**

**(a) Basic earnings/(losses) per share**

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period, excluding treasury shares.

	Year ended December 31,			Six months ended		
	2019	2020	2021	2022	June 30, 2022	2023
					(Unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	45,142	(1,172,461)	(185,000)	(284,529)	(127,479)	(152,480)
Weighted average number of ordinary shares outstanding (thousand)	670,049	757,259	757,259	757,259	757,259	757,259
Basic earnings/(losses) per share (RMB)	0.07	(1.55)	(0.24)	(0.38)	(0.17)	(0.20)

**(b) Diluted earnings/(losses) per share**

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended December 31, 2019, 2021 and 2022 and the six months ended June 30, 2022, the Company had no dilutive potential shares in issue, thus the diluted earnings/(losses) per share was the same as the basic earnings/(losses) per share.

For the year ended December 31, 2020, the Company had share options. Diluted loss per share presented is the same as the basic loss per share as the share options will be exercised by repurchase shares from the existing shareholder.

For the six months ended June 30, 2023, the Company granted shares options and are not included in the calculation of diluted earnings per share because they are antidilutive.

**14 PARTICULARS OF PRINCIPAL SUBSIDIARIES**

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries. Unless otherwise stated, they have share capital consisting solely of ordinary shares/registered capital that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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Name of subsidiary	Place and date of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital (RMB'000)	Attributable equity interest				As at June 30, 2023	As at the date of this report
				2019	2020	2021	2022		
<b>Directly held by the Company:</b>									
Guangzhou Weiji Trading Co., Ltd. (廣州偉吉貿易有限公司) (b)	The PRC, January 20, 2012, limited liability company	Operation of unmanned retail machine in the PRC	50,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Chengdu Youbao Trading Co., Ltd. (成都友寶商貿有限公司)	The PRC, September 26, 2012, limited liability company	Operation of freight transportation and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Wuhan Youbaokesi Trading Co., Ltd (武漢友寶科斯科貿有限公司)	The PRC, January 10, 2012, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Beijing Beiguo Youbang Electronics Co., Ltd (北京北國友邦科貿有限公司)	The PRC, September 28, 2012, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Henan Youbao Trading Co., Ltd. (河南友寶商貿有限公司)	The PRC, November 21, 2012, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Dalian Youbao Trading Co., Ltd. (大連友寶商貿有限公司)	The PRC, February 26, 2014, limited liability company	Operation of wholesale and retail in the PRC	3,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Shanghai Huilin Trading Co., Ltd. (上海匯臨貿易有限公司)	The PRC, February 28, 2013, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Shenzhen Youbaokesi Technology Co., Ltd (深圳友寶科斯科有限公司) (b)	The PRC, July 22, 2014, limited liability company	Software development and technical services in the PRC	150,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Beijing Youbao Anglai Technology Co., Ltd. (北京友寶昂萊科技有限公司)	The PRC, September 26, 2012, limited liability company	Operation of wholesale and retail in the PRC	20,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hangzhou Lianxianbao Technology Co., Ltd (杭州聯線寶科技有限公司) (e)	The PRC, March 27, 2013, limited liability company	Operation of wholesale and retail in the PRC	6,148	100.00%	N/A	N/A	N/A	N/A	N/A
Suzhou Youbao Online Trading Co., Ltd (蘇州友寶在線貿易有限公司)	The PRC, March 21, 2019, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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Name of subsidiary	Place and date of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital (RMB'000)	Attributable equity interest				As at June 30, 2023	As at the date of this report
				2019	2020	2021	2022		
<b>Indirectly held by the Company:</b>									
Tianjin Youbao Trading Co., Ltd. (天津友寶商貿有限公司)	The PRC, August 2, 2012, limited liability company	Operation of wholesale and retail in the PRC	5,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Changchun Youbao Trading Co., Ltd. (長春友寶商貿有限公司)	The PRC, November 28, 2013, limited liability company	Operation of unmanned retail machine in the PRC	3,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Qinghuangdao UBOX Intelligent Technology Co., Ltd (秦皇島友寶智能技術有限公司) (e)	The PRC, December 10, 2014, limited liability company	Software development and technical services in the PRC	1,000	100.00%	100.00%	N/A	N/A	N/A	N/A
Beijing Taihe Ruitong Cloud Business Technology Co., Ltd (北京泰和瑞通雲商科技有限公司) (b)	The PRC, January 16, 2014, limited liability company	Operation of wholesale and retail in the PRC	30,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Beijing Taihe Ruitong Yunshang Technology Nanjing Co., Ltd (北京泰和瑞通雲商科技南京有限公司) (e)	The PRC, June 21, 2017, limited liability company	Software development and technical services in the PRC	3,000	100.00%	100.00%	N/A	N/A	N/A	N/A
Beijing Youyang Technology Co., Ltd (北京友陽科技有限公 司) (e)	The PRC, July 11, 2013, limited liability company	Operation of advertising and system support services in the PRC	50,000	100.00%	N/A	N/A	N/A	N/A	N/A
Beijing Youbei Media Technology Co., Ltd (北京友貝傳媒科技有 限公司)	The PRC, April 01, 2016, limited liability company	Provision of advertising services in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Beijing Qile Jiujiu Technology Co., Ltd (北京其樂久久科技有 限公司)	The PRC, November 14, 2013, limited liability company	Provision of advertising services in the PRC	2,500	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Mianyang Youbao Intelligent Technology Co., Ltd (綿陽友寶智能科技有 限公司)	The PRC, June 16, 2014, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Chongqing Youbaokesi Trading Co., Ltd (重慶友博科斯商貿有 限公司)	The PRC, December 24, 2012, limited liability company	Operation of unmanned retail machine in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Xichang UBOX Trading Co., Ltd. (西昌友寶商 貿有限公司) (e)	The PRC, January 05, 2017, limited liability company	Operation of freight transportation and retail in the PRC	1,000	N/A	N/A	N/A	N/A	N/A	N/A

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Name of subsidiary	Place and date of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital (RMB'000)	Attributable equity interest				As at June 30, 2023	As at the date of this report
				2019	2020	2021	2022		
Shenyang Youbaokesi Trading Co., Ltd. (瀋陽友寶科斯商貿有限公司)	The PRC, August 20, 2012, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hainan Youbaokesi Trading Co., Ltd. (海南友寶科斯貿易有限公司)	The PRC, May 22, 2012, limited liability company	Operation of wholesale and retail in the PRC	5,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hunan Youbaokesi Technology And Trade Co., Ltd (湖南友寶科貿有限公司)	The PRC, June 27, 2012, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Jiangxi Youbaokesi Technology And Trade Co., Ltd (江西友寶科貿有限公司)	The PRC, October 31, 2012, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Shantou Youbaokesi Trading Co., Ltd. (汕頭市友寶貿易有限公司)	The PRC, February 28, 2012, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Nanjing UBOX Intelligent Technology Co., Ltd (南京友寶科斯智能科技有限公司)	The PRC, August 1, 2012, limited liability company	Software development and technical services in the PRC	5,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Fuzhou Youbaokesi Trading Co., Ltd. (福州友寶科斯商貿有限公司)	The PRC, August 29, 2012, limited liability company	Operation of unmanned retail machine in the PRC	5,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hangzhou Youbao Technology Co., Ltd (杭州友寶科技有限公司)	The PRC, March 13, 2014, limited liability company	Operation of wholesale and retail and software development in the PRC	2,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Xi'an Youbao Intelligent Technology Co., Ltd (西安友寶智能科技有限公司)	The PRC, May 11, 2012, limited liability company	Operation of unmanned retail machine in the PRC	12,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hefei Youbao Trading Co., Ltd. (合肥友寶商貿有限公司)	The PRC, August 3, 2012, limited liability company	Operation of unmanned retail machine in the PRC	1,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Tianjin Youchuangbao Technology Co., Ltd (天津友創寶科技有限公司) (e)	The PRC, May 19, 2017, limited liability company	Software development and technical services in the PRC	36,500	100.00%	100.00%	100.00%	N/A	N/A	N/A

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Name of subsidiary	Place and date of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital (RMB'000)	Attributable equity interest				As at June 30, 2023	As at the date of this report
				2019	As at December 31, 2020	2021	2022		
Xiamen Qianyan Technology Development Co., Ltd (廈門市前沿科技開發有限公司)	The PRC, April 10, 1998, limited liability company	Software development and selling unmanned retail machine in the PRC	30,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Xianmen Frontier Systems Engineering Co., Ltd (廈門前沿系統工程有限公司) (e)	The PRC, January 15, 2010, limited liability company	Software development and technical services in the PRC	500	N/A	N/A	N/A	N/A	N/A	N/A
Xiamen ViewSonic Arena Entertainment Co., Ltd (廈門優派巨蛋娛樂有限公司)	The PRC, July 14, 2015, limited liability company	Operation of singing machine in the PRC	30,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Shenzhen Yousuan Technology Co., Ltd (深圳友算科技有限公司) (b)	The PRC, June 13, 2016, limited liability company	Operation of Wholesale and retail in the PRC	10,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Shenzhen Youka Technology Co., Ltd (深圳市友咖科技有限公司) (c) (Note 33)	The PRC, February 15, 2017, limited liability company	Software development and technical services in the PRC	9,867	70.32%	70.32%	70.32%	70.32%	70.32%	70.32%
You Coffee Technology (Beijing) Co., Ltd (友咖啡科技(北京)有限公司) (c)	The PRC, July 18, 2017, limited liability company	Software development and technical services in the PRC	1,000	70.32%	70.32%	70.32%	70.32%	70.32%	70.32%
Shenzhen Youbaohui Advertising Media Co., Ltd (深圳友寶惠廣告傳媒有限公司)	The PRC, June 13, 2016, limited liability company	Provision of advertising services in the PRC	20,000	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Shenzhen Youjiubao Technology Co, Ltd. (深圳友九寶科技有限公司) (e)	The PRC, October 23, 2020, limited liability company	Software development and technical services in the PRC	1,000	NA	55%	55.00%	N/A	N/A	N/A
Shenzhen Youfu Sharing Trading Co., Ltd (深圳友富同享商貿有限公司) (d)	The PRC, July 19, 2021, limited liability company	Operation of unmanned retail machine in the PRC	5,000	N/A	N/A	51.00%	51.00%	51.00%	51.00%
Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司) (d)	The PRC, October 11, 2021, limited liability company	Software development and technical services in the PRC	2,000	N/A	N/A	51.00%	51.00%	51.00%	51.00%
Sichuan Youlin Kesi Technology Co., Ltd. (四川友鄰科斯科技有限公司) (d)	The PRC, August 4, 2021, limited liability company	Operation of unmanned retail machine in the PRC	2,000	N/A	N/A	51.00%	51.00%	51.00%	51.00%
Shenzhen Youbao Innovation Technology Co., Ltd. (深圳友寶創新技術有限公司) (d)	The PRC, November 12, 2021, limited liability company	Software development and technical services in the PRC	10,000	N/A	N/A	100.00%	100.00%	100.00%	100.00%

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Name of subsidiary	Place and date of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital (RMB'000)	Attributable equity interest				As at June 30, 2023	As at the date of this report
				2019	2020	2021	2022		
Shenzhen Youbao Online Technology Co., Ltd (“Youbao Online”, 深圳市優寶在線科技有限公司) (f)(g)	The PRC, December 8, 2017, limited liability company	Operation of selling mobile device in the PRC	5,000	52.00%	52.00%	35.00%	35.00%	35.00%	35.00%
Shenzhen Youye Technology Co., Ltd (“Youye”, 深圳友椰科技有限公司) (g)	The PRC, June 8, 2017, limited liability company	Software development and technical services in the PRC	10,000	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Shenzhen Youguo Technology Co., Ltd (深圳友果科技有限公司) (e)	The PRC, September 22, 2017, limited liability company	Software development and technical services in the PRC	5,000	81.80%	81.80%	N/A	N/A	N/A	N/A
Hainan Green Coconut Food Co. Ltd (海南青椰食品有限公司) (e)	The PRC, January 2, 2018, limited liability company	Operation of wholesale and retail in the PRC	1,000	N/A	N/A	N/A	N/A	N/A	N/A
Beijing Youbaokesi Trading Co., Ltd (北京友寶科斯科貿有限公司) (e)	The PRC, January 20, 2011, limited liability company	Software development and technical services in the PRC	100,000	100.00%	100.00%	N/A	N/A	N/A	N/A
Shenzhen Mibao New Retail Technology Co., Ltd. (深圳蜜寶新零售科技有限公司) (e)	The PRC, March 29, 2018, limited liability company	Operation of unmanned retail machine in the PRC	5,000	56.00%	56.00%	56.00%	N/A	N/A	N/A
Ubox Japan Investment Limited (日本友寶投資株式會社) (e)	Japan, May 19, 2016, limited liability company	Operation of unmanned retail machine in Japan	JPY3,000	100.00%	N/A	N/A	N/A	N/A	N/A

\* English names are translated for identification purpose only.

- (a) All companies comprising the Group have adopted December 31, as their financial year end date.
- (b) All of above subsidiaries are limited liability companies and not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation. The PRC financial statements of the Company for the years ended December 31, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合伙)). The PRC financial statements of the Company, Shenzhen Youbaokesi, Beijing Taihe Ruitong Cloud Business Technology Co., Ltd, Guangzhou Weiji Trading Co., Ltd and Shenzhen Yousuan Technology Co., Ltd for the year ended December 31, 2021 were audited by Shenzhen LeiNuo LP (深圳市雷諾會計師事務所(普通合伙)). The PRC financial statements of Shenzhen Youbaokesi and Beijing Taihe Ruitong Cloud Business Technology Co., Ltd for the year ended December 31, 2022 were audited by Shenzhen LeiNuo LP (深圳市雷諾會計師事務所(普通合伙)).
- (c) In December 2019, the Group acquired additional 46% equity interest in Shenzhen Youka Technology Co., Ltd. (“Youka”). After the acquisition, Youka became a subsidiary of the Group. The details was disclosed in Note 33.
- (d) These subsidiaries were newly established by the Group during the Track Record Period.
- (e) Disposal and deregistration of subsidiaries:



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- (i) In September 2020, Hangzhou Lianxianbao Technology Co., Ltd. was deregistered and loss of RMB165,000 has been recognized in “other gains/(losses), net.”
  - (ii) In June 2020, the Group disposed 100% equity interest in Beijing Youyang Technology Co., Ltd. and recognized a gain of RMB5,768,000 in “other gains/(losses), net.”
  - (iii) In January 2021, Qinghuangdao UBOX Intelligent Technology Co., Ltd. was deregistered and loss of RMB629,000 has been recognized in “other gains/(losses), net.”
  - (iv) In July 2021, the Group disposed 100% equity interest in Beijing Youbaokesi Trading Technology Co., Ltd. and recognized a loss of RMB1,686,000 in “other gains/(losses), net.”
  - (v) Xichang UBOX Trading Co., Ltd, Xianmen Frontier Systems Engineering Co., Ltd and Hainan Green Coconut Food Co. Ltd. were deregistered during the year ended December 31, 2019.
  - (vi) Ubox Japan Investment Limited was deregistered during the year ended December 31, 2020.
  - (vii) Beijing Taihe Ruitong Yunshang Technology Nanjing Co., Ltd and Shenzhen Youguo Technology Co., Ltd were deregistered during the year ended December 31, 2021.
  - (viii) Shenzhen Youjiubao Technology Co, Ltd was newly incorporated in 2020 and was deregistered during the year ended December 31, 2022.
  - (ix) In January 2022, the Group disposed 56% equity interest in Shenzhen Mibao New Retail Technology Co., Ltd. and recognized a gain of RMB151,000 in “other gains/(losses), net.”
  - (x) In August 2022, Tianjin Youchuangbao Technology Co., Ltd was deregistered and loss of RMB350,000 has been recognized in “other gains/(losses), net.”
- (f) Before August 2019, the Group held 30% equity interest in Youbao Online which accounted for as associate. In August 2019, the Group acquired additional 22% equity interest of Youbao Online from other shareholders for a consideration of RMB440,000. As a result, the Group obtained control on Ubox Online. The transaction was treated as a business combination of subsidiary. The difference of RMB327,000 between the fair value and the carrying amount of previous 30% equity interest held by the Group was recognized in other gains during the year ended December 31, 2019.
- In September 2021, in order to motivate the management of the subsidiary, Youbao Online, the Group transferred 4% and 13% equity interest in Youbao Online to Mr. Wu Mingjie and Mr. Yang Ling, who are the management of Youbao Online, respectively at a consideration of RMB340,000. The consideration was determined by reference to the paid-in capital of Youbao Online and below the fair value of the transferred equity interests. As a result, the Group recognized RMB1,500,000 as share-based compensation expense based on the valuation performed by valuer engaged by the management.
- (g) For Youbao Online and Youye with equity interest below 50%, as according to the shareholders agreements of Youbao Online and Youye, the Group has the rights to variable returns from its involvement, and has the ability to affect those returns through its majority voting rights at the meetings of the shareholder and board of directors of Youbao Online and Youye and the power to determine the budget, pricing and promotion strategies of these companies. The Group thus has control over these subsidiaries.
- (h) The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

### 15 DIVIDENDS

No dividends have been paid or declared to the shareholders of the Company for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 respectively.

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**16 PROPERTY AND EQUIPMENT**

**The Group**

	<b>Vending machines</b>	<b>Electronic equipment</b>	<b>Motor vehicles</b>	<b>Office equipment and others</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at January 1, 2019</b>						
Cost	477,322	12,757	30,860	5,919	1,331	528,189
Accumulated depreciation	(163,747)	(6,088)	(22,382)	(2,658)	(751)	(195,626)
Accumulated impairment	(2,067)	–	–	–	–	(2,067)
Net book amount	<u>311,508</u>	<u>6,669</u>	<u>8,478</u>	<u>3,261</u>	<u>580</u>	<u>330,496</u>
<b>Year ended December 31, 2019</b>						
Opening net book amount	311,508	6,669	8,478	3,261	580	330,496
Additions	434,680	608	31,775	2,155	10,923	480,141
Disposal	(117,155)	(61)	(772)	(26)	–	(118,014)
Depreciation charge (a)	(91,879)	(1,250)	(6,608)	(1,288)	(875)	(101,900)
Impairment provision	(1,240)	–	–	–	–	(1,240)
Closing net book amount	<u>535,914</u>	<u>5,966</u>	<u>32,873</u>	<u>4,102</u>	<u>10,628</u>	<u>589,483</u>
<b>As at December 31, 2019</b>						
Cost	757,802	13,244	58,604	7,987	12,254	849,891
Accumulated depreciation	(218,581)	(7,278)	(25,731)	(3,885)	(1,626)	(257,101)
Accumulated impairment	(3,307)	–	–	–	–	(3,307)
Net book amount	<u>535,914</u>	<u>5,966</u>	<u>32,873</u>	<u>4,102</u>	<u>10,628</u>	<u>589,483</u>
<b>Year ended December 31, 2020</b>						
Opening net book amount	535,914	5,966	32,873	4,102	10,628	589,483
Additions	36,353	193	8,049	1,247	2,750	48,592
Disposal	(29,474)	(22)	(3,841)	(1,085)	–	(34,422)
Depreciation charge (a)	(144,478)	(1,219)	(7,938)	(1,215)	(3,280)	(158,130)
Impairment provision (b)	(140,281)	–	–	–	–	(140,281)
Closing net book amount	<u>258,034</u>	<u>4,918</u>	<u>29,143</u>	<u>3,049</u>	<u>10,098</u>	<u>305,242</u>
<b>As at December 31, 2020</b>						
Cost	531,599	13,337	54,901	8,130	15,004	622,971
Accumulated depreciation	(129,977)	(8,419)	(25,758)	(5,081)	(4,906)	(174,141)
Accumulated impairment	(143,588)	–	–	–	–	(143,588)
Net book amount	<u>258,034</u>	<u>4,918</u>	<u>29,143</u>	<u>3,049</u>	<u>10,098</u>	<u>305,242</u>
<b>Year ended December 31, 2021</b>						
Opening net book amount	258,034	4,918	29,143	3,049	10,098	305,242
Additions	217,023	362	2,564	357	78	220,384
Disposal	(21,132)	(38)	(2,177)	–	–	(23,347)
Depreciation charge (a)	(88,887)	(1,127)	(7,542)	(1,089)	(3,390)	(102,035)
Impairment provision	(1,449)	–	–	–	–	(1,449)
Closing net book amount	<u>363,589</u>	<u>4,115</u>	<u>21,988</u>	<u>2,317</u>	<u>6,786</u>	<u>398,795</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	Vending machines RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>As at December 31, 2021</b>						
Cost	662,882	13,456	48,791	8,463	15,151	748,743
Accumulated depreciation	(182,328)	(9,341)	(26,803)	(6,146)	(8,365)	(232,983)
Accumulated impairment	(116,965)	–	–	–	–	(116,965)
Net book amount	<u>363,589</u>	<u>4,115</u>	<u>21,988</u>	<u>2,317</u>	<u>6,786</u>	<u>398,795</u>
<b>Year ended December 31, 2022</b>						
Opening net book amount	363,589	4,115	21,988	2,317	6,786	398,795
Additions	67,956	178	431	432	167	69,164
Disposal	(25,947)	–	(1,604)	–	–	(27,551)
Depreciation charge (a)	(131,527)	(1,080)	(6,958)	(1,018)	(3,487)	(144,070)
Closing net book amount	<u>274,071</u>	<u>3,213</u>	<u>13,857</u>	<u>1,731</u>	<u>3,466</u>	<u>296,338</u>
<b>As at December 31, 2022</b>						
Cost	460,325	13,608	42,617	8,895	15,318	540,763
Accumulated depreciation	(146,136)	(10,395)	(28,760)	(7,164)	(11,852)	(204,307)
Accumulated impairment	(40,118)	–	–	–	–	(40,118)
Net book amount	<u>274,071</u>	<u>3,213</u>	<u>13,857</u>	<u>1,731</u>	<u>3,466</u>	<u>296,338</u>
<i>(Unaudited)</i>						
<b>Six months ended June 30, 2022</b>						
Opening net book amount	363,589	4,115	21,988	2,317	6,786	398,795
Additions	30,475	119	272	342	141	31,349
Disposal	(5,872)	–	(639)	–	–	(6,511)
Depreciation charge (a)	(64,019)	(533)	(3,575)	(515)	(1,883)	(70,525)
Closing net book amount	<u>324,173</u>	<u>3,701</u>	<u>18,046</u>	<u>2,144</u>	<u>5,044</u>	<u>353,108</u>
<b>As at June 30, 2022</b>						
Cost	593,754	13,549	46,099	8,806	15,292	677,500
Accumulated depreciation	(176,145)	(9,848)	(28,053)	(6,662)	(10,248)	(230,956)
Accumulated impairment	(93,436)	–	–	–	–	(93,436)
Net book amount	<u>324,173</u>	<u>3,701</u>	<u>18,046</u>	<u>2,144</u>	<u>5,044</u>	<u>353,108</u>
<b>Six months ended June 30, 2023</b>						
Opening net book amount	274,071	3,213	13,857	1,731	3,466	296,338
Additions	9,641	424	187	67	10	10,329
Disposal	(6,736)	(6)	(2,233)	(2)	–	(8,977)
Depreciation charge (a)	(68,846)	(536)	(3,008)	(446)	(1,284)	(74,120)
Closing net book amount	<u>208,130</u>	<u>3,095</u>	<u>8,803</u>	<u>1,350</u>	<u>2,192</u>	<u>223,570</u>
<b>As at June 30, 2023</b>						
Cost	433,604	13,974	31,806	8,953	15,328	503,665
Accumulated depreciation	(199,597)	(10,879)	(23,003)	(7,603)	(13,136)	(254,218)
Accumulated impairment	(25,877)	–	–	–	–	(25,877)
Net book amount	<u>208,130</u>	<u>3,095</u>	<u>8,803</u>	<u>1,350</u>	<u>2,192</u>	<u>223,570</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

(a) Depreciation of the Group’s property and equipment has been recognized as follows:

	Year ended December 31,			Six months ended June 30,		
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 <i>(Unaudited)</i>	2023 RMB’000
Cost of sales	45,241	37,780	19,055	15,428	9,527	2,852
Selling and marketing expenses	42,395	98,361	72,689	117,182	54,594	66,113
General and administrative expenses	14,264	21,989	10,291	11,460	6,404	5,155
	<u>101,900</u>	<u>158,130</u>	<u>102,035</u>	<u>144,070</u>	<u>70,525</u>	<u>74,120</u>

(b) Impairment loss of the Group’s property and equipment for the year ended December 31, 2020

As the result of the continuous adverse impact of COVID-19, the Group’s unmanned retail business and karaoke booth services were adversely affected. Management carried out an impairment review on the non-financial assets within these two segments, which mainly include goodwill, plant and equipment, right-of-use assets and intangible assets.

Considering that the management faded out the sales of orange and coconut product, the recoverable amounts of orange juice machine and coconut juice machine CGU within unmanned retail business segment was close to zero. Accordingly, the impairment losses of RMB20,145,000 on property and equipment, RMB7,428,000 on right-of-use assets (Note 17(f)) and RMB8,575,000 on intangible assets (Note 18) have been recognized in the consolidated statement of comprehensive income related to unmanned retail business segment for the year ended December 31, 2020.

Karaoke booth services mainly includes goodwill, plant and equipment, right-of-use assets and intangible assets. The Group regards karaoke booth services as a separately identifiable CGU and performed impairment assessment. See details of the key inputs and assessment in Note 18. The recoverable amount of this CGU was determined to be less than the carrying amount of its non-financial assets. Accordingly, the impairment losses of RMB120,136,000 on property and equipment, RMB44,302,000 on right-of-use assets (Note 17(f)), RMB10,813,000 on goodwill (Note 18), and RMB1,153,000 on intangible assets (Note 18) have been recognized in the consolidated statement of comprehensive income related to others segment for the year ended December 31, 2020. Key inputs to the determination of the recoverable amount over the remaining useful life of plant and equipment of karaoke booth services includes revenue growth rate, gross margin, terminal value growth and pre-tax discount rate, see the details disclosed in Note 18.

**The Company**

	Vending machines RMB’000	Electronic equipment RMB’000	Office equipment and others RMB’000	Total RMB’000
<b>As at January 1, 2019</b>				
Cost	184,343	899	302	185,544
Accumulated depreciation	(22,937)	(780)	(270)	(23,987)
Accumulated impairment	(2,006)	–	–	(2,006)
Net book amount	<u>159,400</u>	<u>119</u>	<u>32</u>	<u>159,551</u>
<b>Year ended December 31, 2019</b>				
Opening net book amount	159,400	119	32	159,551
Additions	60,833	–	–	60,833
Disposal	(19,432)	–	–	(19,432)
Depreciation charge	(33,593)	(50)	(17)	(33,660)
Impairment provision	(1,230)	–	–	(1,230)
Closing net book amount	<u>165,978</u>	<u>69</u>	<u>15</u>	<u>166,062</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	Vending machines <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at December 31, 2019</b>				
Cost	199,537	899	302	200,738
Accumulated depreciation	(30,323)	(830)	(287)	(31,440)
Accumulated impairment	(3,236)	–	–	(3,236)
Net book amount	<u>165,978</u>	<u>69</u>	<u>15</u>	<u>166,062</u>
<b>Year ended December 31, 2020</b>				
Opening net book amount	165,978	69	15	166,062
Additions	34,138	–	–	34,138
Disposal	(49,342)	–	–	(49,342)
Depreciation charge	(47,196)	(23)	–	(47,219)
Impairment provision	(10,941)	–	–	(10,941)
Closing net book amount	<u>92,637</u>	<u>46</u>	<u>15</u>	<u>92,698</u>
<b>As at December 31, 2020</b>				
Cost	135,632	899	302	136,833
Accumulated depreciation	(28,817)	(853)	(287)	(29,957)
Accumulated impairment	(14,178)	–	–	(14,178)
Net book amount	<u>92,637</u>	<u>46</u>	<u>15</u>	<u>92,698</u>
<b>Year ended December 31, 2021</b>				
Opening net book amount	92,637	46	15	92,698
Additions	186,115	–	–	186,115
Disposal	(64,117)	(9)	–	(64,126)
Depreciation charge	(21,126)	(1)	–	(21,127)
Impairment provision	(1,448)	–	–	(1,448)
Closing net book amount	<u>192,061</u>	<u>36</u>	<u>15</u>	<u>192,112</u>
<b>As at December 31, 2021</b>				
Cost	236,819	727	302	237,848
Accumulated depreciation	(31,676)	(691)	(287)	(32,654)
Accumulated impairment	(13,082)	–	–	(13,082)
Net book amount	<u>192,061</u>	<u>36</u>	<u>15</u>	<u>192,112</u>
<b>Year ended December 31, 2022</b>				
Opening net book amount	192,061	36	15	192,112
Additions	37,173	–	–	37,173
Disposal	(120,973)	–	–	(120,973)
Depreciation charge	(39,849)	–	–	(39,849)
Closing net book amount	<u>68,412</u>	<u>36</u>	<u>15</u>	<u>68,463</u>
<b>As at December 31, 2022</b>				
Cost	109,541	727	302	110,570
Accumulated depreciation	(35,798)	(691)	(287)	(36,776)
Accumulated impairment	(5,331)	–	–	(5,331)
Net book amount	<u>68,412</u>	<u>36</u>	<u>15</u>	<u>68,463</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	Vending machines <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Total <i>RMB'000</i>
<i>(Unaudited)</i>				
<b>Six months ended June 30, 2022</b>				
Opening net book amount	192,061	36	15	192,112
Additions	30,124	–	–	30,124
Disposal	(75,198)	–	–	(75,198)
Depreciation charge	(22,398)	–	–	(22,398)
	<u>124,589</u>	<u>36</u>	<u>15</u>	<u>124,640</u>
Closing net book amount				
<b>As at June 30, 2022</b>				
Cost	174,358	727	302	175,387
Accumulated depreciation	(37,624)	(691)	(287)	(38,602)
Accumulated impairment	(12,145)	–	–	(12,145)
	<u>124,589</u>	<u>36</u>	<u>15</u>	<u>124,640</u>
Net book amount				
<b>Six months ended June 30, 2023</b>				
Opening net book amount	68,412	36	15	68,463
Additions	1,321	–	–	1,321
Disposal	(14,323)	–	–	(14,323)
Depreciation charge	(23,085)	–	–	(23,085)
	<u>32,325</u>	<u>36</u>	<u>15</u>	<u>32,376</u>
Closing net book amount				
<b>As at June 30, 2023</b>				
Cost	65,226	727	302	66,255
Accumulated depreciation	(30,743)	(691)	(287)	(31,721)
Accumulated impairment	(2,158)	–	–	(2,158)
	<u>32,325</u>	<u>36</u>	<u>15</u>	<u>32,376</u>
Net book amount				

**17 LEASES**

The statements of financial position shows the following amounts relating to leases:

**The Group**

	<b>2019</b> <i>RMB'000</i>	<b>As at December 31,</b>			<b>As at</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
				<i>RMB'000</i>	<i>RMB'000</i>
<b>Right-of-use assets</b>					
– Vending machines	508,394	399,452	321,437	248,652	214,875
– Buildings	42,101	30,498	20,730	13,727	8,733
– Warehouse	18,601	14,482	15,957	25,958	22,988
– Cars	1,756	1,817	1,363	733	542
	<u>570,852</u>	<u>446,249</u>	<u>359,487</u>	<u>289,070</u>	<u>247,138</u>
<b>Lease liabilities</b>					
– Current	214,675	126,199	77,543	38,390	29,481
– Non-current	194,274	112,359	41,025	21,287	14,759
	<u>408,949</u>	<u>238,558</u>	<u>118,568</u>	<u>59,677</u>	<u>44,240</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**The Company**

	<b>2019</b>	<b>As at December 31,</b>			<b>As at</b>
	<b>RMB'000</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
<b>Right-of-use assets</b>					
– Vending machines	467,823	273,591	200,546	132,404	105,343
– Buildings	251	–	–	–	–
– Warehouse	–	–	341	165	113
	<u>468,074</u>	<u>273,591</u>	<u>200,887</u>	<u>132,569</u>	<u>105,456</u>
<b>Lease liabilities</b>					
– Current	184,338	105,962	59,116	11,420	7,415
– Non-current	151,481	82,539	17,732	3,872	644
	<u>335,819</u>	<u>188,501</u>	<u>76,848</u>	<u>15,292</u>	<u>8,059</u>

**The Group**

	<b>Vending machines</b>	<b>Buildings</b>	<b>Warehouse</b>	<b>Cars</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at January 1, 2019</b>					
Cost	701,351	18,893	15,537	2,511	738,292
Accumulated depreciation	<u>(185,902)</u>	<u>(9,726)</u>	<u>(5,778)</u>	<u>(566)</u>	<u>(201,972)</u>
Net book amount	<u>515,449</u>	<u>9,167</u>	<u>9,759</u>	<u>1,945</u>	<u>536,320</u>
<b>Year ended December 31, 2019</b>					
Opening net book amount	515,449	9,167	9,759	1,945	536,320
Additions	73,548	44,680	17,268	805	136,301
Depreciation charge (a)	<u>(80,603)</u>	<u>(11,746)</u>	<u>(8,426)</u>	<u>(994)</u>	<u>(101,769)</u>
Closing net book amount	<u>508,394</u>	<u>42,101</u>	<u>18,601</u>	<u>1,756</u>	<u>570,852</u>
<b>As at December 31, 2019</b>					
Cost	774,899	63,573	32,805	3,316	874,593
Accumulated depreciation	<u>(266,505)</u>	<u>(21,472)</u>	<u>(14,204)</u>	<u>(1,560)</u>	<u>(303,741)</u>
Net book amount	<u>508,394</u>	<u>42,101</u>	<u>18,601</u>	<u>1,756</u>	<u>570,852</u>
<b>Year ended December 31, 2020</b>					
Opening net book amount	508,394	42,101	18,601	1,756	570,852
Additions	35,696	1,495	7,162	1,313	45,666
Depreciation charge (a)	<u>(92,908)</u>	<u>(13,098)</u>	<u>(11,281)</u>	<u>(1,252)</u>	<u>(118,539)</u>
Impairment provision (f)	<u>(51,730)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(51,730)</u>
Closing net book amount	<u>399,452</u>	<u>30,498</u>	<u>14,482</u>	<u>1,817</u>	<u>446,249</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	<b>Vending machines RMB’000</b>	<b>Buildings RMB’000</b>	<b>Warehouse RMB’000</b>	<b>Cars RMB’000</b>	<b>Total RMB’000</b>
<b>As at December 31, 2020</b>					
Cost	810,595	65,067	39,967	4,629	920,258
Accumulated depreciation	(359,413)	(34,569)	(25,485)	(2,812)	(422,279)
Accumulated impairment	(51,730)	–	–	–	(51,730)
Net book amount	<u>399,452</u>	<u>30,498</u>	<u>14,482</u>	<u>1,817</u>	<u>446,249</u>
<b>Year ended December 31, 2021</b>					
Opening net book amount	399,452	30,498	14,482	1,817	446,249
Additions	–	1,374	11,298	895	13,567
Depreciation charge	(78,015)	(11,142)	(9,823)	(1,349)	(100,329)
Closing net book amount	<u>321,437</u>	<u>20,730</u>	<u>15,957</u>	<u>1,363</u>	<u>359,487</u>
<b>As at December 31, 2021</b>					
Cost	810,595	66,442	51,265	5,524	933,826
Accumulated depreciation	(437,428)	(45,712)	(35,308)	(4,161)	(522,609)
Accumulated impairment	(51,730)	–	–	–	(51,730)
Net book amount	<u>321,437</u>	<u>20,730</u>	<u>15,957</u>	<u>1,363</u>	<u>359,487</u>
<b>Year ended December 31, 2022</b>					
Opening net book amount	321,437	20,730	15,957	1,363	359,487
Additions	–	3,118	24,199	226	27,543
Depreciation charge	(72,785)	(10,121)	(14,198)	(856)	(97,960)
Closing net book amount	<u>248,652</u>	<u>13,727</u>	<u>25,958</u>	<u>733</u>	<u>289,070</u>
<b>As at December 31, 2022</b>					
Cost	810,595	48,024	48,136	1,746	908,501
Accumulated depreciation	(510,213)	(34,297)	(22,178)	(1,013)	(567,701)
Accumulated impairment	(51,730)	–	–	–	(51,730)
Net book amount	<u>248,652</u>	<u>13,727</u>	<u>25,958</u>	<u>733</u>	<u>289,070</u>
<i>(Unaudited)</i>					
<b>Six months ended June 30, 2022</b>					
Opening net book amount	321,437	20,730	15,957	1,363	359,487
Additions	–	1,033	14,415	–	15,448
Depreciation charge	(39,007)	(5,144)	(7,184)	(469)	(51,804)
Closing net book amount	<u>282,430</u>	<u>16,619</u>	<u>23,188</u>	<u>894</u>	<u>323,131</u>



**APPENDIX I**

**ACCOUNTANT’S REPORT**

	<b>Vending machines</b> <i>RMB'000</i>	<b>Buildings</b> <i>RMB'000</i>	<b>Warehouse</b> <i>RMB'000</i>	<b>Cars</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at June 30, 2022</b>					
Cost	810,595	67,475	65,681	5,523	949,274
Accumulated depreciation	(476,435)	(50,856)	(42,493)	(4,629)	(574,413)
Accumulated impairment	(51,730)	–	–	–	(51,730)
Net book amount	<u>282,430</u>	<u>16,619</u>	<u>23,188</u>	<u>894</u>	<u>323,131</u>
<b>Six months ended June 30, 2023</b>					
Opening net book amount	248,652	13,727	25,958	733	289,070
Additions	–	–	5,728	57	5,785
Depreciation charge	(33,777)	(4,994)	(8,698)	(248)	(47,717)
Closing net book amount	<u>214,875</u>	<u>8,733</u>	<u>22,988</u>	<u>542</u>	<u>247,138</u>
<b>As at June 30, 2023</b>					
Cost	810,595	44,012	44,551	1,085	900,243
Accumulated depreciation	(543,990)	(35,279)	(21,563)	(543)	(601,375)
Accumulated impairment	(51,730)	–	–	–	(51,730)
Net book amount	<u>214,875</u>	<u>8,733</u>	<u>22,988</u>	<u>542</u>	<u>247,138</u>

(a) The consolidated statements of comprehensive income shows the following amounts relating to leases:

	<b>Year ended December 31,</b>			<b>Six months ended June 30,</b>		
	<b>2019</b> <i>RMB'000</i>	<b>2020</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Depreciation charge of right-of-use assets	101,769	118,539	100,329	97,960	51,804	47,717
Interest expense (included in finance costs)	36,170	29,883	10,619	7,085	4,242	1,973
Expense relating to short-term leases (included in expenses)	6,167	11,694	15,460	15,564	8,576	6,444
Expense relating to low-value leases (included in expenses)	1,855	2,453	2,453	5,320	1,844	1,084
Impairment loss	–	51,730	–	–	–	–

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The total cash outflow from financing activities for leases for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 were RMB584,080,000, RMB245,940,000, RMB144,176,000, RMB93,519,000, RMB47,862,000 and RMB23,195,000 respectively. The total cash outflow from operating activities for the short-term leases and low-value leases for the year ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 were RMB8,022,000, RMB14,147,000, RMB17,913,000, RMB20,884,000, RMB10,420,000 and RMB7,528,000 respectively.

(b) Variable lease payments

During the Track Record Period, the Group leases the offices buildings, warehouses, cars and vending machines with fixed lease payments.

(c) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(d) Residual value guarantees

No residual value guarantees are provided in relation to leases.

(e) The Group’s leasing activities and how these are accounted for

The Group leases certain offices buildings, warehouses, cars and vending machines. Rental contracts for offices buildings are typically made for fixed periods of 1 months to 60 months. Rental contracts for warehouse are typically made for fixed periods of 1 months to 62 months. Rental contracts for cars are typically made for fixed periods of 1 months to 65 months. Rental contracts for vending machines are typically made for fixed periods of 36 months to 60 months.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(f) Impairment loss of the Group’s right-of-use assets for the year ended December 31, 2020

As disclosed in note 16(b), impairment loss of RMB7,428,000 on right-of-use assets of orange juice machine and coconut juice machine CGU and impairment loss of RMB44,302,000 on right-of-use assets of karaoke booths CGU have also been recognized in the consolidated statement of comprehensive income for the year ended December 31, 2020. See details of the key inputs and assessment in Note 18.

**The Company**

	<b>Vending machines RMB’000</b>	<b>Buildings RMB’000</b>	<b>Warehouse RMB’000</b>	<b>Total RMB’000</b>
<b>As at January 1, 2019</b>				
Cost	675,854	853	–	676,707
Accumulated depreciation	(185,902)	(301)	–	(186,203)
Net book amount	<u>489,952</u>	<u>552</u>	<u>–</u>	<u>490,504</u>

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	<b>Vending machines</b> <i>RMB'000</i>	<b>Buildings</b> <i>RMB'000</i>	<b>Warehouse</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended December 31, 2019</b>				
Opening net book amount	489,952	552	–	490,504
Additions	99,045	–	–	99,045
Disposal	(40,571)	–	–	(40,571)
Depreciation charge	(80,603)	(301)	–	(80,904)
Closing net book amount	<u>467,823</u>	<u>251</u>	<u>–</u>	<u>468,074</u>
<b>As at December 31, 2019</b>				
Cost	728,297	853	–	729,150
Accumulated depreciation	(260,474)	(602)	–	(261,076)
Net book amount	<u>467,823</u>	<u>251</u>	<u>–</u>	<u>468,074</u>
<b>Year ended December 31, 2020</b>				
Opening net book amount	467,823	251	–	468,074
Additions	35,696	–	–	35,696
Disposal	(129,342)	–	–	(129,342)
Depreciation charge	(85,475)	(251)	–	(85,726)
Impairment provision	(15,111)	–	–	(15,111)
Closing net book amount	<u>273,591</u>	<u>–</u>	<u>–</u>	<u>273,591</u>
<b>As at December 31, 2020</b>				
Cost	589,695	853	–	590,548
Accumulated depreciation	(300,993)	(853)	–	(301,846)
Accumulated impairment	(15,111)	–	–	(15,111)
Net book amount	<u>273,591</u>	<u>–</u>	<u>–</u>	<u>273,591</u>
<b>Year ended December 31, 2021</b>				
Opening net book amount	273,591	–	–	273,591
Additions	–	–	396	396
Disposal	(6,649)	–	–	(6,649)
Depreciation charge	(66,396)	–	(55)	(66,451)
Closing net book amount	<u>200,546</u>	<u>–</u>	<u>341</u>	<u>200,887</u>
<b>As at December 31, 2021</b>				
Cost	553,297	853	396	554,546
Accumulated depreciation	(339,989)	(853)	(55)	(340,897)
Accumulated impairment	(12,762)	–	–	(12,762)
Net book amount	<u>200,546</u>	<u>–</u>	<u>341</u>	<u>200,887</u>

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	<b>Vending machines</b> <i>RMB'000</i>	<b>Buildings</b> <i>RMB'000</i>	<b>Warehouse</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended December 31, 2022</b>				
Opening net book amount	200,546	–	341	200,887
Additions	63	–	–	63
Disposal	(7,702)	–	–	(7,702)
Depreciation charge	(60,503)	–	(176)	(60,679)
	<u>132,404</u>	<u>–</u>	<u>165</u>	<u>132,569</u>
Closing net book amount	<u>132,404</u>	<u>–</u>	<u>165</u>	<u>132,569</u>
<b>As at December 31, 2022</b>				
Cost	517,491	–	396	517,887
Accumulated depreciation	(372,325)	–	(231)	(372,556)
Accumulated impairment	(12,762)	–	–	(12,762)
	<u>132,404</u>	<u>–</u>	<u>165</u>	<u>132,569</u>
Net book amount	<u>132,404</u>	<u>–</u>	<u>165</u>	<u>132,569</u>
<i>(Unaudited)</i>				
<b>Six months ended June 30, 2022</b>				
Opening net book amount	200,546	–	341	200,887
Additions	63	–	–	63
Disposal	(3,358)	–	–	(3,358)
Depreciation charge	(33,073)	–	(132)	(33,205)
	<u>164,178</u>	<u>–</u>	<u>209</u>	<u>164,387</u>
Closing net book amount	<u>164,178</u>	<u>–</u>	<u>209</u>	<u>164,387</u>
<b>As at June 30, 2022</b>				
Cost	546,832	853	396	548,081
Accumulated depreciation	(369,892)	(853)	(187)	(370,932)
Accumulated impairment	(12,762)	–	–	(12,762)
	<u>164,178</u>	<u>–</u>	<u>209</u>	<u>164,387</u>
Net book amount	<u>164,178</u>	<u>–</u>	<u>209</u>	<u>164,387</u>
<b>Six months ended June 30, 2023</b>				
Opening net book amount	132,404	–	165	132,569
Additions	17	–	–	17
Disposal	(4,926)	–	–	(4,926)
Depreciation charge	(22,152)	–	(52)	(22,204)
	<u>105,343</u>	<u>–</u>	<u>113</u>	<u>105,456</u>
Closing net book amount	<u>105,343</u>	<u>–</u>	<u>113</u>	<u>105,456</u>
<b>As at June 30, 2023</b>				
Cost	506,672	–	396	507,068
Accumulated depreciation	(388,567)	–	(283)	(388,850)
Accumulated impairment	(12,762)	–	–	(12,762)
	<u>105,343</u>	<u>–</u>	<u>113</u>	<u>105,456</u>
Net book amount	<u>105,343</u>	<u>–</u>	<u>113</u>	<u>105,456</u>

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**18 INTANGIBLE ASSETS**

**The Group**

	<b>Goodwill</b> <i>RMB'000</i>	<b>Internally generated software</b> <i>RMB'000</i>	<b>Purchased software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at January 1, 2019</b>				
Cost	26,267	98,291	25,667	150,225
Accumulated amortization	–	(29,109)	(9,352)	(38,461)
Accumulated impairment	–	(3,809)	–	(3,809)
Net book amount	<u>26,267</u>	<u>65,373</u>	<u>16,315</u>	<u>107,955</u>
<b>Year ended December 31, 2019</b>				
Opening net book amount	26,267	65,373	16,315	107,955
Addition (a)	168,915	3,430	55,745	228,090
Disposal	–	(445)	(1,912)	(2,357)
Amortization charge	–	(9,821)	(3,346)	(13,167)
Impairment provision	–	(2,155)	–	(2,155)
Closing net book amount	<u>195,182</u>	<u>56,382</u>	<u>66,802</u>	<u>318,366</u>
<b>As at December 31, 2019</b>				
Cost	195,182	97,707	79,306	372,195
Accumulated amortization	–	(35,361)	(12,504)	(47,865)
Accumulated impairment	–	(5,964)	–	(5,964)
Net book amount	<u>195,182</u>	<u>56,382</u>	<u>66,802</u>	<u>318,366</u>
<b>Year ended December 31, 2020</b>				
Opening net book amount	195,182	56,382	66,802	318,366
Addition	–	–	4,625	4,625
Disposal	–	(1,176)	–	(1,176)
Amortization charge	–	(8,707)	(8,838)	(17,545)
Impairment provision (b)	(158,386)	(9,728)	–	(168,114)
Closing net book amount	<u>36,796</u>	<u>36,771</u>	<u>62,589</u>	<u>136,156</u>
<b>As at December 31, 2020</b>				
Cost	195,182	93,833	83,932	372,947
Accumulated amortization	–	(42,115)	(21,343)	(63,458)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>36,771</u>	<u>62,589</u>	<u>136,156</u>

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	<b>Goodwill</b> <i>RMB'000</i>	<b>Internally generated software</b> <i>RMB'000</i>	<b>Purchased software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended December 31, 2021</b>				
Opening net book amount	36,796	36,771	62,589	136,156
Disposal	–	(153)	–	(153)
Amortization charge	–	(8,312)	(9,111)	(17,423)
Closing net book amount	<u>36,796</u>	<u>28,306</u>	<u>53,478</u>	<u>118,580</u>
<b>As at December 31, 2021</b>				
Cost	195,182	91,622	83,932	370,736
Accumulated amortization	–	(48,369)	(30,454)	(78,823)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>28,306</u>	<u>53,478</u>	<u>118,580</u>
<b>Year ended December 31, 2022</b>				
Opening net book amount	36,796	28,306	53,478	118,580
Addition	–	–	143	143
Amortization charge	–	(7,261)	(8,581)	(15,842)
Closing net book amount	<u>36,796</u>	<u>21,045</u>	<u>45,040</u>	<u>102,881</u>
<b>As at December 31, 2022</b>				
Cost	195,182	91,622	84,075	370,879
Accumulated amortization	–	(55,630)	(39,035)	(94,665)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>21,045</u>	<u>45,040</u>	<u>102,881</u>
<i>(Unaudited)</i>				
<b>Six months ended June 30, 2022</b>				
Opening net book amount	36,796	28,306	53,478	118,580
Addition	–	–	68	68
Amortization charge	–	(3,650)	(4,395)	(8,045)
Closing net book amount	<u>36,796</u>	<u>24,656</u>	<u>49,151</u>	<u>110,603</u>
<b>As at June 30, 2022</b>				
Cost	195,182	91,622	84,000	370,804
Accumulated amortization	–	(52,019)	(34,849)	(86,868)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>24,656</u>	<u>49,151</u>	<u>110,603</u>
<b>Six months ended June 30, 2023</b>				
Opening net book amount	36,796	21,045	45,040	102,881
Amortization charge	–	(3,632)	(4,043)	(7,675)
Closing net book amount	<u>36,796</u>	<u>17,413</u>	<u>40,997</u>	<u>95,206</u>

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	<b>Goodwill</b> <i>RMB’000</i>	<b>Internally generated software</b> <i>RMB’000</i>	<b>Purchased software</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>As at June 30, 2023</b>				
Cost	195,182	91,622	84,075	370,879
Accumulated amortization	–	(59,262)	(43,078)	(102,340)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>17,413</u>	<u>40,997</u>	<u>95,206</u>

Amortization of the Group’s intangible assets has been recognized as follows:

	<b>Year ended December 31,</b>				<b>Six months ended June 30,</b>	
	<b>2019</b> <i>RMB’000</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB;000</i>
					<i>(Unaudited)</i>	
Research and development expenses	9,821	8,707	8,312	7,261	3,650	1,646
General and administrative expenses	3,346	8,838	9,111	8,581	4,395	6,029
	<u>13,167</u>	<u>17,545</u>	<u>17,423</u>	<u>15,842</u>	<u>8,045</u>	<u>7,675</u>

- (a) During the year ended December 31, 2019, the addition to goodwill was mainly arose from the acquisition of Shenzhen Youka for its freshly brewed beverage vending machine business. The details was disclosed in Note 33. The purchased software was mainly the use right of the software system, which was purchased from Beijing Sensetime Technology Development Co., Ltd. (“北京市商湯科技開發有限公司”).
- (b) Impairment assessment of goodwill

The goodwill of the Group mainly arose from the acquisition of Shenzhen Youka for its freshly brewed beverage vending machine business in 2019 as mentioned in note(a) above and Note 33, and acquisition of karaoke booth service business and other vending machine business in previous years.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. The management considers that the freshly brewed beverage vending machine business, karaoke booth service business and the other vending machine business represent the smallest identifiable group of assets that generate cash inflows and are largely independent of the cash inflows from other assets. The following is a summary of goodwill allocated by the management of the Group for each CGU:

	<b>Freshly brewed beverage vending machine business</b> <i>RMB’000</i>	<b>Karaoke booth service business</b> <i>RMB’000</i>	<b>Other vending machine business</b> <i>RMB’000</i>
<b>Year ended December 31, 2019</b>			
Opening	–	10,813	15,454
Additions ( <i>Note 33</i> )	168,348	–	567
Closing	<u>168,348</u>	<u>10,813</u>	<u>16,021</u>

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	<b>Freshly brewed beverage vending machine business</b> <i>RMB’000</i>	<b>Karaoke booth service business</b> <i>RMB’000</i>	<b>Other vending machine business</b> <i>RMB’000</i>
<b>Year ended December 31, 2020</b>			
Opening	168,348	10,813	16,021
Impairment	(147,573)	(10,813)	–
Closing	<u>20,775</u>	<u>–</u>	<u>16,021</u>
<b>Year ended December 31, 2021</b>			
Opening	20,775	–	16,021
Closing	<u>20,775</u>	<u>–</u>	<u>16,021</u>
<b>Year ended December 31, 2022</b>			
Opening	20,775	–	16,021
Closing	<u>20,775</u>	<u>–</u>	<u>16,021</u>
<i>(Unaudited)</i>			
<b>Six months ended June 30, 2022</b>			
Opening	20,775	–	16,021
Closing	<u>20,775</u>	<u>–</u>	<u>16,021</u>
<b>Six months ended June 30, 2023</b>			
Opening	20,775	–	16,021
Closing	<u>20,775</u>	<u>–</u>	<u>16,021</u>

Impairment review on the goodwill has been conducted by the management as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 according to HKAS 36 “Impairment of assets”. The Group carried out its impairment test on goodwill by comparing the recoverable amounts of each CGU to their carrying amounts. For the purpose of goodwill impairment review, the recoverable amount of a CGU (or group of CGUs) is the higher of its fair value less cost of disposal (“FVL COD”) and its value in use (“VIU”). The Group has engaged an independent external valuer for performing the goodwill impairment assessments as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023. FVL COD was determined using discounted cash flow projections of which the accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their experiences in the industries and prepared the cash flow projections from the perspective of other market participants. The discount rates adopted were derived from the analysis of valuer’s interpretation of time value and specific risk of prevailing market participants adjusted for the difference in the marketability. VIU was determined using the cash flow projections based on business projection covering a five-year period. The management leveraged their extensive experiences in the industries and prepared the forecast based on the past performance and their expectation of future business projection and market developments. The discount rates adopted were derived from the analysis of the Group’s time value and specific risk.



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**Freshly brewed beverage vending machine, karaoke booth service and other vending machine business**

As at December 31, 2019, the recoverable amount of each of the freshly brewed beverage vending machine business and karaoke booth service business CGUs was based on FVL COD, which is measured using discounted cash flow projections. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to freshly brewed beverage vending machine business or karaoke booth service business was recognized as at December 31, 2019.

During the year ended December 31, 2020, goodwill impairment arose in the Group’s freshly brewed beverage vending machine business due to the outbreak of COVID-19 epidemic. The Group’s freshly brewed beverage vending machine business operation was suffered substantially, the promotion of freshly brewed beverage vending machine in mainland China was experiencing a decline in the number, as well as lower-than-expected profits from certain individual projects. As at December 31, 2020, the recoverable amount of the freshly brewed beverage vending machine business CGU was based on FVL COD, which is measured using discounted cash flow projections prepared from market participants perspective. Based on the results of the impairment assessments, the Group recognized an impairment provision of approximately RMB147,573,000 against the carrying amount of goodwill relating to acquired freshly brewed beverage vending machine business.

During the year ended December 31, 2020, Goodwill impairment arose in the Group’s karaoke booth service business due to people are afraid to sing in a confined space after the out-break of COVID-19. As at December 31, 2020, the recoverable amount of the CGU was determined based on VIU. Based on the results of the impairment assessments, the Group recognized full impairment provision of goodwill, as well as property and equipment intangible assets and right-of-use assets relating to acquired karaoke booth service business.

The impairment losses for the year ended December 31, 2020 related to unmanned retail business segment and others segment are the impairment losses of the freshly brewed beverage vending machine business CGU and the impairment losses of the karaoke booth service business, respectively. Details are below:

	<b>Karaoke booth service business/ Others RMB’000</b>	<b>Freshly brewed beverage vending machine business/ Unmanned retail business RMB’000</b>
Impairment losses of goodwill	10,813	147,573
Impairment losses of property and equipment	120,136	–
Impairment losses of intangible assets	1,153	–
Impairment losses of right-of-use assets	44,302	–
	176,404	147,573
	176,404	147,573

During the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, the recoverable amount of the freshly brewed beverage vending machine business CGU was based on FVL COD, which was measured using discounted cash flow projections and higher than the carrying amount, thus no impairment loss on the goodwill relating to freshly brewed beverage vending machine business was recognized. The cash flow projections was prepared from market participants’ perspective for the purpose of impairment reviews.

During the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, the recoverable amount of the other vending machine business CGU was based on FVL COD, which is measured using discounted cash flow projections. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to other vending machine business CGU was recognized as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023.

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As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, based on management’s assessment on the recoverable amounts, the headroom of the freshly brewed beverage vending machine business, karaoke booth service business and other vending machine business were as below:

	<b>Freshly brewed beverage vending machine business</b> <i>RMB’000</i>	<b>Karaoke booth service business</b> <i>RMB’000</i>	<b>Other vending machine business</b> <i>RMB’000</i>
As at December 31, 2019	1,005*	33,509	4,641,435
As at December 31, 2020	Nil	Nil	5,484,316
As at December 31, 2021	19,079	N/A	4,183,346
As at December 31, 2022	16,763	N/A	3,352,186
As at June 30, 2023	16,978	N/A	3,446,245

\* Freshly brewed beverage vending machine business was consolidated by the Group on December 19, 2019 due to the Group acquired another 46% equity interest of Shenzhen Youka from other shareholders and the recoverable amount approximates to its carrying value as at December 31, 2019.

The following table sets out the level-3 key assumptions for those CGUs that have goodwill allocated to them:

	<b>Freshly brewed beverage vending machine business</b>	<b>Karaoke booth service business</b>	<b>Other vending machine business</b>
<b>As at December 31, 2019</b>			
Revenue growth rate during the projection period	41.7% to 351.3%	3.0% to 17.9%	9.7% to 28.8%
Terminal value growth rate	3.0%	3.0%	3.0%
Gross margin during the projection period	66.2% to 67.2%	62.9% to 77.9%	46.3% to 47.0%
Post-tax discount rates	16.5%	17.0%	16.5%
Discount for lack of marketability	20.0%	20.0%	20.0%
<b>As at December 31, 2020</b>			
Revenue growth rate during the projection period	54.0% to 67.6%	-23.2% to 3.0%	36.3% to 59.4%
Terminal value growth rate	3.0%	N/A	3.0%
Gross margin during the projection period	37.7% to 51.2%	-41.6% to 1.2%	33.5% to 36.3%
Post-tax discount rate/Pre-tax discount rate (karaoke booth service business)	17.0%	17.5%	15.0%
Discount for lack of marketability	20.0%	N/A	20.0%
<b>As at December 31, 2021</b>			
Revenue growth rate during the projection period	18.4% to 79.0%	N/A	22.6% to 42.1%
Terminal value growth rate	3.0%	N/A	3.0%
Gross margin during the projection period	58.5%	N/A	42.0% to 43.3%
Post-tax discount rates	17.5%	N/A	15.0%
Discount for lack of marketability	20.0%	N/A	15.0%
<b>As at December 31, 2022</b>			
Revenue growth rate during the projection period	16.4% to 97.7%	N/A	5.0% to 44.6%
Terminal value growth rate	2.5%	N/A	2.5%
Gross margin during the projection period	67.5%	N/A	43.2% to 44.2%
Post-tax discount rates	17.5%	N/A	15.0%
Discount for lack of marketability	15.0%	N/A	10.0%

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	<b>Freshly brewed beverage vending machine business</b>	<b>Karaoke booth service business</b>	<b>Other vending machine business</b>
<b>As at June 30, 2023</b>			
Revenue growth rate during the projection period	14.7% to 86.9%	N/A	9.2% to 38.7%
Terminal value growth rate	2.5%	N/A	2.5%
Gross margin during the projection period	69.0%	N/A	43.5% to 45.5%
Post tax discount rates	17.0%	N/A	15.0%
Discount for lack of marketability	15.0%	N/A	10.0%

Revenue growth rates and gross profit margins were determined by management of the Company based on past performance and the future business plan of the CGUs expected to be achieved. The expansion of freshly brewed beverage vending machine business was adversely impacted by COVID-19 pandemic and the revenue generated by the freshly brewed beverage vending machine business was lower than management’s expectations, so the revenue growth rate during the projection period was adjusted from the year ended December 31, 2020 and afterward. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. The post-tax discount rates adopted are based on the weighted average cost of capital (“WACC”) of each of the two cash-generating units, mainly involving four key parameters: (i) cost of equity estimated from the capital asset pricing model, (ii) small size risk premium, (iii) company-specific risk premium and (iv) capital structure. As above mentioned key parameters only had immaterial changes between December 31, 2022 and 2021, the adopted WACC did not change as at December 31, 2022. The terminal value growth rates were based on the expected inflation rates, which have been applied to the terminal year’s cash flows. The discount for lack of marketability was determined by the independent external valuer by use the Black-Scholes model.

The following table sets out the sensitivity analysis of the negative impact of variation in each of the key assumptions for goodwill impairment that make the recoverable amount equal to the carrying amount for the freshly brewed beverage vending machine business, karaoke booth services business and other vending machine business were as below:

	<b>Freshly brewed beverage vending machine business</b>	<b>Karaoke booth services business</b>	<b>Other vending machine business</b>
<b>As at December 31, 2019</b>			
Decrease in revenue growth rate p.a. during the projection period	0.05%	4.58%	39.51% 3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately
Decrease in terminal value growth rate	0.01%	2.82%	RMB981,945,000
Decrease gross margin p.a. during the projection period	0.02%	3.1%	10.0%
Increase post-tax discount rate	0.01%	1.79%	25.80%
Increase discount lack of marketability	0.16%	8.28%	64.51%
<b>As at December 31, 2020</b>			
Decrease in revenue growth rate p.a. during the projection period	N/A	N/A	50.23%

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	<b>Freshly brewed beverage vending machine business</b>	<b>Karaoke booth services business</b>	<b>Other vending machine business</b>
			3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately
Decrease in terminal value growth rate	N/A	N/A	RMB1,182,681,000
Decrease gross margin p.a. during the projection period	N/A	N/A	10.53%
Increase post-tax discount rate	N/A	N/A	35.92%
Increase discount lack of marketability	N/A	N/A	68.91%
<b>As at December 31, 2021</b>			
Decrease in revenue growth rate p.a. during the projection period	6.23%	N/A	40.86%
	3% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately		3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately
Decrease in terminal value growth rate	RMB15,648,000	N/A	RMB845,491,000
Decrease gross margin p.a. during the projection period	2.70%	N/A	9.62%
Increase post-tax discount rate	2.45%	N/A	33.02%
Increase discount lack of marketability	16.68%	N/A	69.33%
<b>As at December 31, 2022</b>			
Decrease in revenue growth rate p.a. during the projection period	5.80%	N/A	39.51%
	2.5% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately		2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately
Decrease in terminal value growth rate	RMB11,665,000	N/A	RMB560,174,000
Decrease gross margin p.a. during the projection period	2.99%	N/A	9.07%
Increase post-tax discount rate	2.38%	N/A	33.35%
Increase discount lack of marketability	18.23%	N/A	73.71%

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	<b>Freshly brewed beverage vending machine business</b>	<b>Karaoke booth services business</b>	<b>Other vending machine business</b>
<b>As at June 30, 2023</b>			
Decrease in revenue growth rate p.a. during the projection period	5.31%	N/A	42.17%
	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately		2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately
Decrease in terminal value growth rate	RMB12,496,000	N/A	RMB555,194,000
Decrease gross margin p.a. during the projection period	3.02%	N/A	9.11%
Increase post-tax discount rate	2.34%	N/A	44.87%
Increase discount lack of marketability	17.01%	N/A	76.58%

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, management of the Group believes that any reasonably possible change in key assumptions of the fair value less cost of disposals would not cause the carrying amount to exceed the recoverable amount of the other vending machine business CGU. As at December 31, 2019, 2021 and 2022 and June 30, 2023, adverse changes in key assumptions applied in the sensitivity analysis would cause impairment loss of the freshly brewed beverage vending machine business CGU. As at December 31, 2019, adverse changes in key assumptions applied in the sensitivity analysis would cause impairment loss of the karaoke booth services business CGU.

**The Company**

	<b>Goodwill RMB'000</b>	<b>Internally generated software RMB'000</b>	<b>Purchased software RMB'000</b>	<b>Total RMB'000</b>
<b>As at January 1, 2019</b>				
Cost	11,476	34,594	6,510	52,580
Accumulated amortization	–	(7,203)	(5,640)	(12,843)
Net book amount	<u>11,476</u>	<u>27,391</u>	<u>870</u>	<u>39,737</u>
<b>Year ended December 31, 2019</b>				
Opening net book amount	11,476	27,391	870	39,737
Addition	–	–	1,838	1,838
Amortization charge	–	(3,429)	(392)	(3,821)
Impairment provision	–	(591)	–	(591)
Closing net book amount	<u>11,476</u>	<u>23,371</u>	<u>2,316</u>	<u>37,163</u>
<b>As at December 31, 2019</b>				
Cost	11,476	34,594	8,348	54,418
Accumulated amortization	–	(10,632)	(6,032)	(16,664)
Accumulated impairment	–	(591)	–	(591)
Net book amount	<u>11,476</u>	<u>23,371</u>	<u>2,316</u>	<u>37,163</u>

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	<b>Goodwill</b> <i>RMB'000</i>	<b>Internally generated software</b> <i>RMB'000</i>	<b>Purchased software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended December 31, 2020</b>				
Opening net book amount	11,476	23,371	2,316	37,163
Addition	–	–	3,679	3,679
Amortization charge	–	(3,115)	(957)	(4,072)
Impairment provision	–	(7,714)	–	(7,714)
Closing net book amount	<u>11,476</u>	<u>12,542</u>	<u>5,038</u>	<u>29,056</u>
<b>As at December 31, 2020</b>				
Cost	11,476	34,594	12,027	58,097
Accumulated amortization	–	(13,746)	(6,989)	(20,735)
Accumulated impairment	–	(8,306)	–	(8,306)
Net book amount	<u>11,476</u>	<u>12,542</u>	<u>5,038</u>	<u>29,056</u>
<b>Year ended December 31, 2021</b>				
Opening net book amount	11,476	12,542	5,038	29,056
Amortization charge	–	(2,043)	(1,079)	(3,122)
Closing net book amount	<u>11,476</u>	<u>10,499</u>	<u>3,959</u>	<u>25,934</u>
<b>As at December 31, 2021</b>				
Cost	11,476	34,594	12,027	58,097
Accumulated amortization	–	(15,789)	(8,068)	(23,857)
Accumulated impairment	–	(8,306)	–	(8,306)
Net book amount	<u>11,476</u>	<u>10,499</u>	<u>3,959</u>	<u>25,934</u>
<b>Year ended December 31, 2022</b>				
Opening net book amount	11,476	10,499	3,959	25,934
Amortization charge	–	(1,820)	(1,050)	(2,870)
Closing net book amount	<u>11,476</u>	<u>8,679</u>	<u>2,909</u>	<u>23,064</u>
<b>As at December 31, 2022</b>				
Cost	11,476	34,594	12,027	58,097
Accumulated amortization	–	(17,609)	(9,118)	(26,727)
Accumulated impairment	–	(8,306)	–	(8,306)
Net book amount	<u>11,476</u>	<u>8,679</u>	<u>2,909</u>	<u>23,064</u>
<i>(Unaudited)</i>				
<b>Six months ended June 30, 2022</b>				
Opening net book amount	11,476	10,499	3,959	25,934
Amortisation charge	–	(910)	(525)	(1,435)
Closing net book amount	<u>11,476</u>	<u>9,589</u>	<u>3,434</u>	<u>24,499</u>

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	<b>Goodwill</b> <i>RMB'000</i>	<b>Internally generated software</b> <i>RMB'000</i>	<b>Purchased software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at June 30, 2022</b>				
Cost	11,476	34,594	12,027	58,097
Accumulated amortization	–	(16,699)	(8,593)	(25,292)
Accumulated impairment	–	(8,306)	–	(8,306)
Net book amount	<u>11,476</u>	<u>9,589</u>	<u>3,434</u>	<u>24,499</u>
<b>Six months ended June 30, 2023</b>				
Opening net book amount	11,476	8,679	2,909	23,064
Amortisation charge	–	(910)	(475)	(1,385)
Closing net book amount	<u>11,476</u>	<u>7,769</u>	<u>2,434</u>	<u>21,679</u>
<b>As at June 30, 2023</b>				
Cost	11,476	34,594	12,027	58,097
Accumulated amortization	–	(18,519)	(9,593)	(28,112)
Accumulated impairment	–	(8,306)	–	(8,306)
Net book amount	<u>11,476</u>	<u>7,769</u>	<u>2,434</u>	<u>21,679</u>

**19 INVESTMENTS IN SUBSIDIARIES**

**The Company**

	<b>2019</b> <i>RMB'000</i>	<b>As at December 31,</b>			<b>As at June 30,</b>
		<b>2020</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Investment in subsidiaries	432,864	519,428	569,428	579,428	601,075
Less: provision for impairment	–	(180,697)	(180,697)	(180,697)	(180,697)
	<u>432,864</u>	<u>338,731</u>	<u>388,731</u>	<u>398,731</u>	<u>420,378</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Company recognized impairment of RMB180,697,000 on investment in a subsidiary which holds the subsidiaries that operate freshly brewed beverage vending machine and karaoke booth service business.

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**20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**The Group**

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2023
Investment in a joint venture (a)	3,918	2,755	1,404	2,615	2,595
Investment in associates (b)	50,655	58,268	75,053	60,087	56,286
	<u>54,573</u>	<u>61,023</u>	<u>76,457</u>	<u>62,702</u>	<u>58,881</u>

**(a) Investments in a joint venture**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/period	–	3,918	2,755	1,404	1,404	2,615
Addition	4,000	–	–	1,500	1,500	–
Share of loss of a joint venture	(82)	(1,163)	(1,351)	(289)	(257)	(20)
At the end of the year/period	<u>3,918</u>	<u>2,755</u>	<u>1,404</u>	<u>2,615</u>	<u>2,647</u>	<u>2,595</u>

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the joint venture of the Group, which was accounted for using equity method, was as follows:

Company Name	Place of incorporation and operation	Principal activities	Proportion of equity interests held by the Group				As at June 30, 2023	As at the date of this report
			As at December 31,					
			2019	2020	2021	2022		
Shijia Youchang Technology Co., Ltd. (“Shijia Youchang”)	PRC	Computer software and hardware developer	40%	40%	40%	40%	40%	40%

In August 2019, the Group signed a joint venture agreement with Yishiteng Technology Co., Ltd. (“Yishiteng”) and Wuxi shijiayouchang enterprise management partnership (limited partnership) (“Wuxi shijiayouchang”), which is jointly managed by the Group and Yishiteng with each shareholder holds 40%, 40% and 20% equity interest, respectively. The Group, Yishiteng and Wuxi shijiayouchang designated 2 directors, 2 directors and 1 director respectively. Shijia Youchang is regarded as joint venture, jointly controlled by the Group and Yishiteng and accounted for using the equity method because, according to the articles of association and joint venture agreements, the relevant business decisions shall be approved by more than two thirds of all directors which must include the approval from at least one director designated from the Group and one director designated from Yishiteng.

Based on the impairment assessment performed by the Group, the recoverable amount of investment in Shijia Youchang as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 was higher than the respective carrying amount of the investment, and the directors of the Company accordingly considered that there was no impairment in the carrying values of the Group’s investments in Shijia Youchang.

The directors of the Company considered that the joint venture was insignificant to the Group.



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As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, there were no material contingent liabilities relating to the Group’s interests in the joint venture.

**(b) Investments in associates**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
At the beginning of the year/period	81,818	51,881	59,494	76,279	76,279	61,313
Additions (i)	20,822	40,000	19,526	–	–	–
Disposals (ii)	(6,905)	(30,078)	–	–	–	–
Share of loss of associates	(7,087)	(2,309)	(2,741)	(14,966)	(4,529)	(3,801)
Transfer to investment in subsidiaries (Note 33)	(36,767)	–	–	–	–	–
At the end of the year/period	51,881	59,494	76,279	61,313	71,750	57,512
Impairment (iii)	(1,226)	(1,226)	(1,226)	(1,226)	(1,226)	(1,226)
	<u>50,655</u>	<u>58,268</u>	<u>75,053</u>	<u>60,087</u>	<u>70,524</u>	<u>56,286</u>

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the associates of the Group, which were accounted for using equity method, were as follows:

Company Name	Place of incorporation and operation	Principal activities	Registered/ issued capital ('000)	Proportion of equity interests held by the Group				As at the date of this report	
				As at December 31,					
				2019	2020	2021	2022	As at June 30, 2023	
Hainan Youyou Coconut (ii)	PRC	Operation of unmanned retail machine	RMB75,000	40.00%	N/A	N/A	N/A	N/A	N/A
Chengdu Piaoxiang Wine Shopkeeper Technology Co., Ltd	PRC	Software development and technical services	RMB5,000	30.00%	30.00%	30.00%	N/A	N/A	N/A
Shenzhen Youyiku Network Technology Co., Ltd	PRC	Internet and related services	RMB5,000	25.00%	N/A	N/A	N/A	N/A	N/A
Beijing Ugobao Technology Co., Ltd	PRC	Software development and technical services	RMB5,000	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Shenzhen Jiejie Umbrella Technology Co., Ltd (iii)	PRC	Umbrella-sharing	RMB1,000	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%
JR Vending Pte. Ltd. (i)	Singapore	Operation of unmanned retail machine	SGD4,643	43.48%	43.48%	60.61%	60.61%	60.61%	60.61%
Hangzhou Penguin Technology Co., Ltd. (i)	PRC	Operation of unmanned retail machine	RMB14,556	N/A	14.12%	14.12%	14.12%	14.12%	14.12%

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- (i) In September 2019, the Group entered into an agreement with the shareholders of JR Vending Pte. Ltd (“JR Vending”) to subscribe for 43.48% of its equity interest at a cash consideration of SGD4,000,000 (equivalent to approximately RMB20,822,000). JR Vending is accounted as an associate due to having one board representative out of four as at December 31, 2019 and 2020. In March 2021, the Group made an additional investment in JR Vending at a cash consideration of approximately SGD4,000,000 (equivalent to approximately RMB19,526,000). Upon completion of this additional investment, the Group’s equity interest in JR Vending increased from 43.48% to 60.61%, and the Group had right to assign two board representatives out of five, JR Vending was accounted for using the equity method as an associate of the Group as at December 31, 2021.

In November 2020, the Group entered into an agreement with Hangzhou Penguin Technology Co., Ltd. (“Hangzhou Penguin”) to subscribe for 14.12% of its equity interest at a cash consideration of RMB40,000,000. It is accounted as an associate due to representation in the board of directors.

- (ii) In July 2019, the Group disposed the equity interest of Wuhan Shenbang Vending Machine Co., Ltd, an associate of the Group, at a cash consideration of RMB3,700,000, which caused a disposal loss of RMB3,205,000.

In September 2020, Hainan Youyou Coconut was deregistered and the Group received the return of the investment cost of RMB30,000,000.

In December 2020, Shenzhen Youyiku Network Technology Co., Ltd was deregistered and the Group received the return of the investment cost of RMB78,000.

- (iii) Prior to the Track Record Period, the management of the Group made full impairment of RMB1,226,000 on the investment in Shenzhen Jiejie Umbrella Technology Co., Ltd, due to the deterioration of operation performance.

The Group performed impairment assessments on all investments in associates except for the investment in Shenzhen Jiejie Umbrella Technology Co., Ltd, which was fully impaired prior to the Track Record Period. Based on the assessment, the recoverable amount of investments in associates as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 were higher than the respective carrying amounts of the investments, and the directors of the Company accordingly considered that there were no further impairment in the carrying values of the Group’s investments in associates.

The directors of the Company considered that none of the associates was significant to the Group and the aggregate financial information of the associates was disclosed as follows:

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	June 30,	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of individually immaterial associates	50,655	58,268	75,053	60,087	70,524	56,286
Aggregate amounts of the Group’s share of:						
Loss for the year/period	(7,087)	(2,309)	(2,741)	(14,966)	(4,529)	(3,801)
Total comprehensive income	<u>(7,087)</u>	<u>(2,309)</u>	<u>(2,741)</u>	<u>(14,966)</u>	<u>(4,529)</u>	<u>(3,801)</u>

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, there were no material contingent liabilities relating to the Group’s interests in the associates.

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	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2023</b>
					<i>RMB’000</i>
Investments in a joint venture	3,918	2,755	1,404	2,615	2,595
Investments in an associate	20,577	18,474	35,113	31,674	29,272
	<u>24,495</u>	<u>21,229</u>	<u>36,517</u>	<u>34,289</u>	<u>31,867</u>

**21 FINANCIAL INSTRUMENTS BY CATEGORY**

**The Group**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2023</b>
					<i>RMB’000</i>
<b>Financial assets</b>					
Financial assets at amortized cost					
Trade receivables ( <i>Note 24</i> )	330,388	161,174	120,333	54,693	64,144
Deposits and other receivables (excluding deductible input value-added tax) ( <i>Note 24</i> )	527,184	283,522	177,462	89,227	92,996
Cash and cash equivalents and restricted cash ( <i>Note 25</i> )	222,347	191,015	174,886	130,913	272,611
	<u>1,079,919</u>	<u>635,711</u>	<u>472,681</u>	<u>274,833</u>	<u>429,751</u>
Financial assets at FVPL ( <i>Note</i> <i>22</i> )	382,486	166,818	32,800	36,100	34,500
	<u>1,462,405</u>	<u>802,529</u>	<u>505,481</u>	<u>310,933</u>	<u>464,251</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost					
Trade payables ( <i>Note 30</i> )	261,297	168,523	250,093	214,666	234,585
Other payables and accruals (excluding salaries payables, other taxes payables) ( <i>Note</i> <i>31</i> )	209,856	179,778	164,967	115,836	157,089
Borrowings ( <i>Note 32</i> )	31,000	90,844	60,980	70,000	89,050
Lease liabilities ( <i>Note 17</i> )	408,949	238,558	118,568	59,677	44,240
	<u>911,102</u>	<u>677,703</u>	<u>594,608</u>	<u>460,179</u>	<u>524,964</u>

The Group’s exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

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**The Company**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB'000</i>	<b>2020</b>	<b>2021</b>	<i>RMB'000</i>	<b>June 30,</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
<b>Financial assets</b>					
Financial assets at amortized cost					
Trade receivables ( <i>Note 24</i> )	549,209	642,549	906,274	1,275,951	1,417,588
Deposits and other receivables (excluding deductible input value-added tax) ( <i>Note 24</i> )	1,617,183	1,128,773	771,621	611,852	565,877
Cash and cash equivalents ( <i>Note 25</i> )	80,692	45,491	39,103	1,982	11,228
	<u>2,247,084</u>	<u>1,816,813</u>	<u>1,716,998</u>	<u>1,889,785</u>	<u>1,994,693</u>
Financial assets at FVPL ( <i>Note 22</i> )	187,174	88,114	–	–	–
	<u>2,434,258</u>	<u>1,904,927</u>	<u>1,716,998</u>	<u>1,889,785</u>	<u>1,994,693</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost					
Trade payables ( <i>Note 30</i> )	89,159	6,862	79,339	136,652	153,964
Other payables and accruals (excluding salaries payables, other taxes payables) ( <i>Note 31</i> )	523,153	270,213	193,072	225,611	250,916
Lease liabilities ( <i>Note 17</i> )	335,819	188,501	76,848	15,292	8,059
	<u>948,131</u>	<u>465,576</u>	<u>349,259</u>	<u>377,555</u>	<u>412,939</u>

**22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

**The Group**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB'000</i>	<b>2020</b>	<b>2021</b>	<i>RMB'000</i>	<b>June 30,</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
Investments in wealth management products ( <i>a</i> )	336,866	132,078	–	–	–
Investments in unlisted equity securities ( <i>b</i> )	45,620	34,740	32,800	36,100	34,500
	<u>382,486</u>	<u>166,818</u>	<u>32,800</u>	<u>36,100</u>	<u>34,500</u>
Less: non-current portion					
Investments in wealth management products ( <i>a</i> )	50,232	–	–	–	–
Investments in unlisted equity securities ( <i>b</i> )	45,620	34,740	32,800	36,100	34,500
	<u>286,634</u>	<u>132,078</u>	<u>–</u>	<u>–</u>	<u>–</u>

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**The Company**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2023</b>
					<i>RMB’000</i>
Investments in wealth management products (a)	186,584	88,114	–	–	–
Investments in unlisted equity securities (b)	590	–	–	–	–
	<u>187,174</u>	<u>88,114</u>	<u>–</u>	<u>–</u>	<u>–</u>
Less: non-current portion Investments in unlisted equity securities (b)	590	–	–	–	–
	<u>186,584</u>	<u>88,114</u>	<u>–</u>	<u>–</u>	<u>–</u>

**(a) Investment in wealth management products**

Movements in investment in wealth management products were as follows:

**The Group**

	<b>Year ended December 31,</b>				<b>Six months ended</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
At the beginning of the year/period	400,066	336,866	132,078	–	–	–
Acquisitions	2,475,000	423,000	240,000	70,000	40,000	20,000
Disposals	(2,540,478)	(632,407)	(372,078)	(70,000)	(40,000)	(20,000)
Interest received	(5,135)	(6,298)	(1,242)	(173)	(44)	(69)
Interest income	5,135	6,298	1,242	173	44	69
Changes in fair value (Note 9)	2,278	4,619	–	–	–	–
	<u>336,866</u>	<u>132,078</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

**The Company**

	<b>Year ended December 31,</b>				<b>Six months ended</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
At the beginning of the year/period	200,032	186,584	88,114	–	–	–
Acquisitions	1,170,000	230,000	130,000	–	–	–
Disposals	(1,185,032)	(331,985)	(218,114)	–	–	–
Interest received	(2,939)	(916)	(1,242)	–	–	–
Interest income	2,939	916	1,242	–	–	–
Changes in fair value	1,584	3,515	–	–	–	–
	<u>186,584</u>	<u>88,114</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Changes in fair value of these financial assets are recognized in “other gains” in the consolidated statements of comprehensive income. The fair value estimation is disclosed in Note 3.3 for details.

**(b) Investments in unlisted equity securities**

The Group’s and the Company’s investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies. The fair value estimation is disclosed in Note 3.3 for details.

Movements of investments in unlisted equity securities included in financial assets at FVPL were as follows:

**The Group**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					<i>(Unaudited)</i>	
At the beginning of the year/period	15,750	45,620	34,740	32,800	32,800	36,100
Acquisitions	33,000	15,000	–	–	–	–
Disposals	–	(3,003)	–	–	–	–
Changes in fair value (Note 9)	(3,130)	(22,877)	(1,940)	3,300	3,400	(1,600)
At the end of the year/period	<u>45,620</u>	<u>34,740</u>	<u>32,800</u>	<u>36,100</u>	<u>36,200</u>	<u>34,500</u>

**The Company**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					<i>(Unaudited)</i>	
At the beginning of the year/period	600	590	–	–	–	–
Changes in fair value (Note 9)	(10)	(590)	–	–	–	–
At the end of the year/period	<u>590</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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**23 INVENTORIES**

**The Group**

	<b>2019</b> <i>RMB’000</i>	<b>As at December 31,</b>		<b>2022</b> <i>RMB’000</i>	<b>As at</b>
		<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>		<b>June 30,</b>
					<b>2023</b> <i>RMB’000</i>
Raw materials	55,838	57,865	61,294	52,753	43,987
Merchandise	95,516	75,135	117,730	92,366	83,025
Machines held for sale	82,334	73,605	53,509	43,253	37,545
Less: provision for impairment on raw materials	–	(8,258)	(8,258)	(8,214)	(8,211)
provision for impairment on machines held for sale (a)	(2,530)	(48,184)	(37,496)	(36,271)	(29,512)
	<u>231,158</u>	<u>150,163</u>	<u>186,779</u>	<u>143,887</u>	<u>126,834</u>

- (a) During the year ended December 31, 2020, the Group made impairment on inventories related to karaoke booths, orange juice machines, coconut juice machines and other vending machines held for sale due to the out-break of COVID-19 epidemic.

The analysis of the amount of inventories recognized as cost and included in profit or loss of the Group is as follows:

	<b>Year ended December 31,</b>				<b>Six months ended</b>	
	<b>2019</b> <i>RMB’000</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>June 30,</b>	<b>2023</b> <i>RMB’000</i>
					<i>(Unaudited)</i>	
Cost of inventories sold (Note 7)	1,256,210	1,058,640	1,466,389	1,368,474	597,483	720,726
Provision of impairment	2,530	53,912	–	–	–	–
	<u>1,258,740</u>	<u>1,112,552</u>	<u>1,466,389</u>	<u>1,368,474</u>	<u>597,483</u>	<u>720,726</u>

**The Company**

	<b>2019</b> <i>RMB’000</i>	<b>As at December 31,</b>		<b>2022</b> <i>RMB’000</i>	<b>As at</b>
		<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>		<b>June 30,</b>
					<b>2023</b> <i>RMB’000</i>
Raw materials	46,590	49,221	53,952	44,877	41,325
Merchandise	1,392	1,672	1,558	1,544	22
Machines held for sale	57,798	55,338	48,226	39,422	29,479
Less: provision for impairment on raw materials (a)	–	(6,085)	(6,085)	(6,085)	(6,085)
provision for impairment on machines held for sale (a)	(2,530)	(34,271)	(34,271)	(34,246)	(25,853)
	<u>103,250</u>	<u>65,875</u>	<u>63,380</u>	<u>45,512</u>	<u>38,888</u>

- (a) During the year ended December 31, 2020, the Company made impairment on inventories related to karaoke booths, orange juice machines, coconut juice machines and other vending machines held for sale due to the out-break of COVID-19 epidemic.

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**24 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

**The Group**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<b>RMB'000</b>	<b>2020</b>	<b>2021</b>	<b>RMB'000</b>	<b>June 30,</b>
		<b>RMB'000</b>	<b>RMB'000</b>		<b>2023</b>
					<b>RMB'000</b>
Trade receivables	361,990	200,654	144,477	77,443	75,918
Less: Allowance for impairment (Note 3.1(b))	<u>(31,602)</u>	<u>(39,480)</u>	<u>(24,144)</u>	<u>(22,750)</u>	<u>(11,774)</u>
Trade receivables – net (a)	<u>330,388</u>	<u>161,174</u>	<u>120,333</u>	<u>54,693</u>	<u>64,144</u>
Prepayments for purchase of machines	68,578	96,642	100,105	167,106	196,143
Prepayments for POSs expenses	111,846	25,416	31,298	26,242	22,606
Prepayments for purchase of inventories	56,368	55,801	65,589	38,802	26,525
Prepayments for [REDACTED] expenses	–	–	1,548	2,497	4,423
Others	<u>17,631</u>	<u>10,741</u>	<u>16,225</u>	<u>15,293</u>	<u>4,281</u>
Prepayments	<u>254,423</u>	<u>188,600</u>	<u>214,765</u>	<u>249,940</u>	<u>253,978</u>
Advances to a shareholder (i)	246,010	46,435	–	–	–
Advances to and receivables from business partners (ii)	80,017	103,055	78,594	59,268	68,723
Deposits (iii)	136,654	107,335	68,618	49,934	49,833
Advances to staffs	60,192	37,170	25,131	5,404	4,348
Deductible input value-added tax	97,611	66,416	34,505	26,453	23,438
Amount due from POS partners (iv)	19,814	39,663	71,289	36,135	26,152
Others	8,563	5,769	14,043	10,461	8,415
Less: Allowance for impairment of deposits and other receivables (b)	<u>(24,066)</u>	<u>(55,905)</u>	<u>(80,213)</u>	<u>(71,975)</u>	<u>(64,475)</u>
Deposits and other receivables – net	<u>624,795</u>	<u>349,938</u>	<u>211,967</u>	<u>115,680</u>	<u>116,434</u>
Trade receivables, prepayments, deposits and other receivables	1,209,606	699,712	547,065	420,313	434,556
Less: Non-current portion					
– Trade receivables	(26,754)	(4,499)	(49)	–	–
– Prepayment and other receivables	<u>(79,317)</u>	<u>(135,551)</u>	<u>(123,285)</u>	<u>(177,106)</u>	<u>(196,143)</u>
Current portion	<u>1,103,535</u>	<u>559,662</u>	<u>423,731</u>	<u>243,207</u>	<u>238,413</u>



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The Company

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2023
					RMB’000
Trade receivables					
– Amounts due from subsidiaries	545,661	643,512	907,416	1,279,347	1,431,078
– Amounts due from third parties	10,900	6,499	1,556	322	360
Total	556,561	650,011	908,972	1,279,669	1,431,438
Less: Allowance for impairment	(7,352)	(7,462)	(2,698)	(3,718)	(13,850)
Trade receivables – net (a)	549,209	642,549	906,274	1,275,951	1,417,588
Prepayments for purchase of machines	52,865	90,302	97,436	167,105	196,088
Prepayments for purchase of inventories	13,315	209	30	–	–
Prepayments for POSs expenses	–	39	3,452	–	–
Prepayments for [REDACTED] expenses	–	–	1,548	2,497	4,423
Others	2,453	3,562	4,520	90	83
Prepayments	68,633	94,112	106,986	169,692	200,594
Amount due from subsidiaries	1,309,265	1,057,271	755,440	607,906	562,909
Advances to a shareholder (i)	246,010	46,435	–	–	–
Deposits (iii)	52,560	22,200	16,305	4,223	3,190
Advances to staffs	3,424	4,654	295	133	175
Deductible input value-added tax	48,732	37,953	8,156	13,127	11,197
Amount due from POS partners (iv)	8,547	1,251	375	129	130
Others	66	448	268	139	88
Less: Allowance for impairment of deposits and other receivables	(2,689)	(3,486)	(1,062)	(678)	(615)
Deposits and other receivables – net (b)	1,665,915	1,166,726	779,777	624,979	577,074
Trade receivables, prepayments, deposits and other receivables	2,283,757	1,903,387	1,793,037	2,070,622	2,195,256
Less: Non-current portion					
– Trade receivables	(91)	–	–	–	–
– Prepayment and other receivables	(65,674)	(127,979)	(116,733)	(167,105)	(196,088)
Current portion	2,217,992	1,775,408	1,676,304	1,903,517	1,999,168

- (i) During the years ended December 31, 2019, 2020 and 2021, the Company entered into agreements with a shareholder to advance RMB408,410,000, RMB11,800,000 and RMB13,701,000 respectively to this shareholder for the purpose of facilitating her purchase of the shares of the Company, which is interest-free and repayable on demand, and received a repayment of RMB162,400,000, RMB2,225,000 and RMB58,368,000 respectively from this shareholder.

The balance of advances to this shareholder amounted to RMB246,010,000, RMB46,435,000 and nil, and were pledged by numbers of approximated 14,318,000, 188,000 and nil shares of the Company held by this shareholder respectively as at December 31, 2019, 2020 and 2021.

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During the years ended December 31, 2020 and 2021, for exercising the share options of the Company, this shareholder transferred total 22,438,106 shares to the Participants or their employee shareholder platforms and received the consideration of RMB2,225,000 and RMB19,000 respectively from the Participants or their employee shareholder platforms, the remaining consideration of RMB209,150,000 and RMB1,768,000 respectively were subsequently settled by deducting the balance of advances to this shareholder (Note 28).

- (ii) As at December 31, 2019, 2020, 2021 and 2022, advances to and receivables from business partners were interest-free, unsecured and repayable on demand. As at June 30, 2023, except for an advance to an associate amounting to RMB9,000,000 was interest-bearing at interest rate of 2.25% and due within one year, other advances to and receivables from business partners were interest-free, unsecured and repayable on demand.
- (iii) Deposits mainly include the deposits paid to the POSs providers for the vending machines according to the relevant contracts, and the rental deposits for the rental of machines and others assets, which will be refunded to the Group upon the completion of the relevant contracts.
- (iv) Amount due from POS partners represent advanced costs for developing POSs paid by the Group, which would be deducted from their share of income and typically to be settled on a monthly basis.

**(a) Trade receivables**

Trade receivables mainly arise from wholesales, sales of vending machines and advertising and system support services and others. Customers are generally granted credit terms of 30 to 180 days. The aging analysis of trade receivables based on merchandise and services delivery date or invoice date is as follows:

**The Group**

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
0 to 3 months	166,164	72,803	77,047	31,530	39,947
3 to 6 months	17,532	15,063	3,352	9,377	7,690
6 to 12 months	80,441	46,092	11,276	10,721	9,976
1 to 2 years	52,384	32,921	37,120	7,059	9,370
2 to 3 years	29,044	19,071	10,764	9,645	2,906
3 to 4 years	12,864	5,484	2,836	5,890	3,384
Over 4 years	3,561	9,220	2,082	3,221	2,645
	<u>361,990</u>	<u>200,654</u>	<u>144,477</u>	<u>77,443</u>	<u>75,918</u>

**The Company**

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
0 to 3 months	109,219	129,949	186,445	294,509	290,129
3 to 6 months	27,649	175,945	220,670	327,258	249,405
6 to 12 months	63,358	342,613	500,301	657,579	594,640
1 to 2 years	351,543	266	52	6	296,941
2 to 3 years	3,554	-	266	52	6
3 to 4 years	1,238	-	-	265	52
Over 4 years	-	1,238	1,238	-	265
	<u>556,561</u>	<u>650,011</u>	<u>908,972</u>	<u>1,279,669</u>	<u>1,431,438</u>

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As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, trade receivables were mainly denominated in RMB.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The Group applies the simplified approach to provide for ECL on trade receivables (Note 3.1). The movements on the Group’s and Company’s allowance for impairment of trade receivables are disclosed in Note 3.1.

(b) Movements on the Group’s allowance for impairment of other receivables are as follows:

**The Group**

	Year ended December 31,				Six months ended June 30,	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (Unaudited)	2023 RMB’000
At the beginning of the year/period	26,840	24,066	55,905	80,213	80,213	71,975
Impairment provision	–	36,260	24,308	4,660	5,364	–
Reversal of impairment provision	(948)	–	–	–	(3,221)	(1,529)
Write-off of uncollectable debts	(1,826)	(4,145)	–	(12,890)	–	(5,971)
Disposal of subsidiaries	–	(276)	–	(8)	(8)	–
At the end of the year/period	<u>24,066</u>	<u>55,905</u>	<u>80,213</u>	<u>71,975</u>	<u>82,348</u>	<u>64,475</u>

**The Company**

	Year ended December 31,				Six months ended June 30,	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (Unaudited)	2023 RMB’000
At the beginning of the year/period	3,281	2,689	3,486	1,062	1,062	678
Impairment provision	–	1,342	–	1,079	1,208	–
Reversal of impairment provision	(592)	–	(2,424)	(1,463)	(419)	(63)
Write-off of impairment	–	(545)	–	–	–	–
At the end of the year/period	<u>2,689</u>	<u>3,486</u>	<u>1,062</u>	<u>678</u>	<u>1,851</u>	<u>615</u>

**25 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**The Group**

	As at December 31,				As at June 30,
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2023 RMB’000
Cash at bank and on hand (a)	222,347	191,015	174,886	130,913	272,611
Less: Restricted cash	–	–	(2,500)	(2,735)	(3,126)
Cash and cash equivalents	<u>222,347</u>	<u>191,015</u>	<u>172,386</u>	<u>128,178</u>	<u>269,485</u>

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As at December 31, 2021, RMB2,500,000 restricted deposits were held at bank as guarantee for letters of credit. As at December 31, 2022, RMB2,500,000 restricted deposits were held at bank as guarantee for letters of credit and RMB235,000 restricted deposits were held at bank as guarantee for a pending litigation. As at June 30, 2023, RMB2,500,000 restricted deposits were held at bank as guarantee for letters of credit and RMB626,000 restricted deposits were held at bank as guarantee for a pending litigation and due to other administrative reason.

**The Company**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>		<b>2023</b>
					<i>RMB’000</i>
Cash at bank and on hand (a)	80,692	45,491	39,103	1,982	11,228

(a) Cash at bank and on hand was denominated in the following currencies:

**The Group**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>		<b>2023</b>
					<i>RMB’000</i>
RMB	222,330	191,015	174,886	130,913	272,611
USD	17	–	–	–	–
	<u>222,347</u>	<u>191,015</u>	<u>174,886</u>	<u>130,913</u>	<u>272,611</u>

**The Company**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>		<b>2023</b>
					<i>RMB’000</i>
RMB	80,692	45,491	39,103	1,982	11,228

**26 SHARE CAPITAL**

	<b>Number of</b>	<b>Share capital</b>
	<b>ordinary shares</b>	<b>RMB’000</b>
<b>Issued and fully paid</b>		
<b>As at January 1, 2019</b>	630,943,144	630,943
Issuance of new ordinary shares (a)	<u>126,315,789</u>	<u>126,316</u>
<b>As at December 31, 2019</b>	<u>757,258,933</u>	<u>757,259</u>
<b>As at January 1, 2020 and December 31, 2020</b>	<u>757,258,933</u>	<u>757,259</u>
<b>As at January 1, 2021 and December 31, 2021</b>	<u>757,258,933</u>	<u>757,259</u>

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	Number of ordinary shares	Share capital <i>RMB’000</i>
<b>As at January 1, 2022 and December 31, 2022</b>	<u>757,258,933</u>	<u>757,259</u>
<b>As at January 1, 2023 and June 30, 2023</b>	<u>757,258,933</u>	<u>757,259</u>

(a) In August 2019, the Company issued 126,315,789 new shares at the price of RMB9.5 per share to Shanghai Yunxin Venture Capital Co., Ltd (“Shanghai Yunxin”), and raised a total subscription price of approximately RMB1,200,000,000 in which RMB126,316,000 was included in the share capital, and RMB1,069,242,000 was included in the capital reserves after deducting the issuance cost.

**27 RESERVES**

**The Group**

	Share premium <i>RMB’000</i>	Exchange reserves <i>RMB’000</i>	Other reserves <i>RMB’000</i>	Total reserves <i>RMB’000</i>
<b>As at January 1, 2019</b>	654,321	(3)	(108,646)	545,672
Issuance of new ordinary shares <i>(Note 26)</i>	1,069,242	–	–	1,069,242
Acquisitions of non-controlling interests <i>(a)</i>	–	–	886	886
Transfer of repurchased shares <i>(b)</i>	–	–	150,000	150,000
Currency translation differences	–	1	–	1
<b>As at December 31, 2019</b>	<u>1,723,563</u>	<u>(2)</u>	<u>42,240</u>	<u>1,765,801</u>
<b>As at January 1, 2020</b>	1,723,563	(2)	42,240	1,765,801
Share-based compensation expenses <i>(Note 28)</i>	–	–	210,918	210,918
Exercise of the share options of the Company <i>(Note 28)</i>	–	–	(209,150)	(209,150)
Currency translation differences	–	2	–	2
<b>As at December 31, 2020</b>	<u>1,723,563</u>	<u>–</u>	<u>44,008</u>	<u>1,767,571</u>
<b>As at January 1, 2021</b>	1,723,563	–	44,008	1,767,571
Share-based compensation expenses due to equity transactions <i>(Note 14(f))</i>	–	–	1,500	1,500
Exercise of the share options of the Company <i>(Note 28)</i>	–	–	(1,768)	(1,768)
Transaction with non-controlling interests <i>(c)</i>	–	–	(1,386)	(1,386)
<b>As at December 31, 2021</b>	<u>1,723,563</u>	<u>–</u>	<u>42,354</u>	<u>1,765,917</u>
<b>As at January 1, 2022 and December 31, 2022</b>	<u>1,723,563</u>	<u>–</u>	<u>42,354</u>	<u>1,765,917</u>

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	<b>Share premium RMB’000</b>	<b>Exchange reserves RMB’000</b>	<b>Other reserves RMB’000</b>	<b>Total reserves RMB’000</b>
<i>(Unaudited)</i>				
<b>As at January 1, 2022 and June 30, 2022</b>	1,723,563	–	42,354	1,765,917
<b>As at January 1, 2023</b>	1,723,563	–	42,354	1,765,917
Share-based compensation expenses ( <i>Note 28</i> )	–	–	49,527	49,527
<b>As at June 30, 2023</b>	1,723,563	–	91,881	1,815,444

- (a) In June 2019, the Group acquired 28.49% equity interests of a subsidiary, Tianjin Youchuangbao Technology Co., Ltd, from a non-controlling interests. The difference of RMB886,000 between the consideration and the carrying amount of the non-controlling interests was recognized as reserve.
- (b) In November 2018, the shareholder meeting of the Company approved the Company delist on the NEEQ. In December 2018, the Company paid RMB150,000,000 at the price of RMB9.5 per share for the purpose of repurchase 15,798,474 shares from a then shareholder, Beijing Kaibao Investment Center (L.P.) (“Beijing Kaibao”). In June 2019, the Company, Beijing Kaibao and a third party Chunhua Rongshun (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (“Chunhua capital”) entered into an agreement, pursuant to which the above 15,798,474 shares were transferred to Chunhua capital at the same price of RMB9.5 per share.
- (c) In July 2021, the Group transferred 4% and 13% equity interest in Youbao Online to Mr. Wu Mingjie and Mr Yang Ling respectively at a consideration of RMB340,000, of which RMB280,000 has been received as of December 31, 2021. The difference of RMB1,386,000 between the consideration and the carrying amount of the non-controlling interests was recognized as reserve.

**The Company**

	<b>Share premium RMB’000</b>	<b>Other reserves RMB’000</b>	<b>Total reserves RMB’000</b>
<b>As at January 1, 2019</b>	654,321	222,630	876,951
Issuance of new ordinary shares	1,069,242	–	1,069,242
Transfer of repurchased shares	–	150,000	150,000
<b>As at December 31, 2019</b>	1,723,563	372,630	2,096,193
<b>As at January 1, 2020</b>	1,723,563	372,630	2,096,193
Exercise of the share options of the Company ( <i>Note 28</i> )	–	(209,150)	(209,150)
Share-based compensation expenses ( <i>Note 28</i> )	–	210,918	210,918
<b>As at December 31, 2020</b>	1,723,563	374,398	2,097,961
<b>As at January 1, 2021</b>	1,723,563	374,398	2,097,961
Exercise of the share options of the Company ( <i>Note 28</i> )	–	(1,768)	(1,768)

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	Share premium RMB’000	Other reserves RMB’000	Total reserves RMB’000
<b>As at December 31, 2021</b>	1,723,563	372,630	2,096,193
<b>As at January 1, 2022 and December 31, 2022</b>	1,723,563	372,630	2,096,193
<i>(Unaudited)</i>			
<b>As at January 1, 2022 and June 30, 2022</b>	1,723,563	372,630	2,096,193
<b>As at January 1, 2023</b>	1,723,563	372,630	2,096,193
Share-based compensation expenses (Note 28)	–	49,527	49,527
<b>As at June 30, 2023</b>	1,723,563	422,157	2,145,720

**28 SHARE-BASED COMPENSATION**

**(a) Employee share option plan (“2020 Incentive Scheme”)**

During the year ended December 31, 2020, the directors of the Company approved the establishment of an employee share option plan (“2020 Incentive Scheme”) with the purpose of incentivizing the management members and core employees (the “Participants”) of the Group to further promote the development and in recognition of their contributions. Under the 2020 Incentive Scheme, the Group granted options to the Participants on January 23, 2020 (the “Grant Date”) to acquire up to 22,438,106 shares of the Company at a price of RMB0.10 per share.

The share options have single vesting term and are vested from the Grant Date over eleven months on the condition that the Participants remain in service. The options are exercised at RMB0.1 within one month from December 23, 2020.

Participation in the plan is at the board’s discretion and the options are granted under the plan for no consideration and carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share. Total expenses amounted to RMB210,918,000 arising from these share-based payment transactions was recognized as part of employee benefit expenses for the year ended December 31, 2020.

**Fair value of options granted**

The valuation of share options granted was undertaken by Yinxin Appraisal Company Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar share option plan. The fair value of the share of the Company for the share-based payment transactions was determined by the reference on the recent transaction price of RMB9.5 per share when the Company was invested by Shanghai Yunxin (Note 26). The price of RMB9.5 per share was a fair share price given Shanghai Yunxin is an independent third party before the investment.

The assessed fair value at Grant Date of the options under the 2020 Incentive Scheme granted was RMB9.40 per option. The fair value of the options at the Grant Date is independently determined using an adjusted form of the Binomial pricing model that takes into account the share price at grant date, the exercise price, the term of the options, risk free interest rate for the term of the options, expected price volatility of the underlying share, expected dividend yield, early exercise multiple, the impact of dilution (where material).

The model inputs for options granted under 2020 Incentive Scheme included:

- (a) options are granted at the exercise price of RMB0.1 each option and vest after 11 months from the Grant Date;
- (b) share price at Grant Date: RMB9.5;

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- (c) exercise price: RMB0.1;
- (d) Grant Date: January 23, 2020;
- (e) expiry date: December 23, 2021;
- (f) risk-free interest rate: 2.51%;
- (g) expected price volatility of the Company’s shares: 49.57%;
- (h) expected dividend yield: 0.00%;
- (i) early exercise multiple: 2.8x.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

In December 2020, to exercise the options, the Company, a shareholder of the Company and the Participants or their employee shareholder platforms entered into a series of equity transfer agreements pursuant to which the shareholder transferred total 22,438,106 shares to Participants or their employee shareholder platforms at a consideration of RMB9.5 per share, of which RMB0.1 per share would be paid by the Participants or their employee shareholder platforms, while the remaining RMB9.4 per share was undertaken and settled by the Company, which would be settled by deducting from the Company’s balance of advances to the shareholder. All of the 22,438,106 options were vested as at December 31, 2020, of which 22,250,000 options and 188,106 options were exercised and same amount of shares were transferred to the Participants or their employee shareholder platforms during the years ended December 31, 2020 and 2021 respectively. The Participants or their employee shareholder platform paid to the shareholder of RMB2,225,000 and RMB19,000 during the years ended December 31, 2020 and 2021 respectively. When the options were exercised, the amounts undertaken by the Company of RMB209,150,000 and RMB1,768,000 were recognized as reserves during the years ended December 31, 2020 and 2021 and total amounts of RMB210,918,000 was settled by the Company’s balance of advances to the shareholder subsequently (Note 34).

**(b) Employee share option plan (“Pre-[REDACTED] Incentive Scheme”)**

During the six months ended June 30, 2023, the directors of the Company approved the establishment of an employee share option plan (“Pre-[REDACTED] Incentive Scheme”) with the purpose of incentivizing the management members and core employees (the “Participants”) of the Group to further promote the development and in recognition of their contributions. Under the Pre-[REDACTED] Incentive Scheme, the Group granted options to the Participants on January 10, 2023 (the “Grant Date”) to acquire up to 37,750,000 shares of the Company at a price of RMB1.99 per share.

Subject to satisfaction of the relevant conditions of exercise, the Options shall be exercisable after the [REDACTED] in three batches, arrangement and valuation results set out as below:

Exercise period	Duration	Proportion of exercisable Share Options to the total number of Share Options granted		Number of share options	Exercise price (in RMB)	Fair value per option (in RMB)
Exercise period in respect of the first batch of the Options	For a period of 12 months commencing on the later of: (i) first trading day after the expiration of the 12-month period from the date of grant and (ii) the [REDACTED] (the “First Exercise Date”)	40%		15,100,000	1.99	4.24



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<b>Exercise period</b>	<b>Duration</b>	<b>Proportion of exercisable Share Options to the total number of Share Options granted</b>	<b>Number of share options</b>	<b>Exercise price (in RMB)</b>	<b>Fair value per option (in RMB)</b>
Exercise period in respect of the second batch of the Options	Commencing on the first trading day after the expiration of the 12-month period from the First Exercise Date and ending on the last trading day of the 24-month period from the First Exercise Date	30%	11,325,000	1.99	4.38
Exercise period in respect of the third batch of the Options	Commencing on the first trading day after the expiration of the 24-month period from the First Exercise Date and ending on the last trading day of the 36-month period from the First Exercise Date	30%	11,325,000	1.99	4.49

The shares to be issued to the Participants pursuant to the exercise of the options are subject to below lock-up restrictions where the Participants is a director, supervisor or a member of the senior management of the Company: (i) the number of shares which may be transferred by the Participants each year during his/her tenure of office shall not exceed 25% of the total number of the shares held by him/her, and (ii) the Participants shall not transfer any shares held by him/her within (a) one year from the [REDACTED] and (b) six months after his/her resignation from the positions held in the Group.

The fair value of the employee service received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g., the entity’s share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

**Fair value of options granted**

The valuation of share options granted was undertaken by Kroll (HK) Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar share option plan.

The fair value of the options at the Grant Date is independently determined using the discounted cash flow method. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the binomial model, which are summarized as below.

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The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the historical share price movement of comparable companies.

The model inputs for options granted under the Pre-[REDACTED] Incentive Scheme included:

- (a) exercise price of the option: RMB1.99;
- (b) grant date: January 10, 2023;
- (c) number of options granted: 37,750,000 shares (15,100,000 shares are the first batch, 11,325,000 shares are the second batch and 11,325,000 shares are the third batch);
- (d) vesting date: the later of January 10, 2024 and the [REDACTED] for the first batch, and the first trading day after the expiration of the 12-month period and 24-month period from the First Exercise Date for the second and third batch respectively;
- (e) expiry date: 12 months after vesting date of each batch;
- (f) life of the option: 2, 3 and 4 years for the first, second and third batch respectively;
- (g) risk-free interest rate: 2.3%-2.6%;
- (h) dividend yield: 0.0%;
- (i) expected volatility: 45.0%-50.0%.

**29 DEFERRED INCOME TAX**

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
Deferred income tax assets:					
– To be recovered after more than 12 months	26,354	23,673	16,865	17,097	22,213
– To be recovered within 12 months	<u>23,814</u>	<u>18,673</u>	<u>24,896</u>	<u>19,568</u>	<u>18,282</u>
Net deferred income tax assets	<u><u>50,168</u></u>	<u><u>42,346</u></u>	<u><u>41,761</u></u>	<u><u>36,665</u></u>	<u><u>40,495</u></u>
Deferred income tax liabilities:					
– To be recovered after more than 12 months	(1,715)	–	(1,925)	(2,050)	(2,450)
– To be recovered within 12 months	<u>(131)</u>	<u>(1,596)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net deferred income tax liabilities	<u><u>(1,846)</u></u>	<u><u>(1,596)</u></u>	<u><u>(1,925)</u></u>	<u><u>(2,050)</u></u>	<u><u>(2,450)</u></u>

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The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>As at January 1, 2019</b>	<b>Credited/ (Charged) to profit or loss</b>	<b>As at December 31, 2019</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	21,992	(2,379)	19,613
– Unrealized profit resulting from intragroup transactions	19,405	1,783	21,188
– Tax losses	2,421	4,701	7,122
– Lease liabilities	5,348	10,728	16,076
– Accumulated fair value loss of financial assets at FVPL	235	1,365	1,600
– Others	–	183	183
	<u>49,401</u>	<u>16,381</u>	<u>65,782</u>
Set-off of deferred tax assets pursuant to set-off provisions	<u>(5,219)</u>	<u>(10,395)</u>	<u>(15,614)</u>
Net deferred tax assets	<u><u>44,182</u></u>	<u><u>5,986</u></u>	<u><u>50,168</u></u>
Deferred income tax liabilities			
– Right-of-use assets	(5,219)	(10,395)	(15,614)
– Financial assets at FVPL	(27)	(1,819)	(1,846)
	<u>(5,246)</u>	<u>(12,214)</u>	<u>(17,460)</u>
Set-off of deferred tax assets pursuant to set-off provisions	<u>(5,219)</u>	<u>(10,395)</u>	<u>(15,614)</u>
Net deferred tax liabilities	<u><u>(27)</u></u>	<u><u>(1,819)</u></u>	<u><u>(1,846)</u></u>
	<b>As at January 1, 2020</b>	<b>Credited/ (Charged) to profit or loss</b>	<b>As at December 31, 2020</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	19,613	(4,782)	14,831
– Unrealized profit resulting from intragroup transactions	21,188	(2,365)	18,823
– Tax losses	7,122	465	7,587
– Lease liabilities	16,076	(3,562)	12,514
– Accumulated fair value loss of financial assets at FVPL	1,600	(1,310)	290
– Others	183	(183)	–
	<u>65,782</u>	<u>(11,737)</u>	<u>54,045</u>

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	As at January 1, 2020 <i>RMB'000</i>	Credited/ (Charged) to profit or loss <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Set-off of deferred tax assets pursuant to set-off provisions	(15,614)	3,915	(11,699)
Net deferred tax assets	<u>50,168</u>	<u>(7,822)</u>	<u>42,346</u>
Deferred income tax liabilities			
– Right-of-use assets	(15,614)	3,915	(11,699)
– Financial assets at FVPL	(1,846)	250	(1,596)
	<u>(17,460)</u>	<u>4,165</u>	<u>(13,295)</u>
Set-off of deferred tax assets pursuant to set-off provisions	(15,614)	3,915	(11,699)
Net deferred tax liabilities	<u>(1,846)</u>	<u>250</u>	<u>(1,596)</u>
	As at January 1, 2021 <i>RMB'000</i>	Credited/ (Charged) to profit or loss <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	14,831	2,115	16,946
– Unrealized profit resulting from intragroup transactions	18,823	595	19,418
– Tax losses	7,587	(4,605)	2,982
– Lease liabilities	12,514	(2,061)	10,453
– Accumulated fair value loss of financial assets at FVPL	290	1,185	1,475
	<u>54,045</u>	<u>(2,771)</u>	<u>51,274</u>
Set-off of deferred tax assets pursuant to set-off provisions	(11,699)	2,186	(9,513)
Net deferred tax assets	<u>42,346</u>	<u>(585)</u>	<u>41,761</u>
Deferred income tax liabilities			
– Right-of-use assets	(11,699)	2,186	(9,513)
– Financial assets at FVPL	(1,596)	(329)	(1,925)
	<u>(13,295)</u>	<u>1,857</u>	<u>(11,438)</u>
Set-off of deferred tax assets pursuant to set-off provisions	(11,699)	2,186	(9,513)
Net deferred tax liabilities	<u>(1,596)</u>	<u>(329)</u>	<u>(1,925)</u>

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	As at January 1, 2022 <i>RMB'000</i>	Credited/ (Charged) to profit or loss <i>RMB'000</i>	As at December 31, 2022 <i>RMB'000</i>
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	16,946	(2,105)	14,841
– Unrealized profit resulting from intragroup transactions	19,418	(2,057)	17,361
– Tax losses	2,982	(142)	2,840
– Lease liabilities	10,453	649	11,102
– Accumulated fair value loss of financial assets at FVPL	1,475	(850)	625
	<u>51,274</u>	<u>(4,505)</u>	<u>46,769</u>
Set-off of deferred tax assets pursuant to set-off provisions	<u>(9,513)</u>	<u>(591)</u>	<u>(10,104)</u>
Net deferred tax assets	<u><u>41,761</u></u>	<u><u>(5,096)</u></u>	<u><u>36,665</u></u>
Deferred income tax liabilities			
– Right-of-use assets	(9,513)	(591)	(10,104)
– Financial assets at FVPL	(1,925)	(125)	(2,050)
	<u>(11,438)</u>	<u>(716)</u>	<u>(12,154)</u>
Set-off of deferred tax assets pursuant to set-off provisions	<u>(9,513)</u>	<u>(591)</u>	<u>(10,104)</u>
Net deferred tax liabilities	<u><u>(1,925)</u></u>	<u><u>(125)</u></u>	<u><u>(2,050)</u></u>
	<b>As at January 1, 2022 <i>RMB'000</i></b>	<b>Credited/ (Charged) to profit or loss <i>RMB'000</i></b>	<b>As at June 30, 2022 <i>RMB'000</i></b>
<i>(Unaudited)</i>			
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	16,946	(1,454)	15,492
– Unrealized profit resulting from intragroup transactions	19,418	(871)	18,547
– Tax losses	2,982	384	3,366
– Lease liabilities	10,453	690	11,143
– Accumulated fair value loss of financial assets at FVPL	1,475	(575)	900
	<u>51,274</u>	<u>(1,826)</u>	<u>49,448</u>
Set-off of deferred tax assets pursuant to set-off provisions	<u>(9,513)</u>	<u>(662)</u>	<u>(10,175)</u>

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	<b>As at January 1, 2022</b>	<b>Credited/ (Charged) to profit or loss</b>	<b>As at June 30, 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets	41,761	(2,488)	39,273
Deferred income tax liabilities			
– Right-of-use assets	(9,513)	(662)	(10,175)
– Financial assets at FVPL	(1,925)	(425)	(2,350)
	(11,438)	(1,087)	(12,525)
Set-off of deferred tax assets pursuant to set-off provisions	(9,513)	(662)	(10,175)
Net deferred tax liabilities	(1,925)	(425)	(2,350)
	<b>As at January 1, 2023</b>	<b>Credited/ (Charged) to profit or loss</b>	<b>As at June 30, 2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	14,841	(464)	14,377
– Unrealized profit resulting from intragroup transactions	17,361	3,452	20,813
– Tax losses	2,840	57	2,897
– Lease liabilities	11,102	(2,053)	9,049
– Accumulated fair value loss of financial assets at FVPL	625	800	1,425
	46,769	1,792	48,561
Set-off of deferred tax assets pursuant to set-off provisions	(10,104)	2,038	(8,066)
Net deferred tax assets	36,665	3,830	40,495
Deferred income tax liabilities			
– Right-of-use assets	(10,104)	2,038	(8,066)
– Financial assets at FVPL	(2,050)	(400)	(2,450)
	(12,154)	1,638	(10,516)
Set-off of deferred tax assets pursuant to set-off provisions	(10,104)	2,038	(8,066)
Net deferred tax liabilities	(2,050)	(400)	(2,450)

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Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the recognition of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognize deferred income tax assets of RMB21,740,000, RMB172,666,000, RMB218,301,000, RMB265,051,000 and RMB283,371,000, as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023 in respect of tax losses amounting to RMB86,959,000, RMB690,664,000, RMB873,206,000, RMB1,130,352,000 and RMB1,204,935,000 as at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, which can be carried forward to offset against future taxable income, all of which will expire in 2023 to 2028 respectively.

**30 TRADE PAYABLES**

**The Group**

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
Trade payables	261,297	168,523	250,093	214,666	234,585

As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the aging analysis of the trade payables based on invoice date were as follows:

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
0 to 3 months	195,289	112,349	198,278	196,264	214,136
3 to 6 months	20,447	19,551	2,097	10,938	490
6 to 12 months	37,195	27,654	44,648	1,494	14,633
1 to 2 years	5,108	4,544	938	4,543	3,915
2 to 3 years	1,388	1,461	891	623	860
Over 3 years	1,870	2,964	3,241	804	551
	<u>261,297</u>	<u>168,523</u>	<u>250,093</u>	<u>214,666</u>	<u>234,585</u>

**The Company**

	<b>As at December 31,</b>				<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2023</b>
					<i>RMB'000</i>
Trade payables	89,159	6,862	79,339	136,652	153,964

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As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the aging analysis of the trade payables based on invoice date were are follows:

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2023</b>
					<i>RMB’000</i>
0 to 3 months	78,581	232	64,750	73,494	91,613
3 to 6 months	2,534	51	936	25,503	12,220
6 to 12 months	6,483	5,018	12,586	11,267	22,747
1 to 2 years	3	–	203	26,152	20,102
2 to 3 years	–	3	–	236	7,282
Over 3 years	1,558	1,558	864	–	–
	<u>89,159</u>	<u>6,862</u>	<u>79,339</u>	<u>136,652</u>	<u>153,964</u>

**31 OTHER PAYABLES AND ACCRUALS**

**The Group**

	<b>2019</b>	<b>As at December 31,</b>		<b>2022</b>	<b>As at</b>
	<i>RMB’000</i>	<b>2020</b>	<b>2021</b>	<i>RMB’000</i>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2023</b>
					<i>RMB’000</i>
Accrued and payments of POSs operation expenses	167,872	139,613	112,719	55,932	97,140
Deposits (a)	26,030	30,139	31,966	31,007	31,484
Other taxes payables	12,616	10,040	9,612	9,683	28,672
Salaries, wages, and bonuses payables	26,665	28,704	35,814	33,956	32,138
[REDACTED] expenses payables	–	–	5,738	11,811	9,432
Others	15,954	10,026	14,544	17,086	19,033
	<u>249,137</u>	<u>218,522</u>	<u>210,393</u>	<u>159,475</u>	<u>217,899</u>
Less: Non-current portion					
– Others	<u>(1,279)</u>	<u>(451)</u>	<u>(7)</u>	<u>–</u>	<u>–</u>
	<u>247,858</u>	<u>218,071</u>	<u>210,386</u>	<u>159,475</u>	<u>217,899</u>



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- (a) The amounts of deposits mainly represent various deposits received from POS partners in relation to vending machine business cooperation.

**The Company**

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2023
					RMB'000
Amount due to subsidiaries	516,400	266,593	186,777	211,797	238,274
Other taxes payables	175	123	156	71	3,745
Salaries, wages and bonuses payables	797	1,020	384	519	479
[REDACTED] expenses payables	–	–	5,738	11,811	9,432
Others	6,753	3,620	557	2,003	3,210
	<u>524,125</u>	<u>271,356</u>	<u>193,612</u>	<u>226,201</u>	<u>255,140</u>
Less: Non-current portion					
– Others	(2,121)	–	–	–	–
	<u>522,004</u>	<u>271,356</u>	<u>193,612</u>	<u>226,201</u>	<u>255,140</u>

**32 BORROWINGS**

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2023
					RMB'000
Bank borrowings					
Secured with guarantee(a)	31,000	90,844	40,980	50,000	69,050
Other Borrowings					
Secured with guarantee(a)	–	–	20,000	20,000	20,000
	<u>31,000</u>	<u>90,844</u>	<u>60,980</u>	<u>70,000</u>	<u>89,050</u>

- (a) These loans were guaranteed by:

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2023
					RMB'000
Mr. Wang Bin and Beijing Shouchuang Financing Guarantee Co., Ltd. (jointly)	30,000	–	–	–	–
Mr. Wang Bin and Shenzhen Shendan Zengxin Financing Guarantee Co., Ltd. (jointly)	–	–	20,000	20,000	20,000
Mr. Wang Bin, the Company and subsidiaries within the Group (jointly)	1,000	16,000	40,000	50,000	69,050
Mr. Wang Bin and the Company (jointly)	–	74,844	–	–	–
Mr. Yang Ling	–	–	980	–	–
	<u>31,000</u>	<u>90,844</u>	<u>60,980</u>	<u>70,000</u>	<u>89,050</u>

The guarantee provided by Mr. Wang Bin is expected to be released prior to [REDACTED].

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As at December 31, 2019, 2020, 2021 and 2022 and June 30, 2023, the weighted average interest rate of borrowings was 5.2475%, 4.7699%, 4.6758%, 5.6691% and 5.5795% respectively. The fair values of the respective borrowings approximated their carrying amounts. All the carrying amounts of the borrowings were denominated in RMB.

### 33 SIGNIFICANT BUSINESS COMBINATION

Before December 2019, the Group held 24.32% equity interest in Shenzhen Youka which accounted as an associate. In December 2019, the Group acquired another 46% equity interest of Shenzhen Youka from other shareholders. As a result, the Group obtained control on Shenzhen Youka. The transaction was treated as a business combination. The completion date of this transaction is December 19, 2019 as the Group actually obtained the control right of Shenzhen Youka.

Details of the consideration and the financial information of Shenzhen Youka on the acquisition date are summarized as follows:

	<i>RMB’000</i>
Consideration:	
Cash paid	115,000
Fair value of the investment in Shenzhen Youka held by the Group before business combination	53,513
	<hr/>
Total	168,513
	<hr/> <hr/>

Total recognized amounts of identifiable assets acquired and liabilities assumed:

	<i>RMB’000</i>
Cash and cash equivalents	2,634
Trade receivables	5,852
Prepayments, deposits and other receivables	26,369
Inventories	1,364
Property and equipment	22,593
Trade payables	(13,690)
Other payables and accruals	(44,887)
Non-controlling interests	(70)
	<hr/>
Net identifiable assets acquired	165
	<hr/>
Goodwill	168,348
	<hr/>

The Group has chosen the proportionate share of net assets method to recognize the non-controlling interests.

The goodwill is attributable to the entrance of the freshly brewed beverage vending machine business market through Shenzhen Youka. It was subsequently impaired in the year ended December 31, 2020 (Note 18) and the amount is not deductible for tax purposes.

The Group’s revenue for the year would be increased by not more than 5% and results for the year would not be materially different should this business combination has occurred on January 1, 2019.

The related transaction costs of this business combination were not material to the Group’s consolidated financial statements.

Upon completion of the transaction, the difference of RMB17,019,000 between the fair value and the carrying amount of investment in Shenzhen Youka was recognized in other gains.

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34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,			Six months ended		
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) before income tax	43,845	(1,171,524)	(184,615)	(272,256)	(122,462)	(146,645)
Adjustments for:						
Depreciation of right-of-use assets	101,769	118,539	100,329	97,960	51,804	47,717
Depreciation of property and equipment	101,900	158,130	102,035	144,070	70,525	74,120
Amortization of intangible assets	13,167	17,545	17,423	15,842	8,045	7,675
Net impairment losses on financial assets	10,858	58,389	28,224	9,264	6,904	842
Impairment of non-financial assets	9,832	414,037	1,449	–	–	–
Share of results of investments accounted for using the equity method	7,169	3,472	4,092	15,255	4,786	3,821
Net gains on disposal of investments accounted for using the equity method	(14,141)	–	–	–	–	–
Fair value losses/(gains) on financial assets at FVPL	852	18,258	1,940	(3,300)	(3,400)	1,600
Net losses/(gains) on disposals of property and equipment	2,059	7,216	5,418	5,408	421	395
Net (gains)/losses on disposal of subsidiaries (Note 14(e))	–	(5,603)	2,315	199	(151)	–
Finance costs-net	58,688	32,344	13,517	13,331	7,260	4,584
Interest received from bank deposits	(1,885)	(1,327)	(1,829)	(1,681)	(631)	(700)
Interest income from wealth management products	(5,135)	(6,298)	(1,242)	(173)	(44)	(69)
Share-based compensation	–	210,918	1,500	–	–	49,527
Change in working capital:						
Decrease/(increase) in trade receivables	15,112	147,085	36,925	61,036	22,651	(11,822)
Decrease in prepayments and deposits and other receivables	238,522	80,653	9,515	105,129	93,918	19,891
(Increase)/decrease in inventories	(50,550)	27,083	(26,874)	44,161	37,100	23,815
Increase/(decrease) in trade payables	89,097	(92,774)	81,570	(25,843)	(13,807)	26,273
(Decrease)/increase in contract liabilities	(13,411)	(4,326)	(1,829)	(1,096)	200	30,079
Increase/(decrease) in other payables and accruals	27,030	(30,615)	(8,129)	(50,918)	(7,238)	58,424
Increase in restricted cash	–	–	(2,500)	(235)	(185)	(391)
Cash generated from/(used in) operations	634,778	(18,798)	179,234	156,153	155,696	189,136

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**(b) Non-cash investing and financing activities**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Settlement of the balance of advances to a shareholder upon the exercise of share options of the Company (Note 28)	–	209,150	1,768	–	–	–

Non-cash investing and financing activities for acquisition of right-of-use assets is disclosed in Note 17.

**(c) Proceeds from disposal of property and equipment**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Net book amount (Note 16)	118,014	34,422	23,347	27,551	6,511	8,977
Net losses on disposal of property and equipment (Note 9)	(2,059)	(7,216)	(5,418)	(5,408)	(421)	(395)
Proceeds from disposal of property and equipment	115,955	27,206	17,929	22,143	6,090	8,582

**(d) Net debt/(cash) reconciliation**

This section sets out an analysis of net debt/(cash) and the movements in net debt for the years ended December 31, 2019, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 presented.

Net debt/(cash)	As at December 31,				As at
	2019	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	31,000	90,844	60,980	70,000	89,050
Lease liabilities	408,949	238,558	118,568	59,677	44,240
Cash and cash equivalents	(222,347)	(191,015)	(172,386)	(128,178)	(269,485)
Restricted cash	–	–	(2,500)	(2,735)	(3,126)
Net debt/(cash)	217,602	138,387	4,662	(1,236)	(139,321)

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	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Borrowing from non-financial institutions RMB'000	Total RMB'000
<b>Net debt as at</b>						
<b>January 1, 2019</b>	(305,394)	–	47,500	820,558	700,000	1,262,664
Cash flows	83,047	–	(16,500)	(584,080)	(700,000)	(1,217,533)
New leases	–	–	–	136,301	–	136,301
Interest expenses as the lessee	–	–	–	36,170	–	36,170
<b>Net debt as at December 31, 2019</b>	<u>(222,347)</u>	<u>–</u>	<u>31,000</u>	<u>408,949</u>	<u>–</u>	<u>217,602</u>
<b>Net debt as at</b>						
<b>January 1, 2020</b>	(222,347)	–	31,000	408,949	–	217,602
Cash flows	31,332	–	59,844	(245,940)	–	(154,764)
New leases	–	–	–	45,666	–	45,666
Interest expenses as the lessee	–	–	–	29,883	–	29,883
<b>Net debt as at December 31, 2020</b>	<u>(191,015)</u>	<u>–</u>	<u>90,844</u>	<u>238,558</u>	<u>–</u>	<u>138,387</u>
<b>Net debt as at</b>						
<b>January 1, 2021</b>	(191,015)	–	90,844	238,558	–	138,387
Cash flows	18,629	(2,500)	(29,864)	(144,176)	–	(157,911)
New leases	–	–	–	13,567	–	13,567
Interest expenses as the lessee	–	–	–	10,619	–	10,619
<b>Net debt as at December 31, 2021</b>	<u>(172,386)</u>	<u>(2,500)</u>	<u>60,980</u>	<u>118,568</u>	<u>–</u>	<u>4,662</u>
<b>Net debt as at</b>						
<b>January 1, 2022</b>	(172,386)	(2,500)	60,980	118,568	–	4,662
Cash flows	44,208	(235)	9,020	(93,519)	–	(40,526)
New leases	–	–	–	27,543	–	27,543
Interest expenses as the lessee	–	–	–	7,085	–	7,085
<b>Net cash as at December 31, 2022</b>	<u>(128,178)</u>	<u>(2,735)</u>	<u>70,000</u>	<u>59,677</u>	<u>–</u>	<u>(1,236)</u>
(Unaudited)						
<b>Net debt as at</b>						
<b>January 1, 2022</b>	(172,386)	(2,500)	60,980	118,568	–	4,662
Cash flows	(52,376)	(185)	39,020	(47,862)	–	(61,403)
New leases	–	–	–	15,448	–	15,448
Interest expenses as the lessee	–	–	–	4,242	–	4,242
<b>Net cash as at June 30, 2022</b>	<u>(224,762)</u>	<u>(2,685)</u>	<u>100,000</u>	<u>90,396</u>	<u>–</u>	<u>(37,051)</u>
<b>Net cash as at</b>						
<b>January 1, 2023</b>	(128,178)	(2,735)	70,000	59,677	–	(1,236)
Cash flows	(141,307)	(391)	19,050	(23,195)	–	(145,843)
New leases	–	–	–	5,785	–	5,785
Interest expenses as the lessee	–	–	–	1,973	–	1,973
<b>Net cash as at June 30, 2023</b>	<u>(269,485)</u>	<u>(3,126)</u>	<u>89,050</u>	<u>44,240</u>	<u>–</u>	<u>(139,321)</u>

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**35 CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at December 31,				As at
	2019	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2023
					RMB'000
Equity investments	30,000	19,526	–	–	–

In November 2019, the Group entered an agreement with Xinyu Lingyun Investment Management Co., Ltd. (“Lingyun Investment”) to acquire 22.75% equity interest of Shenzhen Yunchong Bar Technology Co., Ltd from Lingyun Investment at the consideration of RMB33,000,000. As at December 31, 2019, the Group has paid RMB3,000,000 and the remaining RMB30,000,000 was not paid. In October 2020, as agreed by the Group and Lingyun Investment, the transaction was canceled and Lingyun Investment returned the paid consideration of RMB3,000,000.

In April 2020, the Group entered an agreement with JR Group Holdings Pte. Ltd to invest SGD4,000,000 (equivalent to RMB19,526,000) to JR Vending. The investment was paid during the year ended December 31, 2021.

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Save as disclosed in Note 10 and 20 about the chairman, directors, associate and joint ventures, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the years ended December 31, 2019, 2020 and 2021 and 2022 and the six months ended June 30, 2022 and 2023:

**(a) Names and relationships with related parties**

Company	Relationship
Alipay.com Co., Ltd. (“Alipay China”)	Entity controlled by the same group of a shareholder, which has significant influence on the Group
Ant Future (Hainan) Information Technology Co., Ltd. (formerly known as Ant Financial Services (Hainan) Digital Technology Co., Ltd) (“Ant Hainan”)	Entity controlled by the same group of a shareholder, which has significant influence on the Group
Hangzhou Huanxu Information Technology Co., Ltd. (“Hangzhou Huanxu”)	Entity controlled by the same group of a shareholder, which has significant influence on the Group

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**(b) Significant Related party transactions**

All the transactions with related parties below were on terms mutually agreed by both parties.

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<i>Sales of goods</i>						
Associates of the Group	2,365	7,099	7,576	6,664	2,979	2,837
<i>Provision of services</i>						
Alipay China	89,358	30,288	34,957	29,930	23,939	25
Associates of the Group	735	2,208	1,489	2,579	1,341	496
Joint ventures of the Group	–	153	–	–	–	–
Hangzhou Huanxu	–	–	–	786	–	445
Ant Hainan	–	–	–	25	25	–
	90,093	32,649	36,446	33,320	25,305	966
<i>Purchase of goods</i>						
Associates of the Group	2,595	–	–	–	–	–
Ant Hainan	–	–	12,372	–	–	–
Joint ventures of the Group	–	–	–	–	–	2
	2,595	–	12,372	–	–	2
<i>Purchase of services</i>						
Alipay China	3,378	9,262	11,996	11,638	5,022	6,091
<i>Interest income</i>						
Associates of the Group	–	–	–	–	–	502

**(c) Key management personnel compensation**

	Year ended December 31,				Six months ended	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Salaries, wages, and bonuses	5,584	3,955	5,867	5,038	2,675	2,439
Pension costs – defined contribution plans	220	69	402	398	196	199
Other social security costs, housing benefits and other employee benefits	376	251	402	395	200	200
Share-based compensation	–	163,534	–	–	–	41,458
	6,180	167,809	6,671	5,831	3,071	44,296

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(d) Provide guarantees to the Group

	2019	As at December 31,		2022	As at
	RMB’000	2020	2021	RMB’000	June 30,
		RMB’000	RMB’000		2023
					RMB’000
Mr. Wang Bin					
– Borrowings	31,000	90,844	60,000	70,000	89,050
– Leasing liabilities	393,135	209,474	57,217	6,505	1,598
	<u>424,135</u>	<u>300,318</u>	<u>117,217</u>	<u>76,505</u>	<u>90,648</u>

The guarantee provided by Mr. Wang Bin is expected to be released prior to [REDACTED].

(e) Significant year end balances with related parties

All the balances with related parties below were unsecured and repayable within one year.

	2019	As at December 31,		2022	As at
	RMB’000	2020	2021	RMB’000	June 30,
		RMB’000	RMB’000		2023
					RMB’000
Trade in nature and included in:					
<i>Trade receivables</i>					
Alipay China	20,355	739	27,268	9	–
Associates of the Group	2,777	9,962	3,532	4,060	4,989
	<u>23,132</u>	<u>10,701</u>	<u>30,800</u>	<u>4,069</u>	<u>4,989</u>
<i>Other receivables</i>					
Alipay China	1	46	46	–	–
Associates of the Group	–	700	703	700	700
	<u>1</u>	<u>746</u>	<u>749</u>	<u>700</u>	<u>700</u>
<i>Trade payables</i>					
Ant Hainan	–	–	8,178	9,786	9,786
<i>Contract liabilities</i>					
Hangzhou Huanxu (i)	–	–	–	–	27,833
<i>Other payables</i>					
Associates of the Group	957	6,024	–	157	770
Non-trade in nature and included in:					
<i>Prepayments</i>					
Associates of the Group (ii)	–	–	10,000	10,000	–
<i>Other receivables</i>					
Associates of the Group (ii)	–	–	–	–	9,455

- (i) The balance represents advancement from Hangzhou Huanxu for advertising and promotion of its payment service products (for example, biometric authentication payment services and merchandise recognition services) on our vending machines.
- (ii) The balance represents prepayment made to Hangzhou Penguin to subscribe for its further 5.88% equity interest. As relevant closing conditions under the investment agreement had not been met, the Group entered into a supplemental agreement to the investment agreement with Hangzhou Penguin on June 6, 2023, pursuant to which the parties have agreed not to proceed with closing under the investment agreement and Hangzhou Penguin shall repay the prepayments of RMB10.0 million, together with an utilisation fee calculated with reference to the bank deposit interest rate for the same period, in six instalments based on the schedule agreed by both parties before December 31, 2023. As a result, the balance and accrued interest was reclassified to other receivables as at June 30, 2023.



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**37 CONTINGENT LIABILITIES**

The Group had no material contingent liabilities outstanding as at December 31, 2019, 2020, 2021 and, 2022 and June 30, 2023.

**38 SUBSEQUENT EVENTS**

There is [no] material subsequent event happened after June 30, 2023.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

[No] audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023 and up to the date of this report. No dividend or distribution has been declared or made by the Company or other companies now comprising the Group in respect of any period subsequent to June 30, 2023.