Post Hearing Information Pack of

Beijing UBOX Online Technology Corp.
北京友寶在線科技股份有限公司

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

WARNING

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友宝 UBOX

Beijing UBOX Online Technology Corp.
北京友寶在線科技股份有限公司

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

[REDACTED]

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

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中信建投國際 CHINA SECURITIES INTERNATIONAL　　华泰国际 HUATAI INTERNATIONAL

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[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

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

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

OVERVIEW

Who We Are

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

Our Revenue Model

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

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

- *Advertising and system support services.* We leverage our extensive and unique consumer touch points to offer advertisers with digital advertising services that drive consumer traffic and sales, primarily consisting of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. We derive revenue from service fees charged to our advertising customers for digital advertising services. In addition, we also provide operation system support to Non-Ubox POS operators by allowing them to connect their machines to our operation system, which enables them to access a range of functionalities, including monitoring their machines' operating status in real time and receiving restocking alerts, restocking routes and schedule recommendations. We derive revenue from fees charged to our Non-Ubox POS operators for using our operation system. During the Track Record Period, our revenue from digital advertising services was generally determined by demand for such services from advertisers, which was impacted by macro-economic conditions, and the expansiveness of our POS network, which represents our capacity to reach consumers. During the Track Record Period, revenue from digital advertising services also relates to the number of new POSs opened which affects the amount of services fees we may receive from Alipay China for the advertising and promotion of its payment service products. For details of service fees from Alipay China, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Advertising Cooperation Framework Agreement.";

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

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

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

The table below sets forth our revenue by business segment during the Track Record Period:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
Unmanned retail business	1,539,891	56.5	1,336,763	70.3	1,915,116	71.6	1,974,657	78.4	913,388	79.9	986,795	78.8
– Direct operation model	*1,289,146*	*47.3*	*574,339*	*30.2*	*435,917*	*16.3*	*362,309*	*14.4*	*158,849*	*13.9*	*183,752*	*14.7*
– Partner model	*250,745*	*9.2*	*762,424*	*40.1*	*1,479,199*	*55.3*	*1,612,348*	*64.0*	*754,539*	*66.0*	*803,043*	*64.1*
Advertising and system support services	540,600	19.8	219,561	11.5	243,120	9.1	194,271	7.7	100,074	8.8	56,450	4.5
– Digital advertising services	*518,874*	*19.0*	*203,095*	*10.6*	*224,706*	*8.4*	*176,216*	*7.0*	*91,314*	*8.0*	*50,415*	*4.0*
– Operation system support	*21,726*	*0.8*	*16,466*	*0.9*	*18,414*	*0.7*	*18,055*	*0.7*	*8,760*	*0.8*	*6,035*	*0.5*
Merchandise wholesale	297,900	10.9	115,485	6.1	40,516	1.5	131,795	5.2	54,103	4.7	110,685	8.8
Vending machine sales and leases	91,485	3.4	47,040	2.5	44,241	1.7	33,840	1.3	16,149	1.4	11,712	0.9
Others	257,585	9.4	183,161	9.6	433,244	16.1	184,661	7.4	59,376	5.2	87,036	7.0
Total	**2,727,461**	**100.0**	**1,902,010**	**100.0**	**2,676,237**	**100.0**	**2,519,224**	**100.0**	**1,143,090**	**100.0**	**1,252,678**	**100.0**

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

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

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
Unmanned retail business	683,467	44.4	557,516	41.7	888,056	46.4	891,398	45.1	413,543	45.3	444,458	45.0
Advertising and system support services	488,280	90.3	218,812	99.7	184,411	75.9	160,225	82.5	87,918	87.9	55,769	98.8
– Digital advertising services	*466,634*	*89.9*	*202,365*	*99.6*	*166,431*	*74.1*	*142,233*	*80.7*	*79,180*	*86.7*	*49,764*	*98.7*
– Operation system support	*21,646*	*99.6*	*16,447*	*99.9*	*17,980*	*97.6*	*17,992*	*99.7*	*8,738*	*99.7*	*6,005*	*99.5*
Merchandise wholesale	14,669	4.9	4,029	3.5	2,965	7.3	5,225	4.0	2,834	5.2	3,990	3.6
Vending machine sales and leases	15,147	16.6	(32,224)	(68.5)	13,887	31.4	10,792	31.9	2,981	18.5	3,165	27.0
Others	127,633	49.5	(189,572)	(103.5)	11,805	2.7	9,096	4.9	2,961	5.0	10,594	12.2
Total	**1,329,196**	**48.7**	**558,561**	**29.4**	**1,101,124**	**41.1**	**1,076,736**	**42.7**	**510,237**	**44.6**	**517,976**	**41.3**

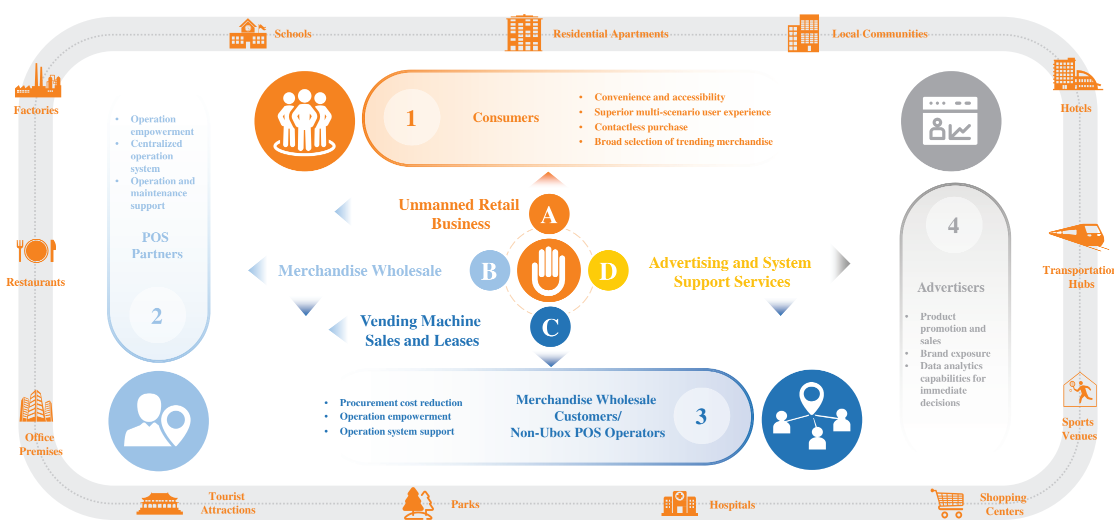
Our gross profit margin decreased from 48.7% in 2019 to 29.4% in 2020 primarily due to (i) a decrease in revenue generated from high gross margin consumption scenarios such as transportation hubs, public venues and schools as such locations were particularly affected by lockdowns, standstills and other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

Our Market Opportunity

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

Our Platform for Participants along the Industry Value Chain

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



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

Our Technology-based Retail Platform

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

Our POS Partners

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

Non-Ubox POS Operators

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

Our Major Suppliers

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

Our Major Customers

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

OUR STRENGTHS

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

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

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

OUR STRATEGIES

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

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

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

RISK FACTORS

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

KEY OPERATING DATA

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

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POSs by city tier												
Tier one cities	16,625	26.2	15,836	27.1	21,572	25.3	19,929	30.1	20,281	28.0	19,611	31.7
New tier one cities	21,462	33.8	17,725	30.3	30,580	35.9	23,077	34.8	24,335	33.6	21,365	34.5
Tier two cities	15,838	25.0	15,228	26.0	22,097	26.0	14,405	21.7	18,052	25.0	13,031	21.1
Tier three cities	6,420	10.1	5,718	9.8	7,042	8.3	5,820	8.8	6,419	8.9	5,177	8.4
Others	3,106	4.9	3,960	6.8	3,848	4.5	3,001	4.6	3,232	4.5	2,704	4.3
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

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

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POS by consumption scenario												
Schools	14,611	23.0	18,195	31.1	19,738	23.2	18,706	28.2	19,372	26.8	17,572	28.4
Factories	16,197	25.5	13,528	23.1	17,695	20.8	16,998	25.7	17,401	24.1	16,493	26.6
Office premises	12,797	20.2	11,059	18.9	14,113	16.6	13,876	21.0	14,453	20.0	13,342	21.6
Public venues(1)	11,321	17.8	9,063	15.5	9,877	11.6	8,751	13.2	9,818	13.6	8,122	13.1
Transportation hubs	3,884	6.1	3,773	6.5	3,587	4.2	2,265	3.4	3,099	4.3	2,281	3.7
Restaurants(2)	183	0.3	129	0.2	16,490	19.4	1,636	2.5	4,308	6.0	829	1.3
Others(3)	4,458	7.0	2,720	4.7	3,639	4.3	4,000	6.0	3,868	5.3	3,249	5.2
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

Notes:

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

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

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

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

Selected Items of Consolidated Statements of Comprehensive Income

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

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

Notes:

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

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

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

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

Non-HKFRS Measures

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

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

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

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

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

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) for the year/period	39,649	(1,184,196)	(188,194)	(283,069)	(128,399)	(147,389)
Add						
Depreciation of property and equipment, right-of-use assets	203,669	276,669	202,364	242,030	122,329	121,837
Amortization of intangible assets	13,167	17,545	17,423	15,842	8,045	7,675
Income tax expenses	4,196	12,672	3,579	10,813	5,937	744
Interest expenses on borrowings and lease liabilities	58,688	32,344	13,517	13,331	7,260	4,584
EBITDA	319,369	(844,966)	48,689	(1,053)	15,172	(12,549)

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Add						
Share-based payment	–	210,918	1,500	–	–	49,527
[**REDACTED**] expenses	–	–	16,411	22,077	3,790	6,581
Adjusted EBITDA (non-HKFRS measure)	319,369	(634,048)	66,600	21,024	18,962	43,559
Profit/(loss) for the year/period	**39,649**	**(1,184,196)**	**(188,194)**	**(283,069)**	**(128,399)**	**(147,389)**
Add						
Share-based payment	–	210,918	1,500	–	–	49,527
[**REDACTED**] expenses	–	–	16,411	22,077	3,790	6,581
Adjusted net profit/(loss) (non-HKFRS measure)	**39,649**	**(973,278)**	**(170,283)**	**(260,992)**	**(124,609)**	**(91,281)**

Selected Items of Consolidated Statements of Financial Position

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

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

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

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

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

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

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

Summary of Consolidated Statements of Cash Flows

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

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from/(used in) operating activities	613,393	(31,948)	178,949	153,918	155,858	186,011
Net cash (used in)/generated from investing activities	(717,349)	189,171	(22,742)	(105,250)	(89,799)	(36,022)
Net cash generated from/(used in) financing activities	20,908	(188,557)	(174,836)	(92,876)	(13,683)	(8,682)
Net (decrease)/ increase in cash and cash equivalents	**(83,048)**	**(31,334)**	**(18,629)**	**(44,208)**	**52,376**	**141,307**

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash and cash equivalents at the beginning of the year/period	305,394	222,347	191,015	172,386	172,386	128,178
Effects of exchange rate changes on cash and cash equivalents	1	2	–	–	–	–
Cash and cash equivalents at the end of the year/period	**222,347**	**191,015**	**172,386**	**128,178**	**224,762**	**269,485**

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

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

BUSINESS SUSTAINABILITY

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

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

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

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

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

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

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

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

Based on the foregoing and further details set forth in "Financial Information — Business Sustainability", our Directors believe, and the Joint Sponsors concur, that our Group's business is sustainable in the long run. Assuming that the negative effects of COVID-19 will be gradually alleviated following the relaxation and overall consumer traffic will recover to the pre-COVID-19 level in the foreseeable future, we expect to remain loss-making in 2023 but achieve a turnaround in 2025. For details, see "Financial Information — Business Sustainability."

Working Capital Sufficiency

Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, and for at least the next 12 months from the date of this document, taking into account RMB269.5 million of cash and cash equivalents on hand as of June 30, 2023, internally generated funds, RMB411.0 million of unutilized banking facilities as of the Latest Practicable Date and [**REDACTED**] of estimated net [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range of [**REDACTED**] to [**REDACTED**] per [**REDACTED**], and that the [**REDACTED**] is not exercised. In addition, as evidenced by our Pre-[**REDACTED**] Investments and other historical fund-raising activities, we have a good track record in being able to raise funds from renowned investors to finance our business growth and expansion. See "History and Development — Pre-[**REDACTED**] Investments." We believe that the [**REDACTED**] and other potential external financing sources, including those to which we will gain access after [**REDACTED**], will provide additional funding for our business expansion operations.

KEY FINANCIAL RATIOS

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

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

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

Note:

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

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

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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

DELISTING OF OUR SHARES FROM NEEQ

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

PRE-[REDACTED] INVESTMENTS

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

PREVIOUS LISTING PLAN AND PROPOSED MERGER ARRANGEMENT

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

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

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

LEGAL COMPLIANCE

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

RECENT DEVELOPMENT

In light of the uncertainties in our operating environment, including regional resurgences of COVID-19 in mainland China and the government's subsequent relaxation of its COVID-19 policies in December 2022, we continued optimizing the layout of our POS network. Overall offline business operations and consumer traffic across mainland China have started to recover following the relaxation of COVID-19 policies. As a result, the average monthly GMV of our vending machines increased from RMB2,700 per machine per month in 2022 to RMB2,992 per machine per month for the six months ended June 30, 2023, and our revenue increased by 9.6% from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the same period in 2023. In addition, monthly average GMV per POS in July and August 2023 increased by approximately 12.1% and 1.4%, respectively, as compared to the same months in 2022. As a result, revenue from our unmanned retail business for the eight months ended

August 31, 2023 has exceeded that of the same period in 2022. Nevertheless, we expect to remain loss-making in 2023 as the recovery of the economy and overall consumer traffic from the negative impacts of COVID-19 is expected to be a gradual process. For details, see "Financial Information — Business Sustainability."

Impact of COVID-19

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

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

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

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

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

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

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

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

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

Recent Regulatory Development

Regulations Relating to Information Security and Privacy Protection

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

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

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

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

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

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

Regulations Relating to Overseas Listing

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

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

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

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

Confidentiality and Archives Management Provisions were recently promulgated, there are uncertainties with respect to their interpretation and implementation. For further details, see "Regulatory Overview — Regulations Relating to Overseas Listing."

No Material Adverse Change

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

DIVIDENDS

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

[REDACTED] STATISTICS

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

Notes:

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

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

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

[REDACTED] EXPENSES

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

FUTURE PLANS AND USE OF [REDACTED]

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

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

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

APPLICATION FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

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

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

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

"2020 Incentive Scheme"	our share incentive scheme adopted in 2020, the details of which are set out in "History and Development — 2020 Incentive Scheme and Pre-[**REDACTED**] Incentive Scheme"
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Ant Group"	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司)
"Articles" or "Articles of Association"	the Articles of Association of our Company (as amended from time to time), adopted on April 3, 2023, which will become effective upon the [**REDACTED**], a summary of which is set out in Appendix III
"Beijing Beiguo"	Beijing Beiguo Youbang Electronics Co., Ltd. (北京北國友邦科貿有限公司), a limited liability company established in the PRC on September 28, 2012, a wholly-owned subsidiary of our Company
"Beijing Taihe"	Beijing Taihe Ruitong Cloud Business Technology Co., Ltd. (北京泰和瑞通雲商科技有限公司), a limited liability company established in the PRC on January 16, 2014, a wholly-owned subsidiary of our Company
"Beijing Youbaokesi"	Beijing Youbaokesi Trading Co., Ltd. (北京友寶科斯科貿有限公司), a limited liability company established in the PRC on January 20, 2011 and became a member of our Group by virtue of contractual arrangement in May 2012, which is no longer a member of our Group since June 2021
"Board"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public

“BVI”	the British Virgin Islands
“CAC”	the Cyber Space Administration of China (中華人民共和國國家互聯網信息辦公室)

[**REDACTED**]

“China”, “PRC” or “State”	the People’s Republic of China
“Chunhua Rongshun”	Chunhua Rongshun (Tianjin) Equity Investment Fund (L.P.) (春華榮順(天津)股權投資基金(合夥企業)), a limited partnership established in the PRC on June 21, 2017 and one of our Pre-[**REDACTED**] Investors
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”, “our Company”	Beijing UBOX Online Technology Corp. 北京友寶在線科技股份有限公司, a limited liability company incorporated in the PRC on March 1, 2012 and converted into a joint stock company with limited liability on September 10, 2015
“Conversion of Unlisted Shares into H Shares”	the conversion of [**REDACTED**] Unlisted Shares into H Shares on a [**REDACTED**] basis upon the completion of [**REDACTED**]. Such conversion of Unlisted Shares into H Shares has been filed with the CSRC with the notification issued by the CSRC on completion of the filing procedures published on July 3, 2023 and an application for H Shares to be [**REDACTED**] on the Hong Kong Stock Exchange has been made to the Listing Committee

"CSDC"	China Securities Depository and Clearing Corporation Limited
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of AIC"	the deed of acting in concert dated July 18, 2019 entered into between Mr. Wang and Mr. Chen, the details of which are set out in "History and Development" in this document
"Director(s)"	the director(s) of our Company
"document"	this document being issued in connection with the [**REDACTED**]
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"Founders"	the founders of our Group, namely Mr. Wang (the Chairman of our Board, chief executive officer, an executive Director), Mr. Shen, Ms. Wu Songfeng (吳松鋒), Mr. Lin Rong (林榮), Mr. Li Minghao (李明浩), Mr. Huang Cinan (黃次南) and Ms. An Yufang (安煜芳) (a non-executive Director)
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry consultant
"Frost & Sullivan Report"	the market research report on e-commerce market prepared by Frost & Sullivan and commissioned by us

[**REDACTED**]

"Gongqingcheng Changyou"	Gongqingcheng Changyou Cultural Tourism Industry Investment Partnership (L.P.) (共青城暢遊文旅產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 20, 2019 and one of our Pre-[**REDACTED**] Investors
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Weiji"	Guangzhou Weiji Trading Co., Ltd. (廣州偉吉貿易有限公司), a limited liability company established in the PRC on January 20, 2012, a wholly-owned subsidiary of our Company
"Guoxin Energy Fund"	Guoxin Hongsheng (Zhuhai) Energy Industry Fund (L.P.) (國信弘盛(珠海)能源產業基金(有限合夥)), a limited partnership established in the PRC on November 15, 2016 and one of our Pre-[**REDACTED**] Investors
"H Share(s)"	overseas listed foreign Shares in the share capital of our Company with a nominal value of [**REDACTED**] each, which are to be traded in HK dollars and are to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"HK$", "Hong Kong dollars", "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited

[**REDACTED**]

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

[**REDACTED**]

"Hong Kong Stock Exchange" or the "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"Independent Third Party(ies)"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors" or "[**REDACTED**]" or "[**REDACTED**]"	China Securities (International) Corporate Finance Company Limited and Huatai Financial Holdings (Hong Kong) Limited
"Latest Practicable Date"	September 18, 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[**REDACTED**]

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

[**REDACTED**]

"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange

"mainland China"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"Mr. Chen"	Mr. Chen Kunrong (陳昆嶸), an executive Director, our president and one of the members of the Single Largest Group of Shareholders by virtue of the Deed of AIC
"Mr. Shen"	Mr. Shen Guojun (沈國軍), one of our Founders
"Mr. Wang"	Mr. Wang Bin (王濱), the Chairman of our Board, chief executive officer, an executive Director, our principal Founder and one of the members of the Single Largest Group of Shareholders by virtue of the Deed of AIC
"Mr. Xiao Lin"	Mr. Xiao Lin (筱璘), one of our Pre-[**REDACTED**] investors
"Mr. Xu Ge"	Mr. Xu Ge (許戈), one of our Pre-[**REDACTED**] Investors
"NEEQ"	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares for public companies

[**REDACTED**]

[**REDACTED**]

"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Law"	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong and Macao Special Administrative Region and the relevant regulations of Taiwan region
"PRC Legal Advisor"	Han Kun Law Offices, legal advisor to our Company as to PRC Law
"Pre-[**REDACTED**] Incentive Scheme"	our share incentive scheme adopted on May 31, 2021, the details of which are set out in "Statutory and General Information — D. Share Incentive Scheme — 1. Pre-[**REDACTED**] Incentive Scheme" in Appendix IV
"Pre-[**REDACTED**] Investment(s)"	the pre-[**REDACTED**] investment(s) undertaken by the Pre-[**REDACTED**] Investors, details of which are set out in "History and Development — Pre-[**REDACTED**] Investments"
"Pre-[**REDACTED**] Investor(s)"	holder(s) of Shares pursuant to the Pre-[**REDACTED**] Investments, the details of which are set out in "History and Development — Pre-[**REDACTED**] Investments"
"Previous Deed of AIC"	a deed of acting-in-concert dated July 20, 2015 entered into between Mr. Wang and Mr. Chen, the details of which are set out in "History and Development" in this document

[**REDACTED**]

"Qingdao Haier"	Qingdao Haier Venture Capital Co., Ltd. (青島海爾創業投資有限責任公司), a limited liability company established in the PRC on April 16, 2010 and one of our Pre-[**REDACTED**] Investors

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act

"Restructuring Framework Agreement"	a restructuring framework agreement dated May 18, 2015 entered into between, among others, UBOX International Holdings Co Limited, UBOX (Hong Kong) Company Limited, Mr. Wang, Mr. Shen, Mr. Lin, Mr. Yu Long (喻龍), Mr. Li Minghao (李明浩), Mr. Huang Cinan (黃次南), Mr. Xu Ge, Ms. Yi Jiaping (衣嘉平), Huazhu Investment (Shanghai) Co., Ltd. (華住投資(上海)有限公司), Hainan Changyang Venture Capital Co., Ltd. (海南長陽創業投資有限公司), Horgos Fengmao Equity Investment Management Partnership (L.P.) (霍爾果斯鋒茂股權投資管理合夥企業(有限合夥)), Nanjing Hanergy Venture Capital Center (L.P.) (南京漢能創業投資中心(有限合夥)), Chongqing Hanergy Venture Capital Center (L.P.) (重慶漢能科技創業投資中心(有限合夥)), Beijing Hanergy Zhonghong Investment Center (L.P.) (北京漢能中宏投資中心(有限合夥)), Jiaxing Yingfei Investment Center (L.P.) (嘉興英飛投資中心(有限合夥)), Mr. Chen, Mr. Wen Ruifeng (溫瑞峰) and Mr. Zhou Jianghua (周江華), the details of which are set out in "History and Development — Evolution of Our Group — 2. Establishment and unwinding of our offshore structure"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Future Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"SGD"	Singaporean dollars, being the lawful currency of Singapore

"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Shanghai Huilin"	Shanghai Huilin Trading Co., Ltd. (上海匯臨貿易有限公司), a limited liability company established in the PRC on February 28, 2013, a wholly-owned subsidiary of our Company
"Shanghai Yunxin"	Shanghai Yunxin Venture Capital Co., Ltd. (上海雲鑫創業投資有限公司), a limited liability company established in the PRC on February 11, 2014 and one of our Pre-[**REDACTED**] Investors
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of [**REDACTED**] each, comprising Unlisted Shares and H Shares
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Shenzhen Youbaokesi"	Shenzhen Youbaokesi Technology Co., Ltd. (深圳友寶科斯科技有限公司), a company established in the PRC on July 22, 2014, and a wholly-owned subsidiary of our Company
"Shenzhen Youhui"	Shenzhen Youhui Investment Center (Limited Partnership) (深圳友匯投資中心(有限合夥)), a limited partnership established in the PRC on June 29, 2016, an employee incentive platform of our Company
"Shenzhen Youka"	Shenzhen Youka Technology Co., Ltd. (深圳市友咖科技有限公司), a limited liability company established in the PRC on February 15, 2017, a subsidiary of our Company

"Shenzhen Yousuan"	Shenzhen Yousuan Technology Co., Ltd. (深圳友算科技有限公司), a limited liability company established in the PRC on June 13, 2016, and a wholly-owned subsidiary of our Company
"Shenzhen Youye"	Shenzhen Youye Technology Co., Ltd. (深圳友椰科技有限公司), a limited liability company established in the PRC on June 8, 2017, a subsidiary of our Company
"Single Largest Group of Shareholders"	Mr. Wang and Mr. Chen. See the section headed "Relationship with Our Single Largest Group of Shareholders" in this document

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"SZSE"	Shenzhen Stock Exchange
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Youbao"	Tianjin Youbao Trading Co., Ltd. (天津友寶商貿有限公司), a limited liability company established in the PRC on August 2, 2012, a subsidiary of our Company
"Track Record Period"	the period comprising the financial years ended December 31, 2019, 2020, 2021, 2022 and the six months ended June 30, 2023

[**REDACTED**]

"Unlisted Shares"	ordinary Shares in the share capital of our Company with a nominal value of [**REDACTED**] each, which are not listed in any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "U.S. dollars"	United State dollars, the lawful currency for the time being of the United States

"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Xiamen Technology"	Xiamen Qianyan Technology Development Co., Ltd. (廈門市前沿科技開發有限公司), a limited liability company established in the PRC on April 10, 1998, an indirect wholly-owned subsidiary of our Company
"Youbao Anglai"	Beijing Youbao Anglai Technology Co., Ltd. (北京友寶昂萊科技有限公司), a limited liability company established in the PRC on September 26, 2012, a wholly-owned subsidiary of our Company

In this document, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "controlling shareholder", "insignificant subsidiary", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the laws and regulations, governmental authorities, institutions, natural persons, entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of such Chinese names are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains terms used in this document in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"AI"	artificial intelligence
"Beijing-Tianjin-Hebei Region"	an economic region in China encompassing Beijing, Tianjin and Hebei
"CAGR"	compound annual growth rate
"COVID-19"	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
"FMCG"	fast-moving consumer goods
"GFA"	gross floor area
"GMV"	gross merchandise value, the total value (inclusive of value-added tax) of all merchandise sold at Ubox POSs under our unmanned retail business
"IoT"	the Internet of Things, a network of physical objects or things embedded with electronics, software, sensors, and network connectivity, which enables these objects to collect and exchange data
"merchandise wholesale customer(s)"	primarily being vending machine operator(s) that purchase(s) merchandise from us on a wholesale basis
"new tier one cities"	for the purpose of this document, Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Ningbo and Foshan
"Non-Ubox POS(s)"	POS(s) that are connected to our operation system and are operated by Non-Ubox POS operators
"Non-Ubox POS operator(s)"	third-party operators who operate Non-Ubox POSs

"Pearl River Delta Region"	an economic region in China encompassing a network of cities situated within nine prefectures of Guangdong province, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing
"POS(s)"	point(s) of sale for vending machine(s)
"POS network"	comprising Ubox POSs and Non-Ubox POSs
"POS partner(s)"	individual(s) and entity(ies) who assist(s) with sourcing and establishing POSs
"R&D"	research and development
"restaurant model partner(s)"	POS partner(s) who assist(s) with the operation of POSs at restaurants and, to a lesser extent and on a case-by-case basis, certain other types of locations such as gyms and cinemas, and is/are entitled to keep the difference between the transaction GMV and a predetermined merchandise price agreed with us, which is different from our profit sharing and fees arrangement with other POS partners
"SKU(s)"	stock keeping unit(s), which is a unique code consisting of letters and numbers that identify each product and is used to identify and track inventory or stock
"SME(s)"	small and medium-sized enterprises
"tier one cities"	cities specified by China Business News (《第一財經》) (2021) as such and for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen
"tier two cities"	cities specified by China Business News (《第一財經》) (2021) as such and for the purpose of this document, Hefei, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Lanzhou, Taizhou (台州), Shaoxing, Yantai, Linyi and Weifang

"tier three cities and below"	for the purpose of this document, all the cities and regions of China excluding tier one cities, new tier one cities and tier two cities
"Ubox POS(s)"	POS(s) operated by us under our direct operation model and partner model
"Yangtze River Delta Region"	as defined in the "Outline of Integrated Development Planning for the Yangtze River Delta Region" (長江三角洲區域一體化發展規劃綱要) promulgated on December 2, 2019, an economic region in China encompassing a total of 27 cities, including Shanghai and various cities in Jiangsu province, Anhui province and Zhejiang province

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the on-going COVID-19 pandemic;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in the [**REDACTED**] *involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the* [**REDACTED**]. *The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the* [**REDACTED**] *could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.*

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to legal, compliance and regulatory matters; and (iii) risks relating to our [**REDACTED**]. *Additional risks and uncertainties that are not presently known to us or we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to find suitable sites for our POSs on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on our ability to find suitable and strategic locations for our existing and new POSs. Our ability to secure suitable sites on terms acceptable to us is critical to the success of our existing business as well as our expansion strategy. When selecting a site for our POS, we take various factors into account, including features of different types of machines, foot traffic, consumers' spending power, operating results at similar sites and distance from our warehouses and other POSs. We cannot assure that we will be able to identify suitable sites for our new POSs that fit our criteria on terms commercially acceptable to us. Many of our existing leases are short term leases for a term of one year. We therefore cannot assure that we will be able to secure our existing strategic sites on terms commercially acceptable to us. In the event that we encounter difficulties in securing suitable locations in regions that we have entered or plan to expand into, our results of operations and growth prospects may be adversely affected.

In addition, as we lease the sites to place our POSs, we are exposed to fluctuations in the retail rental market in mainland China. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our POSs operation and development expenses, which primarily represented fixed or variable expenses paid or payable to POSs providers and POS partners for maintaining and expanding our POS network, amounted to approximately RMB574.6 million, RMB553.2 million, RMB585.9 million, RMB587.4 million, RMB263.9 million and RMB261.2 million, respectively, representing 56.1%, 51.0%, 54.4%, 50.8%, 48.3% and 47.9% of our selling and marketing expenses in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. Moreover, in the event of any compulsory acquisition on the basis of statutory power or otherwise, closure or demolition of any of the properties in which our POSs or facilities are situated for redevelopment or other purposes, the amount of compensation to be awarded to us may not be based on the fair market value but may be assessed on the basis prescribed in the relevant legislation. In such event, we may incur significant monetary loss and will be forced to relocate to other locations, which may negatively impact our business, financial condition and results of operations.

If we are not able to effectively manage our businesses, our expansion and growth in new geographical areas, our business and prospects may be materially and adversely affected.

During the Track Record Period, our Ubox POSs were mainly located in relatively developed regions in mainland China, including the Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region and provincial capitals. In particular, as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, 26.2%, 27.1%, 25.3%, 30.1% and 31.7% of our POSs were located in tier one cities, 33.8%, 30.3%, 35.9%, 34.8% and 34.5% were located in new tier one cities, and 25.0%, 26.0%, 26.0%, 21.7% and 21.1% were located in tier two cities, respectively. We plan to further increase our POS penetration in tier one, new tier one and tier two cities, and gradually tap into tier three cities and below with higher economic growth rates. To accommodate our growth, we need to develop and upgrade our operational and management systems together with successful integration of our information technology systems, all of which require substantial capital and management resources. Thus, we will need to manage and control our costs efficiently. The level of economic development, regulatory practice as well as consumer preferences may vary between mainland China and other countries, as well as amongst various regions within mainland China. We may not be able to leverage our past experiences, and may not have sufficient resources, in new locations where we plan to expand our business. Furthermore, we may face challenges inherent in expanding our business to other places in places where we operate which we consider to have growth potential, considering the potential competition with competitors who may possess greater resources, more extensive operational experiences and a better understanding of the local regulatory requirements and customer behaviours. Any failure to successfully leverage our experiences or to sufficiently understand the new markets within our business expansion plan may have a material adverse effect on our business, financial condition and results of operation.

During the Track Record Period, we shifted our marketing efforts to the partner model by engaging more POS partners for our unmanned retail business. These efforts may subject us to new risks and challenges. We cannot assure you that these shifted marketing efforts will enable us to achieve our financial targets. The effectiveness of these marketing efforts is relatively hard to predict and evaluate. Their effects maybe delayed, resulting in a delayed revenue growth which may not be fully reflected during the period which the marketing efforts were launched. In addition, their effects may be effective in some geographical areas but not the other areas. If the results of our shifted marketing efforts fail to meet our expectation, our business, financial condition and results of operations may be adversely affected.

We face certain risks associated with the shift from the direct operation model to the partner model.

Since 2020, we shifted our focus from the direct operation model to the partner model. From an accounting perspective, under both the direct operation model and the partner model, we recognize retail sales revenue when control of the merchandise has been transferred to the end customer. In terms of costs and expenses, we record procurement costs of merchandise under both models under cost of sales, and we charge our expenses for sourcing, developing and maintaining Ubox POSs under the direct operation model and the share of transaction GMV paid to POS partners (as they bear the costs for developing POSs, occupancy fees and utility costs) under the partner model to selling and marketing expenses. Our selling and marketing expenses are thus subject to the transaction GMV which is intertwined with the performance of POSs partners. Any decrease in revenue generated from the POSs under the partner model will lead to a decrease in our total revenue and our share of profits from those POSs, which may materially and adversely affect our financial condition and results of operations.

Our revenue from the POSs under the partner model continued to increase both in absolute amount or as a percentage of our revenue from unmanned retail business during the Track Record Period. Our revenue from unmanned retail business under the partner model amounted to RMB250.7 million, RMB762.4 million, RMB1,479.2 million, RMB1,612.3 million, RMB754.5 million and RMB803.0 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 16.3%, 57.0%, 77.2%, 81.7%, 82.6% and 81.4% of our revenue from unmanned retail business in the same periods, respectively. Our limited operating history under the partner model may not serve as an adequate basis for evaluating our results of operations and prospects. We have encountered, and may continue to encounter in the future, risks and uncertainties experienced by growing companies in evolving industries, such as managing our cost structure and profitability level and addressing market conditions and regulatory developments. If we do not successfully address these risks and uncertainties, our results of operations and financial condition could be materially and adversely affected.

If we fail to maintain the existing scale of our partner model or retain our existing POS partners or attract new POS partners, or if our POS partners decrease their scale of business, our POS network expansion plan may be disrupted and their revenue contribution will decrease, and thus our business, financial condition and results of operation may be materially and adversely affected.

Our vast network of POSs is the bedrock of our retail platform. Our revenue is largely affected by the number and coverage of our POSs, and our future revenue growth depends on our ability to open new POSs and expand our POS network. During the Track Record Period, we engaged POS partners to assist us with sourcing and establishing POSs to help expand into relatively underpenetrated regions whereby our POS partners, other than restaurant model partners, are typically entitled to a share of 20% to 30% of the transaction GMV after costs and expenses. For POS partners who are restaurant operators, they are generally entitled to keep the difference between the transaction GMV and the predetermined merchandise price they agreed with us. The success of our business expansion into these new regions depends on our stable relationship with existing POS partners and ability to attract new POS partners. Our revenue from unmanned retail business under the partner model amounted to RMB250.7 million, RMB762.4 million, RMB1,479.2 million, RMB1,612.3 million, RMB754.5 million and RMB803.0 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. If we fail to retain our existing POS partners or attract new POS partners, we may not be able to maintain the existing scale of, or expand, our POS network, or if our POS partners decrease their scale of business, our POS network expansion plan may be disrupted and their revenue contribution will decrease, and thus our business, financial condition and results of operation may be materially and adversely affected.

Any system failure or malfunctioning of our operation systems that are connected to our POSs or our vending machines in our POS network will directly affect our ability to receive orders and payments, which could adversely affect our ability to carry out our business effectively and efficiently, and could materially and adversely affect our financial condition and results of operations.

Our business largely relies on the secure and efficient operation of our vending machines. We leverage our nation-wide POS network, and derive revenue from our unmanned retail business segment primarily from retail sales of merchandise through vending machines at Ubox POSs. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue from unmanned retail business amounted to approximately RMB1,539.9 million, RMB1,336.8 million, RMB1,915.1 million. RMB1,974.7 million, RMB913.4 million and RMB986.8 million, respectively, representing 56.5%, 70.3%, 71.6%, 78.4%, 79.9% and 78.8% of our total revenue for the same periods, respectively. Our operation system is the backbone of our retail platform. Each of the vending machines in our network is connected to our centralized operation system over the cloud operated by third-party cloud service providers to enable a range of functions such as constantly monitoring operating status of the vending machines in real time. Moreover, our vending machines are equipped with technologies such as vending machine payment system for receiving payments. In the event such as network breakdowns, software bugs, computer virus attacks, intrusion attacks, catastrophic incidents or system providers' failure to provide ongoing maintenance, the proper functioning of our operation systems and/or our vending machines, such as our vending machine's ability to receive orders and payments, may be affected, and our operation systems and/or our vending machines may therefore be unable to operate and our business operations may be disrupted. During the Track Record Period, there were one instance in each of 2019 and 2021 where our vending machines and operation systems were temporarily out of services for approximately 15 minutes and 4 minutes, respectively, due to system failures of third-party payment platforms as a result of such platform's own technical glitch affecting a small portion of our vending machines equipped with that third-party payment platform only, and our loss arising from each incident was estimated to be approximately RMB0.1 million. One similar instance also happened in 2022 due to system failure of third-party payment platform and our estimated loss was estimated to be approximately RMB0.05 million. Moreover, there were also one instance in 2019 where our vending machines and operation systems were temporarily out of service during our system upgrade affecting restocking for all of our vending machines resulting in an estimated loss of approximately RMB0.03 million and also one instance in each of 2021 and 2022 where our database for restocking of merchandise was temporarily out of service for approximately 1.6 hours and 50 minutes with an estimated loss of approximately RMB0.03 million and RMB0.03 million, respectively. We cannot assure you that system failure or malfunctioning of our operation systems or our vending machines will not occur in the future. The occurrence of any incidents resulting in any system failure or malfunctioning of our operation systems or our vending machines in our POS network will directly affect our ability to receive orders and payments, which could adversely affect our ability to carry out our business effectively and efficiently, and could materially and adversely affect our financial condition and results of operations.

Failure to protect confidential information transmitted on our centralized operation system over the cloud operated by third-party cloud service providers could damage our relationship with our POS partners, harm our reputation, expose us to litigation and adversely affect our business.

Our business operations are dependent on the advantages and reliability of our centralized operation system. Each vending machine is connected to our centralized operation system over the cloud operated by third-party cloud service providers in mainland China, which enables our vending machines to instantly transmit data across our system, and allows operators to constantly monitor its operating status in real time to ensure optimal performance. Therefore, our centralized operation system stores, processes and transmits our and our POS partners' confidential information, including operational data and transaction data, over the cloud operated by third-party cloud services providers.

While we have taken steps to protect such confidential information and formulated policies on cybersecurity and data security covering data transmitted on our centralized operation system, the security and reliability of the cloud over which our confidential information is transmitted are beyond our control. Given that the cloud is operated by third-party cloud service providers, we cannot assure that the cloud is fully protected from any external threats, such as computer viruses, worms, hackers or other disruptive actions, which may lead to the leakage or misappropriation of our confidential information. Although to our knowledge there was no instance of any cybersecurity or data security breach during the Track Record Period and up to the Latest Practicable Date, we cannot assure that there will not be a privacy or data security breach because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we and the third-party cloud service providers may be unable to anticipate these techniques or to implement adequate preventative measures.

While we strive to maintain the integrity of our cybersecurity and data security, any failure or perceived failure to do so may result in proceedings or actions against us by our POS partners, government entities or others, and could damage our reputation and subject us to fines and damages. In addition, such events would lead to negative publicity and cause our POS partners to lose their trust and confidence in us, which may result in material and adverse effects on our ability to recruit new POS partners.

Our vending machines are integrated with technology-based retail platform and any interruption of the vending machines and the technology-based retail platform could impair our ability to provide products and services.

The continued operation of our technology-based retail platform enables us to efficiently conduct our unmanned retail business operations. See "Business — Our Technology-based Retail Platform." Therefore, our business operations is dependent on the proper functioning of our technology-based retail platform and any improper functioning or material failure of our technology-based retail platform could interrupt our business activities. Our technology-based retail platform is constructed based on complex algorithms which may contain "bugs" or undetected errors. Such errors may affect proper functioning and reliability of our technology-based retail platform. In addition, the orderly functioning of our technology-based retail platform relies on the internet infrastructure and telecommunication network in places where we operate, which may be subject to damage or interruption as a result of terrorist attacks, wars, earthquakes, floods, fires, power loss, telecommunication failures, epidemics, computer viruses, interruptions in access to our platform, hacking or other attempts to harm our platform, and similar events. Interruptions of our technology-based retail platform or the internet infrastructure and telecommunication network in places where we operate could harm our ability to deliver our products and services in an efficient manner, thus reduce our revenue and profit and damage our brand image if our technology-based retail platform is perceived to be unreliable. Furthermore, our vending machines, which form an extensive sales and distribution network, are strategically located in high foot traffic sites including schools, factories, restaurants, office premises, public venues and transportation hubs. The vending machines are vulnerable to break-ins, sabotage and vandalism.

If we experience frequent or persistent system failures on our technology-based retail platform, whether due to interruption or failures of our own technology-based retail platform or damage of our vending machines or instability of the internet infrastructure and telecommunication network in places where we operate, our reputation and brand could be severely harmed. Moreover, if we carry out initiatives to increase the reliability of our technology-based retail platform, it may cause us to incur heavy costs and reduce our operating margin, and may not be successful in reducing the frequency or duration of service interruptions.

We face risks related to natural disasters, epidemics and other public health emergencies, which could significantly disrupt our operations and financial condition.

Substantially all of our POSs are located at high foot traffic sites including schools, factories, restaurants, office premises, public venues and transportation hubs in mainland China and are fragile against any occurrence or taking place of force majeure events, acts of war, terrorist attacks, political unrest, social and economic chaos, natural disasters such as earthquakes, tsunamis, snowstorms, sandstorms, droughts and extreme and adverse bad weather conditions, widespread of public health problems such as outbreak of pandemics or epidemics, including avian influenza, swine influenza, severe acute respiratory syndrome, COVID-19 or other health problems with similar magnitude or effects which are out of control.

For instance, the global outbreak of COVID-19 had an adverse impact on the global economy across different sectors. In response, countries across the world imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus which disrupted business operations, supply chains and workforce availability, leading to substantial declines in business activity. The COVID-19 pandemic as well as the responses and measures taken by the governments and society as a whole in response to the COVID-19 pandemic, presented challenges to our business operations as well as consumers, suppliers and other participants in our business. Many places where our POSs were located were required to be closed temporarily or even permanently, which resulted in an unexpected disruption to our expansion plan in certain strategically selected geographical areas as well as loss resulting from accumulation of excessive inventory. In addition, the unprecedented outbreak of COVID-19 also hit some of our suppliers leading to delay or failure in supply of goods and machineries, compromised product quality or increased in costs. As a result, we recorded a decrease in revenue in each of our principal business segments in 2020, as compared to the corresponding period in 2019. The revenue from our unmanned retail business, our advertising and system support services, our merchandise wholesale, our vending machine sales and leases and others decreased by approximately 13.2%, 59.3%, 61.2%, 48.6% and 28.9% respectively in 2020 as compared with those in 2019, which was primarily due to the outbreak of COVID-19 and the corresponding measures implemented in response to the pandemic.

While our business operations and financial performance have recovered slightly in 2021 as the impact of COVID-19 wanes, COVID-19 resurged in various locations in mainland China in 2022, with particularly stringent counter-resurgence measures being taken in certain regions, including Beijing and Shanghai, resulting in closure of, and reduced consumer traffic and sales activities at, public places where our POSs were placed. Approximately 40.0% of our Ubox POSs as of December 31, 2022 (not taking into account the sales of POSs located in schools in July and August as they generally have limited or no sales during summer holiday) did not generate any sales for at least 60 days in 2022. In addition, our POSs located at restaurants were also severely affected as the regional resurgences of COVID-19 in mainland China had a negative impact on the catering industry in mainland China. Besides, as the downstream unmanned retail market and demand for our vending machines were negatively affected by macro-economic conditions and consumer demand in 2022, our revenue from vending machine sales and leases decreased by 23.5% from RMB44.2 million in 2021 to RMB33.8 million in 2022.

As the recovery of the economy and overall consumer traffic from the negative impact of COVID-19 is expected to be a gradual process, we are uncertain and cannot predict the extent to which the pandemic impacts our results of operations going forward. See "Summary — Recent Development" for latest development of our business operations. In addition, there is no assurance that another major disease outbreak will not happen in the future. Outbreak of major diseases may create uncertainties for our business operations which could materially and adversely affect the overall business sentiment, cause our business to suffer in ways that we cannot predict and affect our business, financial condition and results of operations.

We are subject to risks and uncertainties faced by companies in a rapidly evolving industry.

We operate in the rapidly evolving unmanned retail industry, which makes it difficult to predict our future results of operations. Our business performance is therefore exposed to risks and uncertainties related to our ability to:

- maintain our leading position in the unmanned retail industry in mainland China;
- develop and introduce attractive, popular and innovative products and services to attract customers;
- retain existing customers and attract new customers, including merchandise wholesale customers;
- upgrade our technology to support the increased traffic and expanded product-and-service offerings;
- further deepen our market penetration;
- respond to competitive market conditions;
- respond to evolving consumer preferences, market trends or industry changes;
- respond to changes in the regulatory environment and manage the associated legal risks;
- maintain effective control of our costs and expenses; and
- attract, retain and motivate qualified personnel and maintain good relations with them.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

We operate in a highly competitive and rapidly evolving market in mainland China and we face intense competition.

The vending machine retail industry in mainland China is fragmented and has witnessed noticeable growth in the past few years. According to Frost & Sullivan, the market size of the unmanned retail market in mainland China in terms of retail sales value contributed by vending machines increased from approximately RMB13.1 billion in 2017 to RMB28.9 billion in 2022, representing a CAGR of approximately 17.1%. An increasing number of players are planning to enter the market, leading to fiercer competition in the coming future. Our primary competitors may have solid position with longer operating track records and experience particularly in their specialized areas of practice either retail or logistics services, access to better machine sites, larger scales of operations, more advanced technology infrastructures and better access to financial and managerial resources and they may be able to adopt more aggressive pricing strategies, offer a wider range of merchandise, adopt more innovative business model or sales channels, offer more comprehensive online and offline services, have more advanced and stable information technology infrastructure, engage in more aggressive promotional campaigns and have a more established customer base, which enable them to compete more effectively against us.

Furthermore, we also compete against beverage companies, integrated logistics companies, convenience store brands and other retail channels. The widespread penetration of these convenience stores and other retail channels may reduce market demand for purchase through vending machines. Increased competition may reduce our market share and profitability and require us to increase our sales and marketing efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur further losses. If we fail to compete effectively, we may lose market share and customers, and our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks of shortages or unavailability of merchandise due to disruptions to our operation, deterioration of business relationship with suppliers or potential changes of distribution methods by suppliers.

We rely on our suppliers to provide a stable supply of merchandise and vending machines, which are crucial to our unmanned retail business model, merchandise wholesale and vending machine sales and leases to meet customer needs. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our cost of inventories sold accounted for 89.8%, 78.8%, 93.1%, 94.9%, 94.4% and 98.1% of our total cost of sales during the same periods, respectively.

We cannot assure that these suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expire without renewal. We do not have direct control over our suppliers, and may thus experience operational difficulties due to their insufficient quality control, failure to meet supply deadlines, increase in costs, and their liquidity or solvency issues as a result of events beyond our control, including but not limited to, outbreak of pandemics or epidemics such as COVID-19, natural disasters, acts of war, terrorism and social and economic chaos. Moreover, we cannot guarantee that these parties will maintain the same level of quality in their products and services or will have the capacity to meet our needs as we expand rapidly. We may not be able to find alternative suppliers if these parties are no longer able to meet our needs at acceptable costs or in a timely manner. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product or service is provided with a single source, could materially and adversely affect our business, financial condition and results of operations.

Any loss or deterioration of our relationship with major suppliers, our failure to renegotiate the purchase prices with our suppliers, or to establish relationships with new suppliers would expose us to risks of shortages or unavailability of goods, which may adversely affect our business, financial condition and results of operations.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our inventory primarily consists of vending machines, beverages and pre-packed food, some of which may have relatively short shelf life. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, the balances of our inventories respectively amounted to RMB231.2 million, RMB150.2 million, RMB186.8 million, RMB143.9 million and RMB126.8 million, respectively. Our inventory turnover days in 2019, 2020, 2021, 2022 and for the six months ended June 30, 2023 were 55 days, 60 days, 51 days, 53 days and 43 days, respectively. In 2019 and 2020, our impairment loss of inventories charged to our consolidated statements of comprehensive income was approximately RMB2.5 million and RMB53.9 million, respectively.

The demand for our products are vulnerable to changes in consumer spending patterns, consumers' preferences and tastes, as well as implementation of various restrictive measures in response to the outbreak of pandemics or epidemics such as COVID-19. These changes are beyond our control and may lead to decreased demand or overstocking of our particular products. Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of products and raw materials in our inventory. The risk of obsolescence for our inventory increases as the age of our inventories increases, in particular beverages and pre-packed food. If we fail to respond timely and effectively to changes in our customers' needs and preferences, or any stringent measures in containing epidemics and pandemics, our sales revenue will decrease and the volume of obsolete and slow-moving inventory may increase, and we would need to discard expired beverages and pre-packed food or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

We may fail to develop customized vending machines that cater to the preferences of our customers.

The unmanned retail industry is constantly subject to changes. We design and develop, and engage third-party manufacturers to produce customized vending machines to cater to the shifting preferences of our customers, which requires substantial capital investment for research and development. We may not be able to develop the technologies necessary to design or develop our vending machines, license these technologies from third parties, or remain competitive in our research and development. Therefore, we cannot assure that we will be able to design or develop our vending machines, if at all, or on a timely basis. Even if we are able to develop and introduce new vending machines to the market, they may fail to meet consumer demands and gain market acceptance and our business, financial conditions and results of operations may be materially and adversely affected.

Our business, financial condition and results of operations may be affected if we fail to fully utilize and integrate AI in our operations.

We believe the success of our business operation depends on our AI capabilities. We incorporate AI technologies into our technology-based retail platform to standardize and digitalize our business process, including site selection and merchandise mix optimization and procurement to vending machine restocking and maintenance. However, AI presents risks and challenges that may affect its adoption, and, therefore, our business and operational efficiency. AI algorithms may be flawed and contain undetected errors. Datasets may be insufficient or contain biased information. Inappropriate or controversial data practices by us or other external third parties could impair the acceptance of our AI technologies which may subject us to legal liability, and brand or reputational harm and in turn affect our business, financial condition and results of operations.

Advertisements shown on our digital advertising platform may subject us to penalties and other administrative actions.

We derive our revenues from advertising and system support services we provide on our digital advertising platform. PRC Law in relation to advertising require advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they prepare or distribute is fair and accurate and is in full compliance with the relevant laws and regulations. In addition, for advertising content related to specific types of products and services such as pharmaceuticals and medical instruments, advertisers, advertising operators and advertising distributors must confirm that the advertisers have obtained the requisite government approvals, including the advertiser's operating qualifications, proof of quality inspection of the advertised products and services, and, with respect to certain industries, government approvals of the content of the advertisement and filings with the local authorities.

Pursuant to the relevant PRC Law, we are required to take steps to monitor the content of advertisements displayed on our platform. Complying with the relevant laws and regulations requires considerable resources and time, and could significantly affect our business operations. We cannot assure you that all the content contained in such advertisements or offers therein are true and accurate as required by the advertising laws and regulations, especially given that the interpretation and enforcement practices by relevant authorities which may change or may be determined based on prevailing laws and regulations at the time. If we are found to be in violation of applicable PRC Law, we may be subject to penalties including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish corrective information. In circumstances involving serious violations, the governmental authorities in mainland China may force us to terminate our online marketing services operations or revoke our licenses. If we become subject to any of the above penalties, our reputation may be harmed and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our results of operation depend on the level of traffic and consumption and are thus subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations depending on the location of our POSs and the relevant time of a year in our results of operations. In general, we experience weaker performance in the first quarter of each year due to lower level of customer foot traffic and consumption from vending machines, especially outdoor ones, during winter. We typically record higher level of revenue from the second to fourth quarters of each year due to the warmer weather and relatively stronger demand for vending machine retail of beverages. We are also subject to seasonal fluctuations in demand from particular scenarios. For example, POSs at schools typically record lower level of revenue during summer and winter vacations. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

Our reputation, performance and financial condition could be adversely affected by any failure to maintain effective quality control mechanism and food safety monitoring system.

Product quality and food safety is fundamental and crucial to our business. Due to the rapid expansion and geographical coverage of our nation-wide POS network, maintaining consistent quality control and food safety depend on the effectiveness of our quality control mechanisms and food safety monitoring system, which in turn depends on the design and management of our quality control mechanism and food safety monitoring system, the implementation of the quality control measures and initiatives by our staff and our suppliers. For more details on our quality control systems, see "Business — Quality Control." There can be no assurance that our quality control mechanism and food safety monitoring system will remain effective. The quality of the products provided by our suppliers are subject to factors beyond our control. We may be subject to complaints or even food safety incidents as well, and our financial condition, performance and goodwill will therefore be seriously affected. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

According to the applicable PRC Law, both manufacturers and vendors of products shall be responsible for food safety and quality of products being sold. The Product Quality Law and Food Safety Law of the PRC requires vendors to establish a mechanism integrated with purchase acceptance, product quality management, employee health management system and food safety self-inspection system, holding us responsible for the food safety and product quality to meet the relevant standards. Accordingly, we are subject to the supervision and on-site inspection by the relevant administrative authorities. Any failure to comply with the aforesaid requirements and standards may result in administrative penalties against us and, in more extreme cases, criminal proceedings may be brought against us and our management. If any quality issues are found in the products we sell, we may also be ordered by the relevant government authorities to rectify the quality issues such as to repair or replace the products we sold or make refunds and compensation to our customers.

Our retail business is subject to risks of food safety issues and defective products. At our POSs, we sell merchandise and products manufactured by third parties, some of which may be defective. Moreover, our Non-Ubox POS operators sell merchandise sourced by them at our POSs. There can be no assurance that we will be able to detect all safety issues or defects in the merchandise we offer. We maintain limited third party liability or product liability insurance in relation to the merchandise, including mobile devices, we sell at our POS. We cannot assure you that product liability claims against us will not arise in the future. In the event that the consumption of our products results in any damage to our customers, we may face product liabilities claims and be held liable to pay compensation and recover the damages to the customers. The attention of our management and resources may be distracted by the claims. In the case that any of such claims materializes, we may incur monetary loss, our reputation may be harmed, and may harm our growth and profitability, which may in turn adversely affect our business, financial condition and results of operations.

We rely on external suppliers to produce customized vending machines.

We rely on external suppliers to produce customized vending machines for our business. We cannot guarantee that (i) the supply of vending machines is in a timely manner, stable and free from unexpected interruption; (ii) there will not be any significant increase in procurement costs of such vending machines following an increase in our production costs for any reason beyond our control; (iii) the qualities of such products could always meet our expectation and satisfy our quality control; (iv) the products manufactured by those external suppliers are free from any third parties infringement, dilution or misappropriation of any third party's intellectual property rights; and (v) no leakage of our procurement plans and business strategies by such external suppliers despite our great effort to preserve our confidential business information.

We may discover latent defects in the vending machines that were not apparent at the point of purchase. Such defects may be discovered before or after the warranty period has expired. If the products we lease to merchandise wholesale customers fail to function as expected and we are unable to resolve the functionality issues in a timely manner, our relationships with such customers may be damaged. In addition, any defects or malfunction of our products could cause the loss of customers or revenues, delays in revenue recognition, increased levels of product returns or replacements, damage to our market reputation and significant increases in warranty claims and other expenses, all of which could result in a material decrease in our profitability. The occurrence of any of the above events will have adverse impact on our operation, financial and business conditions.

We face risks relating to third-party payment services, which may materially and adversely affect our business, financial condition and results of operations.

We rely on third-party payment service providers for our customers' payment channels. If these third-party payment service providers do not perform adequately or if our relationships with these third-party payment service providers were to terminate, our vending machines' ability to receive orders or payment could be adversely affected, which would have a direct impact on our business performance. If any of these third-party payment service providers have any interruptions or delays in such platforms in the future, we may not be able to locate suitable alternatives, and our business could also be harmed. In addition, an increase in the fees charged by our third-party payment service providers would result in an increase in our operating expenses, which may adversely affect our financial condition and results of operations.

Moreover, the laws and regulations governing payment services are complex, constantly changing and vary significantly across different jurisdictions. Any actual or alleged failure by us or our third-party payment service providers to comply with the applicable rules and regulations may materially and adversely affect our business, financial condition and results of operations.

We have incurred net losses, accumulated losses and negative operating cash flow during the Track Record Period, which we may continue to experience in the near future.

We incurred net losses of approximately RMB1,184.2 million, RMB188.2 million, RMB283.1 million, RMB128.4 million and RMB147.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and our accumulated losses amounted to RMB1,073.2 million, RMB1,258.2 million, RMB1,542.7 million and RMB1,695.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. In addition, we had negative net cash from operating activities of RMB31.9 million in 2020. We cannot assure that we will be able to generate net profits or positive cash flow from operating activities in the near future. Our ability to achieve and maintain profitability depends on various factors, including but not limited to, maintaining existing and attracting new POS partners, merchandisers, advertisers and merchandise wholesale customers, controlling costs and expenses and increasing our revenues, and the effectiveness of our advertising and promotional activities. Furthermore, if we are unable to successfully offset our increased costs and expenses with an appropriate increase in our revenue and margins, our financial condition and results of operations may be materially and adversely affected. As such, we may not be able to fund our operating expenses and expenditures and may be unable to fulfil our financial obligations as they become due, which may result in voluntary or involuntary dissolution or liquidation proceedings of our Company and a total loss of your investment.

We may incur impairment losses relating to goodwill and other intangible assets, which could materially affect our profits.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we had intangible assets, comprising goodwill, internally generated software and purchased software, of RMB318.4 million, RMB136.2 million, RMB118.6 million, RMB102.9 million and RMB95.2 million, respectively. We recognized impairment loss of intangible assets of RMB2.2 million and RMB9.7 million as of December 31, 2019 and 2020, respectively, and impairment loss of goodwill of RMB158.4 million as of December 31, 2020.

There are inherent uncertainties in the estimates, judgments and assumptions used in assessing recoverability of goodwill and intangible assets. Economic, legal, regulatory, competitive, reputational, contractual, and other factors could result in future declines in the operating results of our business or market values that do not support the carrying value of the goodwill and other intangible assets. Any reduction in or impairment of the value of goodwill or intangible assets will result in a charge against our profits, which could have a material adverse impact on our results of operations and financial condition.

We may incur gross loss in our vending machine sales and leases and others segments, and we may not be able to sustain our gross profit margins.

During the Track Record Period, we experienced fluctuations in gross profit and gross profit margin of our vending machine sales and leases and others segments. We recorded gross profit of RMB15.1 million, RMB13.9 million, RMB10.8 million, RMB3.0 million and RMB3.2 million in 2019, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and gross loss of RMB32.2 million in 2020 for vending machine sales and leases, and recorded gross profit of RMB127.6 million, RMB11.8 million, RMB9.1 million, RMB3.0 million and RMB10.6 million in 2019, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and gross loss of RMB189.6 million in 2020 for our others segment. Also, we recorded gross profit margin of 16.6%, 31.4%, 31.9%, 18.5% and 27.0% in 2019, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and negative gross profit margin of 68.5% in 2020 for vending machine sales and leases, and recorded gross profit margin of 49.5%, 2.7%, 4.9%, 5.0% and 12.2% in 2019, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and negative gross profit margin of 103.5% in 2020 for others segment.

We experienced gross loss in vending machine sales and leases and others segments primarily as a result of the outbreak of COVID-19. There is no assurance that our profitability including our gross profit and gross profit margin of our vending machine sales and leases and other services may return to the level prior to the outbreak of COVID-19. In response to the outbreak of COVID-19, we explored business opportunities and fine tuned our business strategies. However, our evolving business strategies make it difficult to evaluate the risks and challenges we may encounter. The risks and uncertainties we may face include challenges to our ability to refine our product offerings and services to cater shifting customers' preferences, to anticipate and respond to macro-economic changes and changes in local markets where we operate, to successfully expand our geographic reach and expand our POS network in the manner we planned, to forecast our revenue and cost of sales and manage capital expenditures for our current and future operations. If we fail to address the risks and challenges that we face, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations could be materially affected by the share of results of associates and a joint venture.

We have invested in a number of companies such as operators of machines and other FMCG retail businesses, and developers of relevant software and hardware, that could potentially assist the expansion of our POS network or create synergies. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our investments accounted for using the equity method were RMB54.6 million, RMB61.0 million, RMB76.5 million, RMB62.7 million and RMB58.9 million, respectively. Our share of losses in investments accounted for using the equity method were RMB7.2 million, RMB3.5 million, RMB4.1 million, RMB15.3 million, RMB4.8 million and RMB3.8 million in 2019, 2020, 2021, 2022 and June 30, 2022 and 2023, respectively. See Note 20 to the Accountant's Report as set out in Appendix I for details.

There can be no assurance that our investments in joint venture(s) and associates will achieve the results intended and guarantee a share of profits. Any loss incurred by these joint venture(s) and associates shall be apportioned among our Group and other shareholders of the joint venture(s) and associates, and we may be subject to liquidity risk as a result. Our investments in the joint venture(s) and associates are not as liquid as other investment products because the reported profits of these joint venture(s) and associates under the equity accounting will not result in our cash inflow until dividends are received by us. Also, if there is no share of results or dividends from the joint venture(s) or associates, we will be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

Furthermore, the possibility to promptly dispose of our interests in the joint venture(s) or associates in response to changing economic, financial and investment conditions is uncertain. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot be certain as to whether we will be able to sell any of our interests in these joint venture(s) and associates for the price or on the terms that are acceptable to or set by us. Therefore, the liquidity nature of our investment in these joint venture(s) and associates may significantly limit our ability to respond to adverse changes in their performance.

Acquisitions, investments or strategic alliances may fail and have a material and adverse effect on our business, reputation and results of operations.

We have invested, and in the future, may invest, in a diverse array of businesses, technologies and ventures, and may enter into acquisitions and alliances from time to time. See "History and Development — Evolution of Our Group." Such endeavors may involve significant risks and uncertainties.

We have invested in a number of companies that are complementary to our growth strategies, such as software developers and vending machine operators, and may invest in other joint ventures, associates or companies in the future as we deem appropriate. We may not obtain control and may lack influence over the operations in these joint venture(s) and associates which may prevent us from achieving our strategic goals and financial returns in these joint venture(s) and associates. Furthermore, acquisitions and investments also involve challenges, risks and uncertainties, including but not limited to, difficulties in, and significant and unanticipated additional costs and expenses resulting from, integrating into our existing business the large number of personnel, operations, products, services, technology, internal controls and financial reporting of the business we acquire or invest in, disruption of our ongoing business, distraction of and significant time and attention required from our management and employees and increases in our expenses, and additional or conflicting regulatory requirements, heightened restrictions on and scrutiny of investments, acquisitions and foreign ownership in other jurisdictions. Some of these challenges and risks are beyond our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies may cast a material adverse effect on our business, financial condition and results of operations.

We face certain risks associated with our cooperation with Non-Ubox POS operators.

We cooperate with our Non-Ubox POS operators. As of June 30, 2023, we had 1,153 Non-Ubox POS operators. Our cooperation with Non-Ubox POS operators may be continuously employed in broader areas in mainland China, which aligns with our expansion strategy and is crucial to our future operations. Such cooperation subjects us to several risks, each of which may impact our ability to collect fees and charges from our Non-Ubox POS operators, or may harm our brand image, business performance and results of operations:

- *Control over Non-Ubox POS operators*. Our business performance relies on our Non-Ubox POS operators, some of whom source and sell merchandise from third parties selected by them. We cannot fully control our Non-Ubox POS operators' action and our contractual rights and remedies are limited. There is no guarantee that our Non-Ubox POS operators will share our concern on merchandise quality and food safety. Therefore, our business and operating results are deemed to be hurt unless our Non-Ubox POS operators duly comply with applicable laws and regulations such as food safety related laws in their course of business and perform their obligations consistent with our required standards such as those set out in our cooperation agreements.

- *Revenues realized from our vending machines*. The revenues we realize are linked to our Non-Ubox POS operators' profitability. Our revenues and margins could be adversely affected or deteriorated by the worsen sales trend of our Non-Ubox POS operators. Our strategy of expansion would suffer as well.

- *Contractual relationship with Non-Ubox POS operators*. We generally enter into agreements with our Non-Ubox POS operators for sale of merchandise at our vending machines for a term of one to five years. We compete against other industry players and cannot assure that we will be able to maintain contractual relationships with our Non-Ubox POS operators. In the event that we fail to renew contracts with our Non-Ubox POS operators or attract new Non-Ubox POS operators for any reasons, our revenue may be adversely affected.

- *Bankruptcy*. Non-Ubox POS operators' bankruptcy could have a substantial negative impact on our ability to collect payments due, and may have a negative impact on our brand image.

- *Litigation*. Our Non-Ubox POS operators may be subject to a variety of litigation risks from time to time, including but not limited to customer claims, personal-injury claims, employee allegations of improper termination. Each of these claims may increase the costs of our Non-Ubox POS operators and adversely affect their profitability, and may therefore limit the funds available for them to pay fees and charges and limit their ability to maintain the machines, which in turn could adversely affect our business and operating results and may adversely affect our brand image.

Our historical financial results may not be indication of our further performance and our success depends on our ability to execute our business strategy.

Our revenue decreased by 30.3% from RMB2,727.5 million in 2019 to RMB1,902.0 million in 2020, increased by 40.7% from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021, decreased by 5.9% from RMB2,676.2 million in 2021 to RMB2,519.2 million in 2022, and increased by 9.6% from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the same period in 2023. Our gross profit decreased by 58.0% from RMB1,329.2 million in 2019 to RMB558.6 million in 2020, increased by 97.1% from RMB558.6 million in 2020 to RMB1,101.1 million in 2021, decreased by 2.2% from RMB1,101.1 million in 2021 to RMB1,076.7 million in 2022, and increased by 1.5% from RMB510.2 million for the six months ended June 30, 2022 to RMB518.0 million for the same period in 2023.

Our results of operations during the Track Record Period should not be considered indicative of our future performance. Our future growth, profitability and cash flows depend upon our ability to successfully execute our business strategies, which is dependent upon a number of factors, including our ability to:

- anticipate and respond to rapidly changing technology development, market trends and consumer preferences;
- explore, attract and cooperate with merchandise wholesale customers, POS partners, karaoke booth franchisees and merchants on favourable terms;
- develop our technology-based retail platform with new functionalities on a timely basis;
- expand our geographic presence to further extend our customer reach;
- enhance and maintain favourable brand recognition for our Group and product offerings;
- effectively manage our relationships with external vending machines manufacturers;
- maintain and expand margins through sales growth and efficiency initiatives;

There can be no assurance that we can successfully execute our business strategies in the manner or time that we expect. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our [**REDACTED**] to decline. In addition, we expect to recognize some of our expenses related to the [**REDACTED**] in 2023, which will impact our financial performance for the respective years. You should not rely on our historical results to predict our future financial performance.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure that we will continue to enjoy similar preferential tax treatment in the future. Our subsidiaries in mainland China are generally subject to enterprise income tax at the statutory rate of 25% pursuant to the EIT Law, except for certain subsidiaries which enjoyed preferential tax treatment. Our Company was granted the qualification as "High and New Technology Enterprise" in 2017 and we renewed our qualification in 2020, thus we were entitled to preferential tax rate of 15% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023. Shenzhen Youbaokesi and Youbao Anglai, two of our subsidiaries, were granted the "High and New Technology Enterprise" in 2016 and renewed the qualification in 2019. As a result, Shenzhen Youbaokesi and Youbao Anglai were entitled to a preferential income tax rate of 15% in 2019, 2020, 2021 and the six months ended June 30, 2022. Also, Shenzhen Youbaokesi, which applied for the qualification as "High and New Technology Enterprise", was entitled to preferential income tax rate of 15% in 2022 and the six months ended June 30, 2023 upon the renewal of such qualification in December 2022. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

We may be subject to risks of recoverability of deferred tax assets.

Deferred 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. Based on our accounting policies, we recognize deferred tax assets relating to certain temporary differences and tax losses when we consider it is probable that future taxable profit will be available and as a result, the temporary differences or tax losses can be utilized. The outcome of the actual utilization of such temporary differences or tax losses may be different.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our deferred income tax assets amounted to RMB50.2 million, RMB42.3 million, RMB41.8 million, RMB36.7 million and RMB40.5 million, respectively. In addition, we had deferred income tax liabilities of RMB1.8 million, RMB1.6 million, RMB1.9 million, RMB2.1 million and RMB2.5 million as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively. In the application of our accounting policies, significant management judgement is required to assess the recognition of deferred income tax assets in future reporting periods, based on historical experiences and amount of forecasted future taxable profits at the relevant times together with future tax planning strategies. However, if there is a significant adverse change in our performance, some or all of the relevant deferred income tax assets may need to be written off and charged to the income statement, which could have an adverse effect on our financial condition. Furthermore, utilization of deferred income tax assets significantly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future. Any consequent changes in management judgement or future operating results would deviate these accounting estimates of deferred income tax assets from their actual results and the recoverability of deferred tax assets recognized in our financial statements, and hence could materially and adversely affect our financial condition and results of operation in the future years.

Impairment of our property and equipment and right-of-use assets could negatively affect our financial condition and results of operations.

The value of our property and equipment represent a significant portion of the assets on our consolidated balance sheet. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we recorded property and equipment of RMB589.5 million, RMB305.2 million, RMB398.8 million, RMB296.3 million and RMB223.6 million, respectively, and also recorded right-of-use assets of RMB570.9 million, RMB446.2 million, RMB359.5 million, RMB289.1 million and RMB247.1 million, respectively. During the Track Record Period, we recognized impairment loss of property and equipment of RMB1.2 million, RMB140.3 million and RMB1.4 million for the years ended December 31, 2019, 2020 and 2021, respectively, and impairment loss of right-of-use assets of RMB51.7 million for the year ended December 31, 2020 primarily attributable to our karaoke booths in operation as an impact of COVID-19 outbreak. For details of the accounting treatment, see Notes 16 and 17 to the Accountant's Report as set out in Appendix I.

The value of property and equipment is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with the assumptions, we may be required to record a significant impairment loss, which could in turn adversely affect our results of operations. We may continue to recognize impairment losses for property and equipment and right-of-use assets in the future in the event the business and financial performances of certain karaoke booths or non-core types of machines fail to meet our management's expectation, in which case our financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risk of our customers and we may experience delays or defaults in settling our trade and other receivables.

Our trade receivables as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023 were approximately RMB362.0 million, RMB200.7 million, RMB144.5 million, RMB77.4 million and RMB75.9 million, respectively. Our loss allowance provision for trade receivables in 2019, 2020, 2021, 2022 and June 30, 2023 were approximately RMB31.6 million, RMB39.5 million, RMB24.1 million, RMB22.8 million and RMB11.8 million, respectively. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our trade receivables turnover days were approximately 108 days, 183 days, 85 days, 77 days and 54 days, respectively. In addition, our net impairment losses on financial assets primarily comprised impairment losses on trade and other receivables, amounting to RMB10.9 million, RMB58.4 million, RMB28.2 million, RMB9.3 million, RMB6.9 million and RMB0.8 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. In the event that a significant number of our customers fail to settle the trade receivables in full for any reason, our cashflow level may be adversely affected, and we may have to make provision for impairment, write-off the receivables and/or incur legal costs to recover the outstanding sum from our customers, which may in turn have a material and adverse impact on our business, financial conditions and results of operations.

We are exposed to risks associated with POSs operated under partner model with cooperation agreements signed by us.

As of June 30, 2023, we had entered into cooperation agreements with the site owners for the use of POS sites for all the POSs under the direct operation model and a part of the POSs under the partner model (excluding restaurant model partners). Some of the POSs under the cooperation agreements signed by us were operated under partner model. In the event that we decide to change a POS from direct operation model to partner model, we generally allow our POS partner to maintain that POS and bear the occupancy fees and utility costs without terminating the existing cooperation agreement with the site owner.

Although our POS partners shall be responsible for the occupancy fees and utility costs even if we entered into cooperation agreements with site owners under partner model, we are contractually liable to the site owners as a party to the cooperation agreements. We cannot assure you that all our POS partners will reimburse us in a timely manner for payment of occupancy fees and utility costs. In the event of significant delay or default in payment of the occupancy fees and utility costs, our cashflow level may be adversely affected, and our financial condition could also be adversely affected.

Our results of operations and financial condition may be adversely affected by the recoverability of our prepayments, deposits and other receivables. Our allowance on impairment losses on deposits and other receivables may not be sufficient to cover actual losses on our deposits and other receivables in the future.

There are uncertainties about the recoverability of our prepayments, deposits and other receivables. Our prepayments mainly comprise (i) prepayments for purchase of machines, (ii) prepayments for purchase of inventories, (iii) prepayments for POSs expenses, (iv) prepayments for [**REDACTED**] expenses, and (v) others. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we recorded prepayments of RMB254.4 million, RMB188.6 million, RMB214.8 million, RMB249.9 million and RMB254.0 million, respectively.

In order to ensure stable supply and lock in price as a precaution against any potential adverse impact of market price, and to secure favourable POSs site locations, we made prepayment for purchase of inventories arise from the contractual obligation with merchandise suppliers as we submit estimated demands for merchandise for the next month to them and deposit the corresponding purchase price to suppliers' accounts in full or in part in accordance with the terms of the relevant contract in advance as prepayment. Also, we made prepayments for POSs expenses arise from the contractual obligations with site owners, pursuant to which we shall pay in advance the POSs operation expenses, which primarily include occupancy fees and utility costs, monthly, quarterly or semi-annually.

Our deposits and other receivables primarily comprise deposits, amount due from POS partners, advances to and receivables from business partners and advances to staffs. Under our partner model, our Company may make advances to POS partners for payment of POSs occupancy fees, which would be deducted from their share of transaction GMV and are typically settled on a monthly basis. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our amount due from POS partners was RMB19.8 million, RMB 39.7 million, RMB71.3 million, RMB36.1 million and RMB26.2 million, respectively, representing approximately 3.6%, 11.7%, 27.7%, 22.4% and 16.6% of our other receivables, respectively.

There is no guarantee that our merchandise suppliers, site owners, POS partners or other counterparties will perform their obligations in a timely manner and we are subject to recoverability or credit risk in relation to our prepayments, deposits and other receivables. If we are not able to recover the prepayments, deposits and other receivables as scheduled, our financial position and results of operations may be affected.

During the years ended December 31, 2020, 2021 and 2022, based on the results of the impairment assessments, we recognized impairment provisions of RMB36.3 million, RMB24.3 million, RMB4.7 million, respectively, against the amount of deposits and other receivables. Besides, as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we recorded allowance for impairment of deposits and other receivables of RMB24.1 million, RMB55.9 million, RMB80.2 million, RMB72.0 million and RMB64.5 million, respectively. Our allowance for impairment of amount due from POS partners was RMB2.3 million, RMB5.1 million, RMB12.0 million, RMB10.6 million and RMB3.8 million as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively, and our allowance coverage ratio was 9.5%, 9.1%, 14.9%, 14.8% and 5.8%, respectively.

Such allowance was determined by our management based on estimations and assumptions. If any of these assumptions or estimations does not materialize, or the performance of our business is not consistent with the assumptions or estimations, or the recoverability of the advances to and receivables from business partners, amounts due from POS partners and advances to staffs, and the deposits are lower than expected, or that our past allowance for advances to and receivables from business partners, amounts due from POS partners and advances to staffs, and the deposits becomes insufficient, we may need to make more allowance for such amounts due, which may in turn materially and adversely affect our business, financial position and results of operations.

Our financial assets at fair value through profit or loss are subject to fair value fluctuations and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.

During the Track Record Period, our financial assets at fair value through profit or loss include wealth management products and investments in unlisted equity securities and have experienced fair value fluctuations. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our financial assets at fair value through profit or loss were RMB382.5 million, RMB166.8 million, RMB32.8 million, RMB36.1 million and RMB34.5 million, respectively, among which our investments in wealth management products amounted to RMB336.9 million, RMB132.1 million, nil, nil and nil as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively. During the Track Record Period, the net realized gains generated from such wealth management products was RMB5.1 million in 2019, RMB6.3 million in 2020, RMB1.2 million in 2021, RMB0.2 million in 2022 and RMB0.07 million for the six months ended June 30, 2023, and the net unrealized gains of such wealth management products was RMB2.3 million in 2019, RMB4.6 million in 2020, and nil in 2021, 2022 and for the six months ended June 30, 2023. In addition, we recognized fair value loss on financial assets at fair value through profit or loss of RMB0.9 million, RMB18.3 million, RMB1.9 million and RMB1.6 million as of December 31, 2019, 2020, 2021 and June 30, 2023, respectively, and realized a fair value gain on financial assets at fair value through profit or loss of RMB3.3 million as of December 31, 2022. The returns on all of these wealth management products are not guaranteed, and therefore are designated as financial assets at fair value through profit or loss.

Fair value of our financial assets at fair value through profit or loss is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of wealth management products we purchased. The fair value fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations in the future. We cannot assure you that market conditions and regulatory environment will remain stable or that we will generate such investment income from our financial assets at fair value through profit or loss in the future. As the fair value of our financial assets at fair value through profit or loss are subject to fluctuations, such uncertainty may adversely affect our financial performance.

Our success depends on our talented personnel. Any failure to attract and retain necessary talents may materially and adversely affect our business, prospects, financial condition and results of operation.

Our continued success depends on our ability to attract, motivate and retain talented personnel. We rely on the expertise and experiences of our employees throughout our business operations from product maintenance, merchandise supplements, product research and development as well as maintaining relationships with our suppliers and customers. Any loss of our key personnel could materially and adversely affect our ability to sustain and develop our business. We cannot assure that we will be able to recruit or retain a sufficient number of qualified employees for our business. Subject to failure to keep up with market average employee salary levels and other factors, any material increases in employee turnover rates and any failure to recruit and retain sufficient personnel may make our growth strategy difficult to implement. Any of the above would materially and adversely affect our business and results of operations.

Share-based compensation expenses may adversely affect our financial performance and also potentially dilute our shareholding.

In order to incentivize the management members and core employees of our Group to further promote the development of our Group and in recognition of our employees' contributions, we adopted the 2020 Incentive Scheme and the Pre-[**REDACTED**] Incentive Scheme. In accordance with the 2020 Incentive Scheme, we granted options to our management and core employees on January 23, 2020 to acquire up to 22,438,106 Shares at a price of RMB0.10 per Share. Furthermore, in September 2021, in order to motivate the management of Youbao Online, a subsidiary of our Group, our Group transferred 4% and 13% equity interest in Youbao Online to two of its management members, and recognized RMB1.5 million as share-based compensation expense based on the valuation performed by valuer engaged by the management. Also in January 2023, we have also granted options to 27 grantees to subscribe for a total of 37,750,000 Unlisted Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company immediately after completion of the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted have not been exercised and remain outstanding), at an exercise price of RMB1.99 per option under the Pre-[**REDACTED**] Incentive Scheme.

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our share-based compensation expenses amounted to nil, RMB210.9 million, RMB1.5 million, nil and RMB49.5 million, respectively, all of which were recognized in our consolidated financial statements in accordance with IFRS. We believe the granting of share-based compensation is of significant importance to our ability to attract, retain and incentivize key personnel and other employees, and we may continue to grant share-based compensation awards in the future subject to compliance with the Listing Rules. As a result, we may continue to incur or even increase the expenses associated with share-based compensation, which may have an adverse effect on our financial performance. Any securities issued pursuant to our employee share option plan will also dilute the ownership interests of our shareholders.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

From time to time, we may be exposed to intellectual property infringement claims and other proceedings as a result of our suppliers delivering to us counterfeited or fraudulent goods manufactured without proper authorizations, licenses or approvals and sold under the imitated labels or brands similar to the authentic ones. There is no assurance that our guidelines and instructions in place are sufficient to deter suppliers from delivering counterfeit products to us, and our inability to do so may result in adverse effects on our reputation, business and results of operations. In addition, we cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. We may be subject to disputes, claims or other proceedings with copyright owners in relation to our use of music or songs in the ordinary course of our karaoke booth business or in our self-developed in-house products. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management personnel from the operation of our business. Regardless of the outcome of such proceedings and claims, our brand name and image may be adversely affected.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand and adversely affect our business.

We rely heavily on a combination of trademarks, patents, domain name registrations, copyrights and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of know-how or trade secrets in relation to technologies, which we believe are material to our operations and which are not covered by patents.

We cannot assure that there will be no counterfeit or forgery of our equipment, whether purchased or self-developed in-house products, such as vending machines and karaoke booths, trademarks and/or brands in the market. Counterfeiters may illegally set up vending machines and karaoke booths under our brand. Such counterfeit or forged products are usually difficult to detect or ban in a timely manner. The occurrence of such incidents may harm the value of our brand and thereby leading to adverse effects on our profitability and competitiveness.

We rely on various protective measures to safeguard such unpatented proprietary information, including prudent and careful selection of our suppliers. However, we cannot assure that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. We also cannot assure that we will be successful in enforcing confidentiality provisions or undertaking enforcement proceedings in the event that there is any unauthorized use of our intellectual property.

Furthermore, any litigation to protect our intellectual property would be time-consuming and costly, and may divert the attention of our members of senior management and key personnel from our business operations. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand, our reputation could suffer, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our business operation needs various approvals, licenses and permits, which could be materially and adversely affected by any failure to obtain or renew any of these approvals, licenses and permits.

As the PRC Law require, we ought to maintain various approvals, licenses and permits to provide our unmanned retailing and other services in mainland China. Take our pre-packed food and beverage retail business as an example, Food Operation License (食品經營許可證) or Record-filing for Selling Only Pre-packaged Food (僅銷售預包裝食品備案) shall be acquired and maintained by each of our subsidiaries. We may take registrations for our karaoke booths business according to the Ministry of Culture and Tourism. The premises, transportation vehicles and vending machines we used for storage, logistics and sale are subject to compliance inspections by the regulatory authorities under the PRC Law. These registrations, approvals, licenses and permits are achieved upon satisfactory compliance with the applicable laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation. Complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from such non-compliance with government regulations that negatively impacts our brand.

As of the Latest Practicable Date, we have complied with the applicable laws and regulations to complete food safety procedures in all material respects. However, various standards of vending machines may be implemented in different regions, which increases the risks of our non-compliance. Our business, financial condition, results of operations and prospects therefore may be materially and adversely affected. We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for other merchandise. We may also experience difficulties or failures in obtaining, renewing and/or converting all the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business, planned new business operations and/or expansion may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties.

We face risks associated with the misconduct or illegal activities of our POS partners, merchandise wholesale customers, mobile device resellers, employees, suppliers and other business partners and their employees, and other related personnel.

Our performance and goodwill may well be adversely and materially affected by misconducts of our POS partners, merchandise wholesale customers, mobile device resellers and employees, at different operational levels, either individually or in collusion with other employees, suppliers, customers or other third parties. We may even be subject to third-party claims and regulatory actions. There is no assurance that our internal control procedures and systems of rewards and punishments are adequate and effective, and we cannot assure that our POS partners, merchandise wholesale customers, mobile device resellers and employees will not engage in misconduct or illegal activities that could materially and adversely affect our business, financial condition and results of operations.

We may also be subject to misconducts by third parties such as our suppliers, business partners and customers. As the third parties are out of our control, we cannot assure that we will be able to prevent or detect all incidents of their wrongdoing. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We purchase and maintain various insurance policies that we believe to be aligned with the customary commercial practice in our industry and as required under relevant laws and regulations to safeguard against risks and unexpected events for our employees and properties. However, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the ordinary course of our business. In additional, there are certain losses for which insurance is not available in mainland China on commercially practicable terms, such as losses or damages arising from any disruption in our network infrastructure or business operations, litigation or natural disasters. If we are held responsible for any losses or damages and there is insufficiency or unavailability of insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial conditions and results of operation.

We may not receive further government grants and the loss of which may affect our financial performance.

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, we recognized government grants of approximately RMB3.3 million, RMB5.4 million, RMB1.7 million, RMB5.1 million and RMB1.2 million, respectively, many of which were COVID-19 related. As government grants are typically awarded in the discretion of the relevant government agencies, there is no assurance that the government grants will be recurring in the future and that our Group will continue to receive the same or similar amount of government grants. If no or a smaller amount of government grant is received by to our Group in the future, other income will decrease correspondingly which may adversely affect our financial performance.

Our performance may be adversely affected by litigation or disputes.

From time to time, we may be involved in disputes with our POS partners, customers, suppliers, employees and other parties during the ordinary course of our business for various reasons, including but not limited to product infringement, intellectual properties infringements and labor disputes. The handling of contractual disputes and litigation proceedings can be extremely costly and time consuming. Should such disputes arise, our Directors' and members of senior management's attention, together with other internal resources may be significantly diverted to the handling of such matters. Moreover, our relationship with the relevant customer, supplier or employee may be adversely affected as a result of the legal proceedings and would ultimately affect our business operation, financial results and profitability.

Any claim against us could require us to pay for substantial damages and, whether or not successful, are costly and time-consuming to defend. It would, with or without merit, result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

Our business and results of operations could be materially and adversely impacted by any negative publicity or failure or perceived failure to deal with customer complaints or adverse publicity involving our merchandise or services.

Our business depends on market recognition of our brand. Any customer complaints or negative publicity of news reports or allegations in printed and online media concerning our business, our Directors, Supervisors, members of senior management, employees or business partners, in particular food quality and safety and data privacy related issues, even if meritless or immaterial to our operations, may damage our brand and reputation. Any actual or perceived food safety concerns, contamination, reports on public health concerns and/or negative media attention concerning our competitors or beverage and snack producers across the food industry supply chain could affect customer perception of our business. Moreover, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers. If we fail to effectively manage such negative publicity or complaints, our brand value may be diminished and our business, brands and results of operations will be materially and adversely affected.

RISKS RELATING TO LEGAL, COMPLIANCE AND REGULATORY MATTERS

The interpretation, application, and enforcement of PRC laws may change from time to time, including the possibility of unexpected changes to the PRC laws and regulations that may occur before we are fully prepared for compliance. These potential changes may affect us.

Our operations in mainland China are governed by PRC laws and regulations. The PRC legal system is a law system based on written statutes, and prior court decisions may only be cited for reference. The interpretation and application of PRC laws and regulations including, but not limited to, the laws and regulations governing our business and the enforcement and performance of our business arrangements in certain circumstances, will be determined on an ad hoc basis depending on the facts and circumstances. Since late 1970s, the PRC government has been developing a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past several decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China is still in the process of perfecting its legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The effectiveness and interpretation of newly enacted laws or regulations, including amendments to existing laws and regulations, may be delayed, and our business may be affected if we rely on laws and regulations which are subsequently adopted or interpreted in a manner different from our current understanding of these laws and regulations. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business.

Any major changes in relation to food-related laws and regulations may affect our business.

Both vendors and manufacturers of the beverage and pre-packed food industry in mainland China must comply with PRC Law in relation to food, which require all enterprises engaged in the sale of food and beverage to obtain the Food Operation License or Record-filing for Selling Only Pre-packaged Food. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as requirements for food facilities and equipment used for the transportation and sale of food. Besides, the revised Food Safety Law of the People's Republic of China (中華人民共和國食品安全法) and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法實施條例) stipulate that businesses engaged in sales of food should conduct their operation activities according to the applicable laws and regulations and food safety standards, establish a comprehensive food safety management system, and take effective measures to prevent and control food safety related risks to ensure the safety of the food produced. This may increase the compliance costs of beverage and food vendors and manufacturers, including us. In addition, initiatives such as the Action Plan for Oral Health (2019-2025) (健康口腔行動方案(2019-2025年)) by National Health Commission (國家衛生健康委) in 2019, which govern the sale of high-sugar beverage and snacks in kindergartens, primary and secondary schools may also affect our existing business activities or our new business plans. Any failure to comply with applicable food-related laws and regulations may result in order of rectification, fines, confiscation of illegal gains, order of suspension of operations, revocation of food operation permits and, in more extreme cases, prosecution for criminal liabilities. Furthermore, any changes on food-related regulation may increase our sales and operational costs which could adversely affect our business, financial condition and development prospects.

Any failure to protect our customer data, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business.

In the ordinary course of our business, we collect and use information provided by customers, which may include their payment services' account names and information. We are subject to various laws and regulations regarding the collection, storage, sharing, use, disclosure and protection of personally identifiable information and data. In November 2016, the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") promulgated the Cyber Security Law, which requires, among others, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. On August 20, 2021, SCNPC passed the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021. The PRC Personal Information Protection Law lays out the fundamental rules for the collection, storage, use, processing, transmission, provision, disclosure, deletion of personal information in mainland China. The PRC Personal Information Protection Law further supplements the existing data protection regime previously established by the Cybersecurity Law and provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained or where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. The collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible, and excessive collection of personal information is prohibited. On September 14, 2022, the CAC released the Notice of Public Consultation on the Decision on Amending the Cybersecurity Law of the People's Republic of China (Draft for Comments) (關於公開徵求《關於修改〈中華人民共和國網絡安全法〉的決定(徵求意見稿)》意見的通知), or the Draft Amendment of Cybersecurity Law. The Draft Amendment of Cybersecurity Law mainly increases the legal liability for violations under the current Cybersecurity Law, integrates and unifies the penalties for violation of network operation security protection obligations, violation of critical information infrastructure security protection obligations and violation of personal information protection obligations. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the Cyber Security Law and the PRC

Personal Information Protection Law. See "Regulatory Overview — Regulations Relating to Information Security and Privacy Protection" for details. Moreover, different regulatory bodies in mainland China, including the Ministry of Industry and Information Technology, the Cyberspace Administration of China (the "**CAC**") and the State Administration for Market Regulation, have enforced data privacy and protection laws and regulations with various standards and applications. Complying with these data privacy and protection laws and requirements could cause us to incur additional expenses or require us to alter or change our practices in a manner that could affect our business. We cannot assure you that our existing privacy and personal information protection system and technical measures will be considered sufficient under applicable laws and regulations, and we may be subject to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.

Besides, the Measures for Cybersecurity Review (網絡安全審查辦法) (the "**Cybersecurity Review Measures**") stipulates the mandatory requirement of cybersecurity review for companies which hold more than one million users' personal information when applying for a listing abroad. Our PRC Legal Advisor is of the view that such mandatory requirements of cybersecurity review are applicable to companies which are seeking a listing abroad and we are not required to initiate a submission for cybersecurity review in connection with the [**REDACTED**] under the Article 7 of the Cybersecurity Review Measures, as we are not applying for a listing abroad.

The Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**") provides cross-border data transmission security and cybersecurity review standards for listing abroad and in Hong Kong and the protection of important data and personal information rights. According to Article 73 of the Draft Cyber Data Security Regulations, data processors refer to individuals and organizations that independently determine the purposes and methods of their data processing activities. If the listing in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. Our PRC Legal Advisor has advised us that the Draft Cyber Data Security Regulations is applicable to the data processing activities of our Company, if the draft regulations were to be implemented in their current form. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." As of the Latest Practicable Date, the Draft Cyber Data Security Regulations was released for public comments only and its final version and effective date are subject to change.

The regulatory regime on data privacy and security in mainland China is relatively new. The interpretation and application of relevant laws, regulations and standards are evolving and may change, and new laws and regulations in this area may be promulgated in the future which may affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with relevant laws and regulations. Any inability to adequately address data privacy and security concerns, even if unfounded, or to comply with applicable data security and privacy laws, regulations and standards, could result in additional cost and liability for us, damage our reputation and harm our business.

Regulatory measures on foreign currency conversion in mainland China may limit our foreign exchange transactions.

The Renminbi is not currently a freely convertible currency due to regulatory measures in mainland China on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of mainland China. We cannot assure that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current foreign exchange regulatory measures in mainland China, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within mainland China that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under the existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

Payment of dividends may be subject to restrictions under the PRC Law.

Under the PRC Law, dividends may be paid only out of distributable profits. Distributable profits are the net profit as determined under PRC GAAP or HKFRS, whichever is the lower, less any recovery of accumulated losses and appropriations to statutory and other reserves required to be made. As a result, we may not have sufficient, or any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Holders of our H Shares may be subject to income tax obligations in mainland China.

Under current PRC Law, non-mainland China resident individuals and non-mainland China resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-mainland China resident individuals are required to pay mainland China individual income tax at a 20% rate under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) for the interests, dividends and bonus they obtain from mainland China. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between mainland China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 Issued by the SAT (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non-mainland China resident enterprises that were established under foreign laws with no real management body in mainland China but have establishments or premises in mainland China, or for those which have no establishments or premises in mainland China but whose income is derived from mainland China, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to mainland China enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, subject to a further reduction under special arrangements or applicable treaties between mainland China and the jurisdiction of the residence of the relevant non-mainland China resident enterprise.

The interpretation and application of applicable PRC Law may change or may be determined based on prevailing laws and regulations at the time, including individual income tax on dividends paid to non-PRC resident Shareholders, and on gains realized on sale or other disposition of our H Shares. The PRC Law may also change. We cannot predict whether the relevant preferential tax treatment will be revoked in the future such that all non-mainland China resident individual holders will be subject to individual income tax in mainland China at a flat rate of 20%. If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or members of senior management.

We are a company incorporated under the PRC Law and most of our assets and our subsidiaries are located within mainland China. Most of our Directors, Supervisors and members of senior management reside within mainland China. Most of the assets of these Directors, Supervisors and members of senior management may also be located within mainland China. As a result, it may not be possible to effect service of process outside of mainland China upon us or most of our Directors, Supervisors and members of senior management.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by mainland China courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States and the United Kingdom and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated mainland China court or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant mainland China court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the Hong Kong Special Administrative Region and the mainland China. The 2019 Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The 2019 Arrangement will, upon its effectiveness, supersedes the 2006 Arrangement. Therefore, before the 2019 Arrangement becomes effective, it may be difficult to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Our leased property interests may be defective and our lease agreements may not be registered, our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business.

As of the Latest Practicable Date, (i) some of our leased properties with an aggregate of 61,809 sq.m., representing approximately 70.8% of our total leased GFA, the lessors of such leased properties had not been able to obtain or provide us with sufficient and valid building ownership certificates, (ii) the actual use of some of our leased properties with an aggregate GFA of 3,496 sq.m., representing approximately 4.0% of our total leased GFA, did not fit into the prescribed scope of usage shown on the relevant ownership certificates and (iii) the lessors could not provide to us documents proving that the corresponding approval procedures had been completed for some of our leased properties with an aggregate GFA of 4,103 sq.m., representing approximately 4.7% of our total leased GFA, built on collective land (集體用地) or allocated land (劃撥用地). If our lessors are not the owners of the properties or they have not been authorised by the relevant owners of the properties for leasing such properties from the relevant government authorities, our leases could be invalidated. If this occurs, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate to a different site. We may incur additional expenses during the process, and our business, financial condition and results of operations may be negatively affected. In addition, 152 of our lease agreements with landlords have not been registered with the relevant government authorities as required in mainland China by PRC Law, which may expose us to potential fines of RMB1,000 to RMB10,000 for each non-registered lease agreement. The estimated total maximum penalty was RMB1.52 million as of the Latest Practicable Date.

We may be subject to adverse impact for our failure to register for and/or contribute to social insurance and housing provident funds on behalf of some of our employees.

During the Track Record Period, we did not register for and/or fully contribute to the social insurance and housing provident funds for certain employees. We estimate that the shortfall of social insurance payments in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 amounted to approximately RMB6.3 million, RMB2.0 million, RMB5.9 million, RMB2.6 million and RMB1.6 million, respectively, and the shortfall of housing provident fund contributions in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 amounted to approximately RMB0.5 million, RMB1.8 million, RMB1.6 million, RMB0.8 million and

RMB0.4 million, respectively. We had accordingly made a provision in the amount of RMB4.3 million, RMB1.8 million, RMB4.0 million, RMB2.4 million and RMB1.4 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively.

Pursuant to the relevant PRC Law, (i) in respect of under-contribution of social insurance within a prescribed period, we may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated period; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and an application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit. As advised by our PRC Legal Advisor, there is no expressed legal provision or regulation that imposes a penalty on the Group for such non-payment of housing provident fund contributions but we may be ordered to pay the outstanding amount of our housing provident fund within the prescribed period.

As of the Latest Practicable Date, we had not received any notification from the relevant in mainland China authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds. However, we cannot assure you that the relevant authorities in mainland China would not notify and require us in the future to complete registration and/or pay the outstanding contributions by a stipulated deadline. In case we fail to pay the outstanding contributions, or to complete the housing fund registration in accordance with PRC Law and as required by the relevant authorities in mainland China, we may be subject to a penalty fine and/or an order from the relevant people's court to enforce such payment. See "Business — Legal Proceedings and Compliance — Social Insurance and Housing Provident Funds" for further details.

Changes in the economic, social and political conditions in mainland China may have an adverse effect on our business, financial condition and results of our operation.

Our operations are conducted in mainland China, and our revenue is therefore derived from operations in mainland China. Therefore, any changes in the economic, social and political conditions in mainland China may have a great influence over our business, financial condition and results of operation. The economy of mainland China differs from the economies of certain other countries in various respects, including the level of development, the role of government, its growth profile and its foreign exchange regulation.

There is no assurance that the economy of mainland China will continue to develop rapidly and will remain as one of the fastest growing economy in terms of GDP growth in the future. Any slowdown of the Chinese economy may have a negative effect on our business. A substantial portion of the productive assets in mainland China is owned by the PRC

Government. The PRC government also plays an active role in the Chinese economy through promoting fiscal and monetary policies and industrial policies that may change from time to time. Accordingly, our results of operations and financial conditions may be materially affected.

In addition, economic conditions in mainland China are sensitive to global economic conditions and the global economy including the economy of mainland China is facing challenges, including challenges following the global outbreak of COVID-19, the withdrawal of the United Kingdom from the European Union at the end of January 2020 and unrest in Ukraine in 2022 and 2023, which have resulted in volatility in financial and other markets recently. Moreover, there are also concerns over the trade and economic policies of the United States government, which have contributed to, among other things, tensions between the United States and mainland China. In particular, the imposition of tariffs on Chinese products by the United States may result in a decrease in mainland China's exports and a slowdown of the Chinese economy, which would in turn reduce domestic consumption. Any adverse change in the global or mainland China's economic conditions or government policies in mainland China could have a material adverse effect on the overall economic growth and the level of investments and expenditures in mainland China, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may adversely affect our business, financial condition and results of operation.

Pursuant to PRC Labor Contract Law, or the Labor Contract Law, effective in January 2008 and amended in July 2013, and its implementation rules that became effective in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the terms of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, as well as their employees or separately, pay the social insurance premiums for such employees.

The interpretation and enforcement practices of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the "**labor-related laws and regulations**") may change or may be determined based on prevailing laws and regulations at the time, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operation could be adversely affected.

Any force majeure event could materially and adversely affect our business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any epidemic or pandemic in Hong Kong or mainland China, could materially and adversely affect the overall business sentiment and environment in mainland China, particularly if such outbreak is inadequately controlled. Some regions in mainland China are subject to earthquake, fire, bad weather, or other natural disaster. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall rate of growth of the gross domestic product of mainland China. Our income is currently derived entirely from our operations in mainland China, and any labor shortages on contraction or slowdown in the growth of domestic consumption in mainland China could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant stations or potentially require a closure of our facilities to prevent the spread of the disease. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations. The spread of any epidemic or pandemic in mainland China may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO OUR [REDACTED]

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

Prior to the [**REDACTED**], there was no public market for our [**REDACTED**]. We cannot assure that a public market for our [**REDACTED**] with adequate liquidity and trading volume will develop and be sustained following the completion of [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the other [**REDACTED**]) and us, and may not be an indication of the market price of our [**REDACTED**] following the completion of the [**REDACTED**]. If an active public market for our [**REDACTED**] does not develop following the completion of [**REDACTED**], the market price and liquidity of our [**REDACTED**] could be materially and adversely affected.

The price and trading volume of our [**REDACTED**] may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our [**REDACTED**] will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and trading volume of the [**REDACTED**] may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products or fluctuations in market prices for other soft beverage companies could cause the market price of our [**REDACTED**] to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our [**REDACTED**] will trade. We cannot assure that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our [**REDACTED**] could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our [REDACTED] in the public market could cause the price of our [REDACTED] to decline.

Although our existing Shareholders are subject to restrictions on their sales of Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this document, future sales of a significant number of our [**REDACTED**] by our existing Shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our [**REDACTED**] to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our H Shares. We cannot assure that our existing Shareholders will not dispose of Shares held by them upon the expiration of restrictions set out above. We have applied for part of the Company's Unlisted Shares to circulate on the Hong Kong Stock Exchange after the completion of the [**REDACTED**]. According to the PRC Company Law, the Shares issued by the Company prior to the [**REDACTED**] (including a total of [**REDACTED**] H Shares to be converted from Unlisted Shares held by [211] Shareholders of the Company) are restricted from [**REDACTED**] within one year from the [**REDACTED**]. Such restriction from trading will limit the number of [**REDACTED**] to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant [**REDACTED**] on the Hong Kong Stock Exchange after the completion of the [**REDACTED**] is successful, any future sales (after the expiration of the restrictions set out above) of [**REDACTED**] by relevant Shareholders in the public market may affect the market price of the [**REDACTED**]. Moreover, if we convert a substantial amount of Unlisted Shares into [**REDACTED**] to be listed and traded in the future at the Stock Exchange of Hong Kong, it may further increase the supply of the [**REDACTED**] in the market, which may affect the market price of the [**REDACTED**]. We cannot predict the effect, if any, that any future sales of Shares by our existing Shareholders, or the Shares available for sale by our existing Shareholders may have on the market price of the [**REDACTED**]. Sale of a substantial amount of Shares by our Shareholders or us, or the market perception that such sale may occur, could materially and adversely affect the prevailing market price of the [**REDACTED**].

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per H Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per H Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional H Shares in the future to raise additional capital.

Our Single Largest Group of Shareholders have significant control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Single Largest Group of Shareholders will remain having significant control over their interests in the issued share capital of our Company. Subject to, among others, the Articles of Association and the Hong Kong Listing Rules, the Single Largest Group of Shareholders by virtue of their beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Single Largest Group of Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Single Largest Group of Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

We may need additional capital, and the sale or issue of additional Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

We cannot assure you whether and when we will declare and pay dividends in the foreseeable future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC Law, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend."

We published periodic financial information on the NEEQ in mainland China pursuant to applicable rules and regulations and you should be cautious and not place any reliance on financial information other than that disclosed in this document.

We were listed on the NEEQ in 2016 and delisted in 2019. Pursuant to applicable PRC Law, we were required to publish periodic financial information. Interim financial information published by us in mainland China is normally derived from its management accounts and is not audited or reviewed by independent auditors. Certain historical financial information not included in this document may not be directly comparable with our consolidated financial information contained in this document. Accordingly, financial information published in mainland China by us should not be relied upon by potential investors to provide the same quality of information associated with any consolidated financial information contained in this document.

We cannot guarantee the accuracy of facts, forecasts and statistics obtained from various independent third-party sources contained in this document.

This document contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from publicly available sources and industry report prepared by Frost & Sullivan. We believe that the sources of the information are appropriate for such information, and have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this document, however, we cannot assure that the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisors, or any other persons or parties, excluding Frost & Sullivan, involved in the [**REDACTED**]. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information relating to us that are based on beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Investors should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

Since our headquarters and principal business operations and management of our Group are carried out in mainland China, our executive Directors are based in mainland China to better manage and attend to our Group's business operations. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for[, and the Hong Kong Stock Exchange has agreed to grant,] a waiver from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules. The two authorized representatives are Ms. Cui Yan ("**Ms. Cui Yan**"), our executive Director and Ms. Hui Yin Shan ("**Ms. Hui**"), our joint company secretary. The authorized representatives will act as the principal channel of communication between the Hong Kong Stock Exchange and our Company. The authorized representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Hong Kong Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Hong Kong Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Hong Kong Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

  (i) Ms. Hui, our authorized representative and our joint company secretary, will reside in Hong Kong so that the Hong Kong Stock Exchange may contact Ms. Hui as and when needed;

(ii) each Director will provide his/her mobile phone number, office phone number, email address and facsimile number (if any) to the authorized representatives;

(iii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and

(iv) each Director will provide his/her mobile phone number, office phone number, email address and facsimile number (if any) to the Hong Kong Stock Exchange;

(c) in compliance with Rules 3A.19 of the Hong Kong Listing Rules, we have retained China Securities (International) Corporate Finance Company Limited to act as our compliance adviser ("**Compliance Adviser**"), which will act as an additional channel of communication between the Hong Kong Stock Exchange and our Company for the period commencing on the [**REDACTED**] and ending on the date that our Company publishes our financial results for the first full financial year after the [**REDACTED**] pursuant to Rule 13.46 of the Hong Kong Listing Rules;

(d) our Company will inform the Hong Kong Stock Exchange promptly in respect of any change in our Company's authorized representatives and Compliance Adviser;

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period; and

(f) we will retain a Hong Kong legal advisor to advise us on the application of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations after our [**REDACTED**].

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Institute of Chartered Secretaries; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the laws of Hong Kong); or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules further provides that in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's: (a) length of employment with the issuer and other issuers and the roles he/she played; (b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules (i.e. not less than 15 hours of relevant professional training in each financial year); and (d) professional qualifications in other jurisdictions.

We have appointed Ms. Cui Yan and Ms. Hui as our joint company secretaries. Our Directors are of the view that, having regard to Ms. Cui Yan's thorough understanding of our business, internal administration and overall management of our Group, she is a suitable person to act as a company secretary of the Company. In addition, as our headquarters and principal business operations are located in mainland China, our Directors believe that it is necessary to appoint Ms. Cui Yan as a company secretary whose presence in mainland China will enable her to attend to the day-to-day corporate secretarial matters concerning our Group. However, as Ms. Cui Yan does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Hong Kong Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Therefore, we have appointed Ms. Hui, who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, to act as the other joint company secretary and to assist Ms. Cui Yan to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Hong Kong Listing Rules.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Hui will assist Ms. Cui Yan in enabling her to acquire the relevant company secretary experience as required under Rule 3.28 of the Hong Kong Listing Rules and to become familiar with the requirements of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations. In addition, Ms. Cui Yan will also attend relevant professional training during each financial year as required under Rule 3.29 of the Hong Kong Listing Rules.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance of Rules 3.28 and 8.17 of the Hong Kong Listing Rules in respect of the appointment of Ms. Cui Yan as one of our joint company secretaries pursuant to HKEX-GL108-20 on the following conditions:

(a) Ms. Cui Yan must be assisted by Ms. Hui, who possess the qualifications and experience required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;

(b) the waiver is valid for an initial period of three years commencing from the [**REDACTED**] and will be revoked immediately if Ms. Hui ceases to provide such assistance or if there are material breaches of the Hong Kong Listing Rules by our Company; and

(c) before the end of the three-year period, the qualifications and experience of Ms. Cui Yan and the need for on-going assistance of Ms. Hui will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Hong Kong Stock Exchange's satisfaction that Ms. Cui Yan, having had the benefit of the assistance of Ms. Hui for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Hong Kong Stock Exchange may revoke the waiver if Ms. Hui ceases to provide assistance to Ms. Cui Yan during the three-year period.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute partially-exempt continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. Accordingly, we have applied to the Hong Kong Stock Exchange for[, and the Hong Kong Stock Exchange has granted,] waivers from the strict compliance with the requirements in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details in this respect, please see the section headed "Connected Transactions" in this document.

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Wang Bin (王濱)	Unit C15 Chunshui'an Townhouse Overseas Chinese Town Nanshan District Shenzhen PRC	Chinese
Chen Kunrong (陳昆嶸)	Unit 8B 2nd Floor Block 4 Bolin Tianrui No. 4088 Liuxian Avenue Shenzhen PRC	Chinese
Yu Lizhi (余立志)	Room E 17th Floor Block 2 Canglong Garden Minzhi Road Longhua District Shenzhen PRC	Chinese
Cui Yan (崔艷)	Room 1912 Block C Building 1 Fanhai City Plaza Nanshan District Shenzhen PRC	Chinese

Name	Residential Address	Nationality
Non-Executive Directors		
Zhu Chao (朱超)	No. 151 Yejiazhai Xiaoshiqiaodui Guijing Village Sanlin Town Pudong District Shanghai PRC	Chinese
An Yufang (安煜芳)	Room 1005 Vanke Metropolis Middle East Third Ring Road Chaoyang District Beijing PRC	Chinese
Independent Non-Executive Directors		
Wang Xiaochuan (王小川)	Unit 3301 3rd Floor Block 1 No. 16 Zhongguancun East Road Haidian District Beijing PRC	Chinese
Guo Wei (郭蒨)	Unit 2302 23rd Floor No. 113 North Lane Shaoyaoju Beiyuan, Chaoyang District Beijing PRC	Chinese
Zhang Chen (張辰)	Flat E 11th Floor Block 3 Florient Rise 38 Cherry Street Tai Kok Tsui Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Qin Yi (秦禕)	No. 1301 Block B Tower 10 Citic Mangrove Bay Garden Nanshan District Shenzhen PRC	Chinese
Huang Ronghui (黃榮輝)	No. 17-601 Moon Bay Park Lane 288 Chengfeng Road Chuansha Town Pudong New Area Shanghai PRC	Chinese
Qi Rupeng (戚汝鵬)	No. 2019 Block 1 No. 7 Qingheying South Street Chaoyang District Beijing PRC	Chinese

Further information about the Directors, the Supervisors and other senior management members are set out in "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors, [REDACTED]	**China Securities (International) Corporate Finance Company Limited** 18/F Two Exchange Square 8 Connaught Place, Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F The Center 99 Queen's Road Central Hong Kong
Legal Advisors to Our Company	*As to Hong Kong law:* **Han Kun Law Offices LLP** Rooms 3901-05 39/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC Law: **Han Kun Law Offices** 9/F Office Tower C1 Oriental Plaza 1 East Chang An Ave Dongcheng District Beijing PRC

	As to Hong Kong law: **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law:* **Sidley Austin** 39/F Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC Law:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants and Registered Public Interest Entity Auditor* 22/F Prince's Building Central Hong Kong SAR, China
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	Room 128 Yunkai Real Estate Office Building No. 8 Kangbao Road Economic Development Zone Miyun District Beijing PRC
Headquarters	4th Floor, Tower A Tagen Knowledge & Innovation Center West Second Shenyun Road Nanshan District Shenzhen PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**www.uboxol.com** *(Note: the information on this website does not form part of this document)*
Joint Company Secretaries	Cui Yan Room 1912, Block C, Building 1 Fanhai City Plaza Nanshan District Shenzhen, PRC Hui Yin Shan *(ACG HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Cui Yan Room 1912, Block C, Building 1 Fanhai City Plaza Nanshan District Shenzhen, PRC Hui Yin Shan *(ACG HKACG)* 5/F, Manulife Place 348 Kwun Tong Road, Kowloon Hong Kong

Audit Committee	Guo Wei *(Chairman)* Wang Xiaochuan Zhang Chen
Remuneration Committee	Wang Xiaochuan *(Chairman)* Yu Lizhi Guo Wei
Nomination Committee	Wang Bin *(Chairman)* Guo Wei Wang Xiaochuan

[**REDACTED**]

Compliance Adviser	**China Securities (International) Corporate Finance Company Limited** 18/F Two Exchange Square Central Hong Kong
Principal Banks	**Hua Xia Bank Co., Ltd.** Shenzhen Branch Zhongzhou Building 1-12/F Jintian Road No. 3088 Futian Street Futian District Shenzhen PRC
	China Merchants Bank Co., Ltd. Shenzhen Keyuan sub-branch EVOC Technology Building 1F Gaoxin Middle Fourth Road No. 31 Nanshan District Shenzhen
	Bank of China Co., Ltd. Shenzhen High-tech Zone Sub-branch Lenovo Building 1F Gaoxin South First Road 16-1 Nanshan District Shenzhen

Certain information and statistics set out in this section and elsewhere in this document relating to the vending machine retail market in mainland China are derived from different official government publications and the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "Frost & Sullivan Report").

No independent verification has been carried out on the official government publications and such information and statistics by us, the Joint Sponsors, the [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *or any other parties, excluding Frost & Sullivan, involved in the* [**REDACTED**] *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics.*

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of mainland China's vending machine retail market. We agreed to pay Frost & Sullivan a fee of RMB880,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

RESEARCH METHODOLOGY

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

BASIS AND ASSUMPTION

The Frost & Sullivan Report was compiled based on the following assumptions: (i) mainland China' economy is likely to maintain steady growth in the next decade; (ii) mainland China's social, economic and political environment is likely to remain stable from 2023 to 2027 (the "**Forecast Period**"); (iii) a growing number of enterprises, change of policies and favourable government policy are likely to drive the future growth of the industry. The impact of COVID-19 has been incorporated in the assumptions.

PAIN POINTS OF TRADITIONAL OFFLINE FMCG MARKET

Pain points of traditional offline FMCG market include high start-up costs, increasing operation costs and complex premise requirements for space and infrastructure, among others. Vending machines can effectively address these pain points with limited requirements for area and manpower, and provide convenient consumption experience. On top of the abovementioned points, a vending machine can also bring convenient consumption experience by providing consumers contactless retail experience and save time costs by reducing billing and waiting time, which satisfies customers' immediate needs. Compared with traditional offline retailers, vending machines have lower space and infrastructure requirements for placement and operation.

Heavy Start-up Costs and Complex Requirements for Space and Infrastructure: The traditional retail FMCG industry usually has a high requirement for capital strength, especially for brick-and-mortar store owners. The initial investment includes rent and utilities, initial inventory cost, marketing promotion fee, retail POS system, interior décor, equipment and related financing costs. Also, it may take a period of time for FMCG retailers to gain profit as the operation fee exceeds their revenue at the beginning of their business. Considering the impact of COVID-19, traditional FMCG retailers not only need large initial capital but also sustained investment in constructing logistics networks and developing new customers and steady marketing activities. Furthermore, opening a new store has more stringent requirements for area and infrastructure than launching a vending machine does.

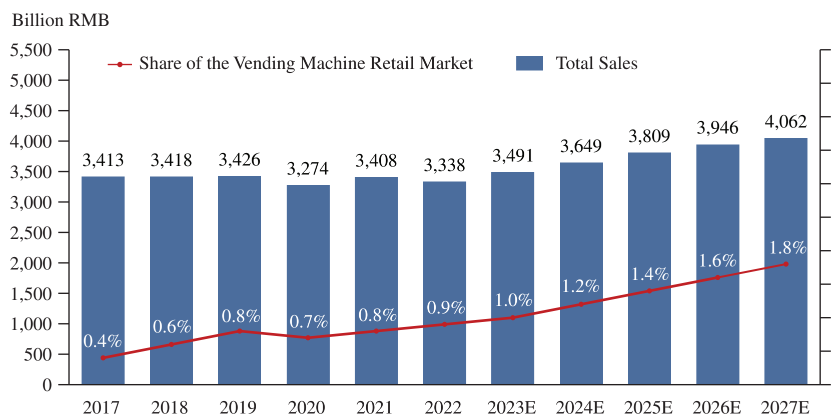
High Operation Costs: As the FMCG industry in mainland China continuously develops, the operation cost involving labor cost and rental cost for traditional retailers may rise in the future, resulting in lower competitiveness for traditional retailers. According to the survey data of China Chain-Store & Franchise Association (CCFA) published in 2021, 67.1% of the enterprises indicated that the high operation costs are mainly due to the challenges of labor costs, rental costs and financing costs. The hardware transformation and technology application required for enterprise transformation and upgrading have increased the burden on operation costs. During the COVID-19 pandemic, physical stores could not maintain normal operation, and traditional offline retailers generally suffered heavy losses and operation costs. Furthermore, during the lockdown period, consumers were less willing to spend in crowded environments such as shopping centres and entertainment venues. At the same time, most traditional offline retailers were unable to adjust operating costs flexibly due to their high fixed cost base.

ANALYSIS OF MAINLAND CHINA'S FMCG MARKET

FMCG are products that are sold quickly and at a relatively low cost. Typical FMCG include packaged food and beverage, household care products and personal care products among others.

From 2022 to 2027, mainland China's total sales of offline FMCG market is expected to increase from RMB3,413 billion to RMB4,052 billion with a CAGR of 4.0%. Currently, most of the products sold through vending machines are food and beverage. With the stable growth of the Chinese economy, the traditional offline FMCG market is expected to continue to increase. Meanwhile, vending machines have effectively addressed the pain points of the traditional offline FMCG market, including (1) heavy cost related to new store opening, (2) high operation costs and (3) complex premise requirements for space and infrastructure. Therefore, the vending machine retail market is expected to have sustained growth in the future. From 2022 to 2027, the share of vending machines in total sales of the traditional offline FMCG market is expected to rise from 0.9% to 1.8% in terms of total sales of offline FMCG by vending machines.

Total Sales of Offline FMCG Market and Share of the Vending Machine Retail Market (Mainland China), 2017-2027E



Source: National Bureau of Statistics of China; Frost & Sullivan

ANALYSIS OF MAINLAND CHINA'S UNMANNED RETAIL MARKET

One of the major business forms of the traditional offline FMCG is unmanned retail. Unmanned retail is a retail concept in which there are no service personnel and no cashiers, primarily consisting of vending machines, unmanned stores and unmanned shelves. The total sales of the unmanned retail market increased from RMB13,586.0 million in 2017 to RMB29,916.5 million in 2022, representing a CAGR of 17.1%. The total sales of the unmanned retail market is projected to reach RMB75,578.1 million in 2027 with a CAGR of 20.4% from 2022 to 2027. As shown in the table below, the market share of vending machine sales to the unmanned retail market remained above 93.5% from 2017 to 2022.

Total Sales of Unmanned Retail Market (Mainland China), 2017-2027E

	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR 17-22	CAGR 22-27E
Vending Machine Retail (Million RMB)	13,126.0	19,286.5	27,081.6	21,429.0	27,123.9	28,908.1	35,597.0	42,201.1	51,546.1	62,131.2	73,927.3	17.1%	20.7%
Other Unmanned Retail Concept (Million RMB)	460.0	1,350.0	1,645.6	1,260.5	1,145.9	1,008.4	1,109.3	1,225.7	1,354.4	1,493.9	1,650.8	17.0%	10.4%
Total Sales of Unmanned Retail Market (Million RMB)	13,586.0	20,636.5	28,727.2	22,689.5	28,269.8	29,916.5	36,706.3	43,426.8	52,900.5	63,625.1	75,578.1	17.1%	20.4%
Market Share of Vending Machine (%)	96.6%	93.5%	94.3%	94.4%	95.9%	96.6%	97.0%	97.2%	97.4%	97.7%	97.8%		

Source: China Commerce Association for General Merchandise, Frost & Sullivan

The basis for the expected growth of vending machine sales from 2022 to 2027 is as follows. In 2020, the outbreak of COVID-19 has dragged on economic sentiment and activities related to on-site public gathering and consumption in mainland China. Due to the strict quarantine measures implemented by the PRC government to restrain the further spread of COVID-19, the revenue of mainland China's vending machine retail market declined from RMB27.1 billion in 2019 to RMB21.4 billion in 2020 with a growth rate of -21.0%. Nonetheless, the historical CAGR from 2016 to 2020 still remained at a high level, which was 24.9%. Before the impact of COVID-19 in 2020, the historical CAGR of mainland China's vending machine retail market from 2016 to 2019 was 45.5%, which was very high.

Meanwhile, since mainland China has entered the phase of regular epidemic prevention and control since April 2020, mainland China's unmanned retail and vending machine retail market has recovered since the second half of 2020. The revenue of unmanned retail and vending machine retail market is expected to grow accordingly with increasing disposable income, consumption, urbanization rate and growing penetration rate of points of sale covered by vending machines, increasing social distancing awareness, as well as continuous innovation of vending machines. Also, only 8.8% of potentially available sites in mainland China were occupied by vending machines by the end of 2022, presenting tremendous market potential. Thus, the total revenue of mainland China's vending machine retail market is expected to increase with a rapid growth rate, representing a CAGR of 20.7% from 2022 to 2027.

The basis for the lower expected growth of other unmanned retail sales from 2022 to 2027 taking into account its significant growth in the last five years is as follows. The other unmanned retail sales mainly include unmanned stores and unmanned shelves. At the beginning, there were a flurry of enterprises entering the industry. By the end of 2017, over 138 companies had opened approximately 200 unmanned shops in mainland China with collectively a total investment of RMB4 billion. But since the beginning of 2018, many enterprises shut down their business due to their failure to attract stable consumer traffic and differentiate from the traditional retail once the novelty wore off. The total sales of the unmanned market increased to RMB28,727.2 million in 2019, after which the size of the market declined for two consecutive years in 2020 and 2021. During the same period, the total sales of the offline FMCG market and the vending machine retail market kept increasing contrary to the trend of the other unmanned retail sales market. At present, there is still no substantial capital investment in unmanned stores and unmanned shelves, and there is no leading enterprise to enter the other unmanned retail sales market. Therefore, the other unmanned retail sales market is not expected to see rapid growth, with a CAGR from 2022 to 2027 projected to be 10.4%.

ANALYSIS OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

A vending machine is an automatic retailing machine, which sells products at an unattended point of sale and accepts payments through various methods such as coins, bank cards, tokens and other means of cashless payment.

The main types of vending machines are as follows:

Beverage Vending Machine: Packaged drink vending machines mainly provide soft drinks, equipped with either a closed front or a glass front.

Beverage and Snack Vending Machine: Beverage and snack vending machines generally offer a wide range of drinks and snacks typically equipped with a glass front.

Pick-and-go Cabinet: Pick-and-go cabinets allow consumers to pick up the merchandise and leave, which in essence revamped the traditional automated retailing mechanism by leaving authentication and payment to technology. This unique type of vending machines is built upon a suite of technologies, including RFID (radio-frequency identification), IoT and data analytics.

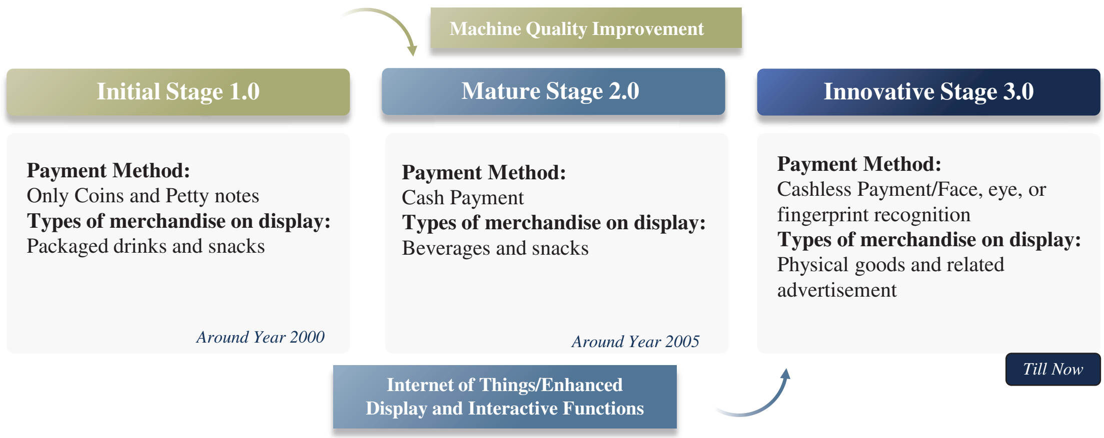
Others: Other vending machines mainly include coffee vending machines, fresh juice vending machines, toy vending machines, ice cream vending machines and vending machines selling other merchandise.

The vending machine retail market is very fragmented due to the limited supply chain capacity and operation capacity of individual operators as well as the associated supply chain costs they need to bear. As a result, it is very challenging for an operator without strong operational management and supply chain capabilities to develop its vending machine retail network while maintaining healthy profitability at the same time.

DEVELOPMENT HISTORY OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

Around 2000, the vending machine retail industry began to evolve and develop in mainland China with the emergence of more diverse types of vending machines with more advanced functions. In the following decade, leading vending machine operators such as our Group started to connect vending machines to the internet, which enables vending machines with human-machine interaction capabilities and cashless payment functions. In the recent decade, the vending machine retail industry has entered into a more innovative stage which focuses on real-time data transmission and IoT.

Development History of Vending Machine Retail Market (Mainland China)

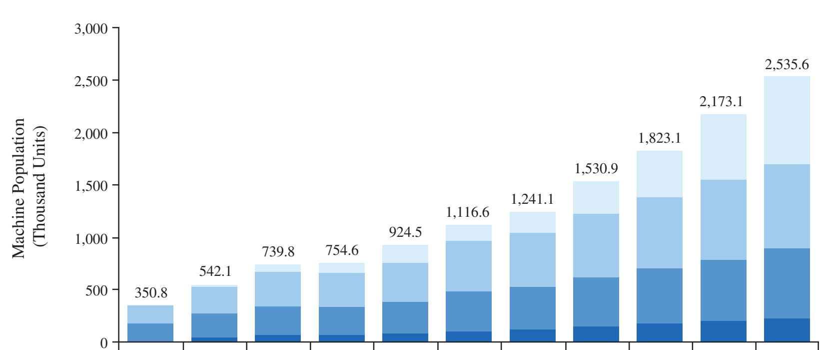


Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

SIZE OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

Among business forms of unmanned retail, the vending machine plays an important role in the total market. In 2022, the vending machine population in mainland China has reached 1,116,600 with a CAGR of approximately 26.1% from 2017 to 2022. Looking forward, the total vending machine retail market is estimated to reach 2,535,600 in 2027 with a CAGR of 17.8% from 2021 to 2026. The market was mainly driven by the growing disposable income and upgrading consumption of Chinese residents. Associated with the increasing annual disposable income, mainland China's per capita annual expenditure has maintained a steady growth, increasing from RMB18,322 in 2017 to RMB24,538 in 2022 with a CAGR of 6.0%. Beverage vending machines and beverage and snack vending machines have dominated the vending machine retail market with a market share of roughly 77.7% of machines in 2022, while pick-and-go cabinets and other vending machines have been growing rapidly in the past several years.

Vending Machine Population Breakdown by Major Types (Mainland China), 2017-2027E

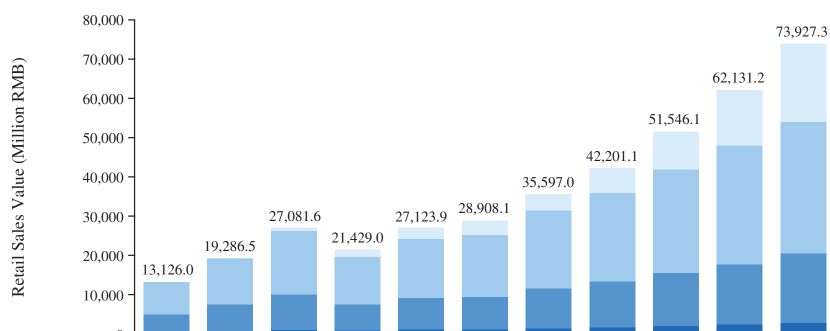


	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (17-22)	CAGR (22-27E)
Total	350.8	542.1	739.8	754.6	924.5	1,116.6	1,241.1	1,530.9	1,823.1	2,173.1	2,535.6	26.1%	17.8%
Pick-and-go Cabinets	1.8	19.0	72.6	95.7	169.9	150.7	200.2	309.0	444.0	624.7	840.7	142.4%	41.0%
Beverage Vending Machines	174.6	255.1	329.7	326.2	374.0	485.1	517.6	605.3	680.3	765.6	800.9	22.7%	10.5%
Beverage and Snack Vending Machines	170.1	229.4	275.2	267.3	300.8	382.9	405.0	469.6	523.2	583.9	672.9	17.6%	11.9%
Others	4.2	38.6	62.4	65.5	79.8	97.9	118.3	147.0	175.6	198.9	221.1	87.7%	17.7%

Source: China Commerce Association for General Merchandise, Frost & Sullivan

The total sales generated from beverage vending machines increased from RMB8,182.6 million in 2017 to RMB15,788.4 million in 2022 and is expected to reach RMB33,499.4 million in 2027, accounting for around 54.6% of mainland China's vending machine retail market in 2022 and around 45.3% in 2027. Pick-and-go cabinets entered the market in the end of 2016 and kept developing in the following years. The total sales generated from pick-and-go cabinets grew from RMB15.4 million in 2017 to RMB3,795.1 million in 2022 and is expected to reach RMB19,984.4 million in 2027, representing a CAGR of 39.4% from 2022 to 2027. The market share of pick-and-go cabinets is projected to grow from approximately 13.1% in 2022 to approximately 27.0% in 2027.

Vending Machine Retail Market Size Breakdown by Major Types (Mainland China), 2017-2027E



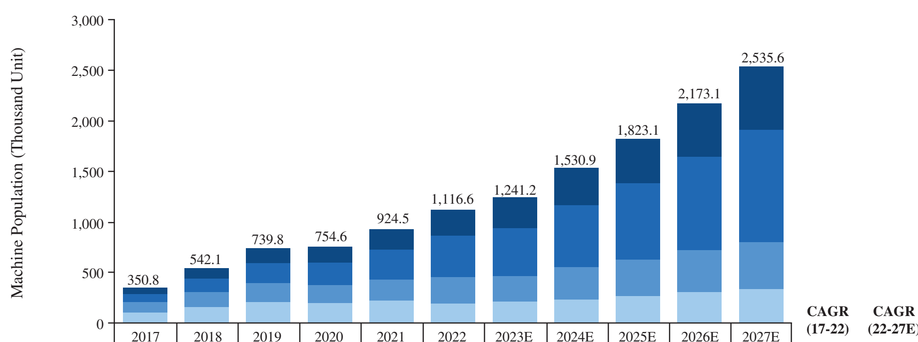
	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (17-22)	CAGR (22-27E)
Total	13,126.0	19,286.5	27,081.6	21,429.0	27,123.9	28,908.1	35,597.0	42,201.1	51,546.1	62,131.2	73,927.3	17.1%	20.7%
Pick-and-go Cabinets	15.4	189.3	899.4	1,817.3	3,012.5	3,795.1	4,232.4	6,333.2	9,657.4	14,133.7	19,984.4	200.8%	39.4%
Beverage Vending Machines	8,182.6	11,614.5	16,119.9	12,196.5	15,054.6	15,788.4	19,809.3	22,627.5	26,423.2	30,312.4	33,499.4	14.0%	16.2%
Beverage and Snack Vending Machines	4,865.9	7,105.6	9,153.9	6,638.9	8,037.1	8,267.7	10,243.2	11,598.2	13,429.2	15,274.2	17,685.5	11.2%	16.4%
Others	62.1	377.1	908.4	776.3	1,019.7	1,056.9	1,312.1	1,642.2	2,036.3	2,410.9	2,758.0	76.3%	21.1%

Source: China Commerce Association For General Merchandise, prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

In 2022, mainland China has 0.8 of vending machine per thousand people. There remains huge room for growth in mainland China's vending machine retail market.

As of December 31, 2022, new tier one cities had the highest market share of mainland China's vending machine population of approximately 37.0%, followed by tier three cities and below with a market share of around 23.6%. The total market share of tier one cities, new tier one cities and tier two cities was around 83.2% as of December 31, 2022. The strengths of tier one cities, new tier one cities and tier two cities include higher urbanization rate, more developed economy and fast-growing per capita income. New tier one cities are expected to have the fastest growth in terms of vending machine population with a CAGR of 21.8% from 2022 to 2027, followed by tier one cities with a CAGR of 20.0%. Tier three cities and below had a relatively low number of vending machines per thousand people of 0.2 units in 2022 and there are potential growth opportunities accompanied by the developing economy.

Vending Machine Population Breakdown by City Tier (Mainland China), 2017-2027E

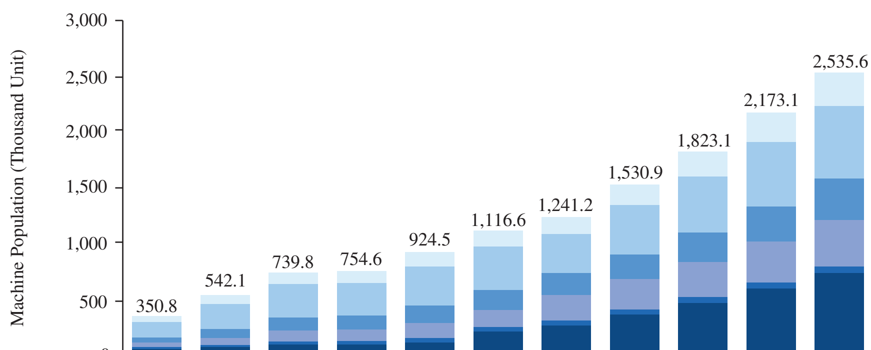


	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (17-22)	CAGR (22-27E)
Total	350.8	542.1	739.8	754.6	924.5	1,116.6	1,241.2	1,530.9	1,823.1	2,173.1	2,535.6	26.1%	17.8%
■ Tier One Cities	66.4	105.7	150.3	161.4	199.5	252.1	304.1	366.1	444.1	531.8	628.0	30.6%	20.0%
■ New Tier One Cities	79.5	133.6	198.1	219.7	298.6	413.5	472.9	613.4	753.1	923.5	1,109.3	39.1%	21.8%
■ Tier Two Cities	101.9	148.3	188.7	176.7	208.6	263.1	255.5	321.8	361.6	411.6	466.9	20.9%	12.2%
■ Tier Three Cities and Below	103.0	154.5	202.7	196.9	217.7	188.0	208.6	229.7	264.3	306.1	331.5	12.8%	12.0%

Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

Given the scale of mainland China's vending machine retail market, the market generally relies on five main types of sites to reach a broad base of customers. Traditional types of sites include schools, factories and office premises which accounted for over half of mainland China's vending machine retail market in terms of machine population. On the other hand, the ongoing penetration of pick-and-go cabinets and related technology innovation have driven the rapid growth of possession size for vending machines in office premises. Factories as a type of site had the highest market share of approximately 34.7% in 2022, and office premises with a market share of around 16.0% in the same year. Looking forward, public venues and others types of sites are the two categorized types of sites with the fastest growth, representing a CAGR of 22.0% and 28.4% respectively from 2022 to 2027.

Vending Machine Population Breakdown by Type of Sites (Mainland China), 2017-2027E



	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (17-22)	CAGR (22-27E)
Total	350.8	542.1	739.8	754.6	924.5	1,116.6	1,241.2	1,530.9	1,823.1	2,173.1	2,535.6	26.1%	17.8%
Campuses	52.6	79.8	104.1	108.7	130.1	143.4	155.6	187.1	220.1	260.5	304.0	22.2%	16.2%
Factories	137.7	228.3	296.4	289.5	349.3	387.0	348.6	440.1	503.1	577.7	647.1	23.0%	10.8%
Office Premises	47.6	77.4	117.8	123.2	153.9	179.1	198.4	220.6	264.2	317.1	373.2	30.3%	15.8%
Public Service	40.7	62.7	97.9	102.9	137.6	154.3	228.6	271.8	314.6	365.5	417.7	30.5%	22.0%
Transportation Hubs	16.6	21.5	28.0	34.2	37.6	41.4	43.9	47.4	51.2	53.1	55.0	20.1%	5.8%
Others	55.7	72.4	95.7	96.0	116.0	211.4	266.0	363.9	469.9	599.2	738.6	30.6%	28.4%

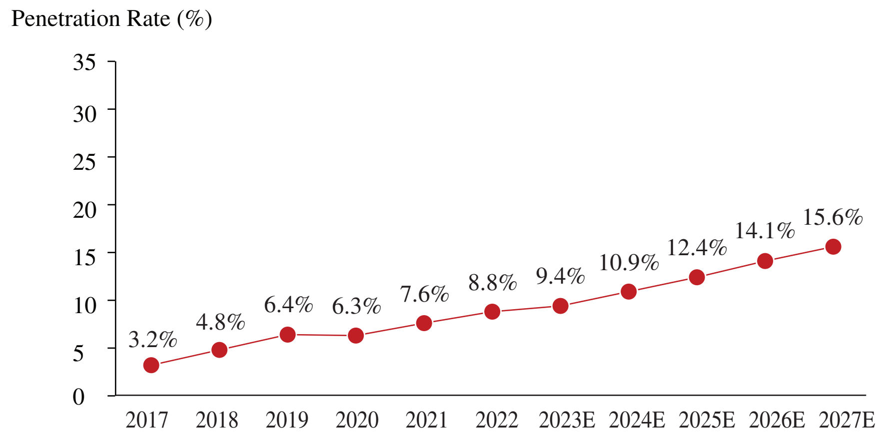
Note: Others include restaurants, hotels, automobile sales service 4S shop and other entertainment type of sites.

Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

Points of sale refer to sites where the vending machines could be placed.

Only 8.8% of potentially available sites in mainland China were occupied by vending machines by the end of 2022, presenting tremendous market potential for industry participants. Looking forward, the penetration rate of offline sites covered by vending machines is expected to rise to 15.6% by the end of 2027. Many categories of potential points of sale, such as public service places and restaurants, have been traditionally underserved by players in the industry. Expansion in these places will be a key trend in the vending machine retail industry in mainland China.

Penetration Rate of Points of Sale Covered by Vending Machines in Mainland China's Vending Machine Retail Market, 2017-2027E



Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

MARKET DRIVERS OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

Technology Innovation: Technology innovation has promoted the development of mainland China's vending machine retail industry by improving the consumption experience of consumers and reducing the cost of operators. On the other hand, to achieve better interactive purchasing experience, cashless payment options and better storage conditions are two critical hardware innovation of vending machines. Also, new technologies such as big data analytics, visual identification, IoT and AI technologies have also improved the operation efficiency and enable operators to access consumption data directly. The development and innovation of technology is likely to drive the future development of the industry.

Wider Range of Merchandise and Improvement of Logistics Infrastructure: Cold chain logistics is under rapid development and will hold a significant portion of the entire logistics network in mainland China. The refrigerated warehouse capacity in mainland China increased from around 35 million tons in 2015 to around 70 million tons in 2020, almost doubled in the past five years. With the development of infrastructure such as cold chain and warehousing, a wider range of merchandise including fresh food are expected to be sold through vending machines. In addition, while the shape and size of the merchandise are limited in traditional vending machines, they are not restricted in pick-and-go cabinets. A growing number of types of merchandise and development of infrastructure are likely to be displayed in such cabinets, attracting an increasing number of consumers and hence driving the market of vending machine in mainland China.

Contactless Retailing and Increasing Demand for Convenience of Consumption: The average monthly wage of employed people has increased from around RMB7,300 in 2017 to RMB9,300 in 2022 in mainland China. Those people enjoy the fast-paced lifestyle of modern cities and ask for convenience of consumption. The continuously rising labor costs lead to the increasing popularity of contactless retailing, especially the vending machines. Although the contactless retail also faced pressure and low consumer traffic during the COVID-19 outbreak when lockdown and other measures were taken, due to its safety and convenience, contactless retailing including vending machines has gained popularity among consumers, especially since the outbreak of COVID-19. Compared with traditional retailers, vending machines are not restricted by opening hours and could have higher operation efficiency. The growing popularity of contactless retailing is likely to drive the vending machine retail market in mainland China.

Growing Investment: An increasing number of players, including both beverage companies and vending machine operators, are expected to invest more in the vending machine retail market in the near future. The growing investment in the market is likely to further drive the market.

COMPETITIVE LANDSCAPE OF MAINLAND CHINA'S UNMANNED RETAIL MARKET AND VENDING MACHINE RETAIL MARKET

Mainland China's unmanned retail industry is fragmented with thousands of players, most of which are small-scale local individual operators. The top five players in mainland China's unmanned retail industry constituted a 16.4% market share in terms of GMV in 2022. Our Group recorded a GMV of approximately RMB2.2 billion in 2022, accounting for approximately a 7.4% market share.

Top Five Unmanned Retail Operators in Terms of GMV (Mainland China), 2022

Ranking	Company Name	GMV (RMB Billion)	Market Share (%)
1	Our Group	2.2	7.4%
2	Company A	1.0	3.3%
3	Company B	0.9	3.0%
4	Company C	0.4	1.3%
4	Company D	0.4	1.3%
Subtotal of top 5 market players		**4.9**	**16.3%**
Others		**25.0**	**83.7%**
Total		**29.9**	**100.0%**

Source: The Group and prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

Notes:

(1) Company A is a listed company on the Hong Kong Stock Exchange. Headquartered in Hangzhou, Company A is a leading company in the packaged drinking water and beverage market in mainland China. Total revenue of Company A in 2022 was RMB33.2 billion.

(2) Company B is a listed company on the Shenzhen Stock Exchange. Headquartered in Shenzhen, Company B is mainly engaged in delivery services and logistics business. Total revenue of Company B in 2022 was RMB267.5 billion.

(3) Company C is a listed company on the Hong Kong Stock Exchange. Headquartered in Beijing, Company C is a leading player in the beverage market in mainland China. Total revenue of Company C in 2022 was RMB47.9 billion.

(4) Company D is a private company. Headquartered in Beijing, Company D is a beverage company based in mainland China. Total revenue of Company D in 2022 was RMB8.0 billion.

Our Group recorded a GMV of approximately RMB2.2 billion in 2022, accounting for approximately a 7.6% market share in terms of GMV in 2022. Mainland China's vending machine retail market is a competitive market at present.

Top Five Vending Machine Operators in Terms of GMV (Mainland China), 2022

Ranking	Company Name	GMV (RMB Billion)	Market Share (%)
1	Our Group	2.2	7.6%
2	Company A	1.0	3.5%
3	Company B	0.9	3.1%
4	Company C	0.4	1.4%
4	Company D	0.4	1.4%
Subtotal of top 5 market players		**4.9**	**17.0%**
Others		**23.9**	**83.0%**
Total		**28.8**	**100.0%**

Source: The Group and prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

For number of POSs, our Group had approximately 66,200 vending machines in 2022 excluding Non-Ubox POSs. Our Group had established the largest vending machine distribution scale in terms of GMV and number of POSs in 2022. In terms of number of POSs excluding Non-Ubox POSs, our Group recorded a market share of 7.3% in 2022. Our Group was far ahead of other competitors and its market share exceeded the second largest player and the third largest player in 2022.

Top Five Vending Machine Operators in Terms of Number of POSs (Mainland China), 2022

Ranking	Company Name	Number of POS (Thousand Units)	Market Share (%)
1	Our Group	66.2	7.3%
2	Company A	57.1	6.3%
3	Company B	47.2	5.2%
4	Company D	28.9	3.2%
5	Company C	18.6	2.0%
Subtotal of top 5 market players		**218.0**	**24.0%**
Others		**692.3**	**76.0%**
Total		**910.3**	**100.0%**

Source: The Group and prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

ENTRY BARRIERS ANALYSIS OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

Location: Generally, the vending machine's profitability is highly related to its location and consumer traffic. Hence, vending machine operators in mainland China with high bargaining power can access better locations. Existing vending machine operators with long operating histories have already established a POS network. It is hard for new entrants to establish an optimal POS network within the short term.

Supply Chain Management**:** The distribution of vending machine products depends significantly on the supply chain management capability of market players. For a vending machine operator, it is crucial to have the ability to manage the inventory and logistics for beverage products and snacks across the country. New entrants with less supply chain management experience may not be able to manage their supply chain effectively, which may result in higher costs.

Digitalization and Technology: The technology innovation of the industry enables operators to leverage POS networks, data-driven operation systems and supply chain networks to digitalize and automate retail sales of FMCG. Also, they can leverage the unique consumer touchpoints to offer advertisers with online and offline advertising services that drive traffic and sales. The diversified operation models of different consumption scenarios bring barriers and difficulties to individual operators to survive.

OPPORTUNITIES AND CHALLENGES OF MAINLAND CHINA'S VENDING MACHINE RETAIL MARKET

Opportunities:

Opportunities in Tier One, New Tier One and Tier Two Cities: Currently most of the vending machines are placed in tier one, new tier one and tier two cities due to the more developed economy and higher urbanization rate in these regions. The high labor cost and rental cost in these regions provide potential opportunities for the vending machine retail business, which can also resolve the pain points of traditional offline FMCG retail such as high initial investment for opening new stores and high operation cost. Also, as the consumption power of populations in tier three cities and below increase, expanding the vending machine retail business to tier three cities and below is likely to be new growth opportunities for the market players.

Market Concentration: The concentration rate of the vending machine retail industry is rather low in mainland China. The market is likely to be more concentrated, as the competitiveness of leading players is strong, which leads them to gain a high reputation among customers and establish a steady relationship with suppliers. They are more likely to attract new customers and gain a larger market share, leading to a more concentrated market in the future. In addition, as the market is relatively fragmented with thousands of market players, leading players are also likely to further strengthen their market position through merge and acquisition in the future.

Challenges:

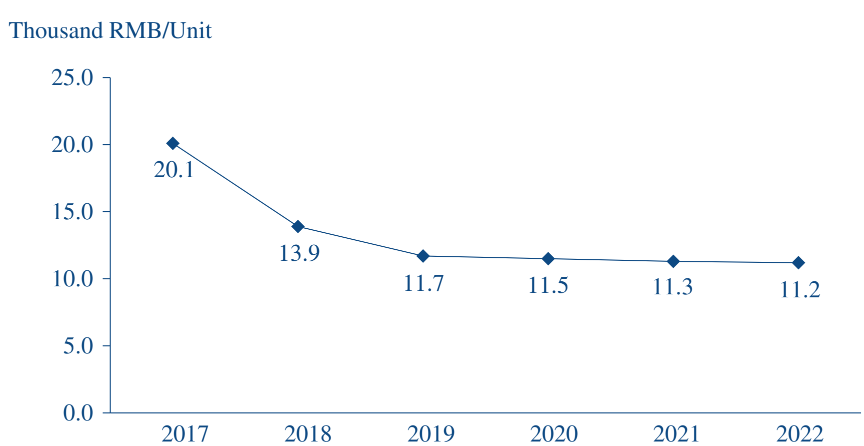
Fiercer Competition: The vending machine retail market in mainland China has witnessed a growth in the past five years. Players have been competing for better locations to attract consumers. An increasing number of players are planning to enter the market, leading to a fiercer competition in the coming future. Market players need to invest more in technology development and customer network establishment. Players also need to improve operation efficiency and catch up with the latest consumption trends in order to gain higher revenue and profit, and hence survive against fierce competition.

Talent Shortage: The vending machine retail market has experienced steady growth since its first deployment in the retailing sector. However, the number of talent in the market is still insufficient. Players have been competing for talent with market experience and deep industry know-how. The lack of talent in the market has become a big challenge to the players, especially for smaller ones.

COST ANALYSIS

The major cost for vending machine operating companies includes the cost of purchasing machines. The average price of vending machine continues to drop due to the developing technology. In 2018 and 2019, the average price of vending machines dropped sharply due to the growing popularity of pick-and-go cabinets. Without the deployment of complex internal mechanical systems, such as structures of motors and movable components that pick up or push the selected merchandise towards the dispensers, in pick-and-go cabinets, the cost of vending machines dropped largely compared with traditional ones, leading to a sharp reduction in the price of vending machines. Going forward, the average price of vending machines is likely to keep the slightly decreasing trend as the technology becomes increasingly mature.

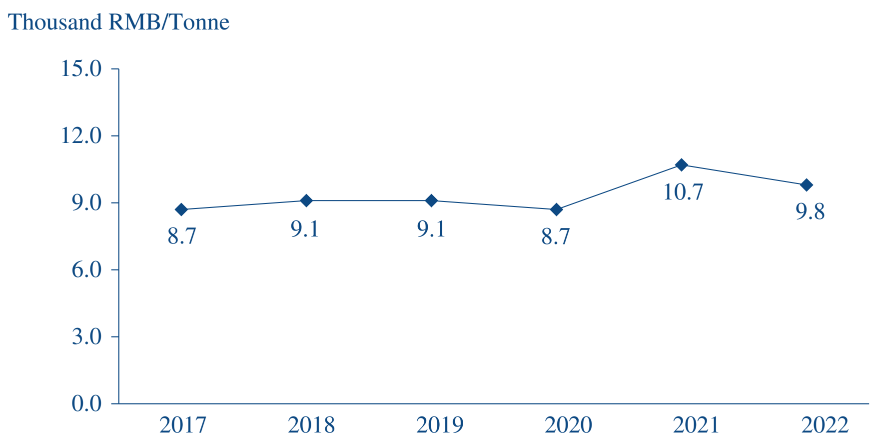
Average Price of Vending Machines (Mainland China), 2017-2022



Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

Cost of purchasing merchandise is also one of the major costs for vending machine operators. For example, for soft beverage, one of the most common types of merchandise sold through vending machines in mainland China, the average price gradually increased from 2016 to 2019 and slightly dropped in 2020. Going forward, the average ex-factory price of soft beverages is forecasted to keep the gradually growing trend in the coming future.

Average Ex-factory Price of Soft Beverages (Mainland China), 2017-2022

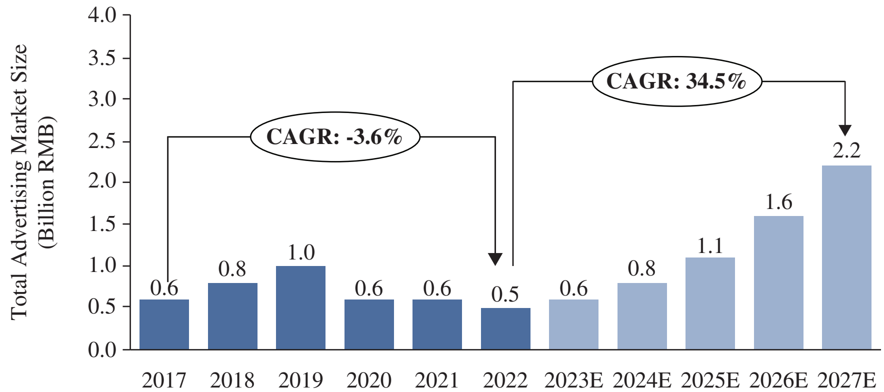


Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

MARKET SIZE OF VENDING MACHINE ADVERTISING MARKET IN MAINLAND CHINA

The size of the vending machine advertising market in mainland China is approximately RMB0.5 billion in 2022, decreasing at a CAGR of approximately -3.6% from 2017 to 2022. The market size significantly dropped in 2020 and 2022 due to the outbreak of COVID-19 in the first half of 2020. It is expected to recover from 2023 onwards corresponding with economic growth and expected to reach RMB2.2 billion in 2027, representing a CAGR of 34.5% from 2022 to 2027. As mainland China began to modify its zero-COVID policy in the fourth quarter of 2022, the economy is expected to have a rebound in 2023. Moreover, vending machines are becoming more prevalent in various locations, including shopping malls, office premises, airports and education institutions. The increasing vending machines provide a larger platform for advertising opportunities. According to government statistics, railways, highways, waterways, and civil aviation in mainland China transported a total of 226 million passengers during the seven-day Chinese New Year holiday in early 2023, representing an increase of over 70% year-on-year over the same period in 2022. As people move more frequently and economic activity resumes, the demand and consumption of consumer goods are also expected to have a recovery in 2023. On the other side, the integration of advanced technologies into vending machines, such as digital displays, interactive touch screens and data analytics, enhances the advertising capabilities. Digital displays allow for dynamic and eye-catching advertisements, while touch screens enable interactive engagement with consumers. Additionally, data analytics can provide valuable insights into consumer behavior and preferences, enabling advertisers to optimize their marketing campaigns. As a result, the development of advanced technologies may contribute to the fast growth of the vending machine advertising market and increase the market demand for vending machine advertising.

Vending Machine Retail Market Advertising Market Size (Mainland China), 2017-2027E



Source: Prepared by the Frost & Sullivan through interviews with industry players and Frost & Sullivan's research

REGULATIONS RELATING TO FOOD SALE AND SAFETY

Licensing system for food production and trading

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "Food Safety Law"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on February 28, 2009, took effective on June 1, 2009 and last amended on April 29, 2021 and entering into force since the same day and the Implementing Regulations on the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (the "Implementing Regulations on the Food Safety Law"), which was promulgated by the State Council on July 20, 2009 and amended on February 6, 2016 and October 11, 2019 with effect from December 1, 2019, the state adopts a licensing system for food production and trading. To engage in food production and selling/catering services, the food production license for food production and food operation license for food selling and catering services shall be obtained in accordance with the law. However, the license is not required for sale of edible agricultural and if only pre-packaged food is sold. If only pre-packaged food is sold, it should be filed for the record to the food safety supervision and administration department of the local People's Government at or above the county level.

On August 31, 2015, China Food and Drug Administration (the "CFDA") promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within mainland China (herein after referred to in general as "food operator") shall obtain a food operation license in accordance with the law. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects.

On June 15, 2023, the SAMR promulgated the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》), which will become effective on December 1, 2023. According to the Administrative Measures for Food Operation Licensing and Filing, a food business license is not required in the case of the sales of edible agricultural products, only prepackaged food, specific total nutrient formula food within the scope of the food for special medical purposes by medical institutions or drug retailers, or food produced by food producers which have obtained food production licenses in their production and processing locations or through the network, but any food operator which falls under any of the above circumstances and simultaneously carries out other food operation projects shall obtain a food operation license in accordance with the law. The sales of only prepackaged food shall be reported to the local department for market regulation at or above the county level in the place where the food seller is located for filing and medical institutions or drug retailers are not required to file for selling specific total nutrient formula food within the scope of the food for special medical purposes, but operators engaging in selling specific total nutrient formula food to medical institutions or drug retailers shall obtain a food operation license or file for the sale. Any food operator engaging in food operation in different operation sites shall respectively obtain food operation licenses or file for operation in accordance with the law.

Those food operators which engage in food operation through automatic equipment or which only engage in food operation may carry out business activities within the scope of the obtained license or completed filing in other operation sites within the corresponding provincial administrative region immediately upon obtaining a food operation license for or making a filing for the operation site.

Food safety mechanism

Personnel health management system

In accordance with the Food Safety Law as well as the Implementing Rules on the Food Safety Law, food producers and traders shall establish and implement a personnel health management system. The personnel suffering from diseases that affect food safety according to the regulations of the health administrative department under the State Council shall not engage in work that involves contact with ready-to-eat food. The personnel who engage in work that involves contact with ready-to-eat food shall have physical check-up each year and shall obtain healthy certificates prior to working.

The packages of pre-packed food

According to the Food Safety Law and Administrative Provisions on Food Labelling (《食品標識管理規定》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on August 27, 2007 and amended on October 22, 2009 and entered into force on the same day, the packages of pre-packed food shall bear labels. The labels shall state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer's name, address and contact details; shelf life; product standard code; storage conditions; the general name of the food additives used under the national standards; serial number of food production license; and other items that must be indicated according to laws, regulations or food safety standards. The labels of the staple and supplementary food exclusively for infants and babies and other designated groups shall also indicate the principal nutritional ingredients and their contents.

Purchase acceptance system

According to the Food Safety Law, food traders purchasing food shall check the supplier's permit and food ex-factory inspection certificate or other qualification proof. Food trade enterprise shall establish an inspection records system for inspection of purchased food, truthfully record the description, specifications, quantity, date of manufacture or production batch, shelf life and date of purchase of food, as well as the name, address and contact details of the supplier etc., and retain the relevant documentation. The records and documentation shall be kept at least six months upon expiry of the product's shelf life; where the shelf life is not specified, the records and documentation shall be kept at least for two years. Food trade enterprises implementing unified distribution may arrange for the head office of the enterprise to implement unified inspection of the permits of suppliers and product quality certificates of food and to keep inspection records for purchases of food.

Self-inspection System

According to the Food Safety Law, food producers and traders shall establish a food safety self-inspection system, and conduct inspection and assessment of food safety conditions on a regular basis. Where there is any change in producing and business operation conditions and the food producers or traders no longer comply with food safety requirements, the food producers or traders shall forthwith adopt rectification measures; in the event of a food safety incident with potential risks, the food producers or traders shall forthwith cease food producing or food business operations immediately, and report to the food safety supervision and administration department of the county People's Government at the locality.

Food recall system

Also under the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by the CFDA on March 11, 2015 and entered into force on September 1, 2015, and last amended on October 23, 2020. The Administrative Measures for Food Recall provides the detailed rules on the food recall system. Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers and record the cessation of trading and the notification. Where the food traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of the Food Safety Law as well as the Implementing Regulations on the Food Safety Law, the market supervision and administration at or above the county level shall order them to recall or stop trading.

Food Storage

According to the Food Safety Law and the Implementing Rules on the Food Safety Law, food traders shall store food pursuant to the requirements of ensuring food safety, inspect food inventory on a regular basis, and promptly dispose deteriorated food or food with expired shelf life. Food traders storing bulk food shall indicate the description, date of manufacture or production batch, shelf life of food, the name and contact details of manufacturer at the place of storage. For storage and transportation of food which have special requirements for temperature and humidity, heat preservation, cold storage or freezing equipment and facilities shall be available, and effective operation thereof shall be maintained.

Quality Control

On October 8, 2022, the SAMR released the Interim Measures for the Supervision and Management of Food-related Product Quality and Safety (《食品相關產品質量安全監督管理暫行辦法》), or the Interim Measures of Food-related Product, which took effect on March 1, 2023. The Interim Measures of Food-related Product specify the responsibilities of producers and sellers of food-related products as well as the specific requirements for the control of the whole production process. In addition, the Interim Measures of Food-related Product establish a strict legal liability system for food-related products to define the legal liabilities of food-related products.

REGULATIONS RELATING TO IMPORTATION AND EXPORTATION OF GOODS

According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-funded Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》), which was promulgated by the Ministry of Commerce (the "MOFCOM") and with effect from August 17, 2004, where foreign-funded enterprises duly established before July 1, 2004 apply for the addition of any import/export business to their approved scope of business, they must, in accordance with the Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》), passed by the MOFCOM on June 25, 2004, took effect on July 1, 2004, and was last amended on May 10, 2021, complete the formalities of adding business items to the enterprises' business licenses and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration (note: no formalities of change are required in regard to the approval certificate for its establishment) on the strength of the approval certificate for its establishment, business license with the business addition made, and any other documents as required under the Measures for the Record-keeping and Registration by Foreign Trade Dealers. The registration authorities shall affix a stamp indicating "business of distribution of import goods excluded" on the registration form. Pursuant to the Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) which was promulgated on November 19, 2021 and took effect on January 1, 2022, consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications; in the case of consignors or consignees of imported or exported goods applying for record-filing, they shall also complete the record-filing formalities for foreign trade dealers.

REGULATIONS RELATING TO THE OPERATION OF MEDICAL DEVICES

Pursuant to the Administrative Measures for Operation of Medical Devices (《醫療器械經營監督管理辦法》), promulgated by the CFDA on March 10, 2022, and became effective on May 1, 2022, an entity engaging in the operation of medical devices of Class II shall file for record with the CFDA at city level where such entity is located. Any entity shall not sell or use medical devices which are not properly registered or filed with the CFDA or its local counterparts. In addition, according to the Administrative Measures for Operation of Medical Devices, a medical device operator shall establish and maintain a record system of incoming quality control.

REGULATIONS RELATING TO PRODUCT LIABILITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law"), which was promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018 with effect from the same day.

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of mainland China, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, producers and sellers shall establish a sound internal product quality management system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. Sellers shall also establish and implement an examination and acceptance system for purchased stock to examine product quality certificates and other marks.

According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall have the right to recover such compensation from the producer if they take the responsibility and make a compensation, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

REGULATIONS RELATING TO CONSUMER PROTECTION AND COMPETITION

Consumer protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "Consumer Protection Law"), which was promulgated by the SCNPC on October 31, 1993, took effect from January 1, 1994 and was amended on August 27, 2009 and October 25, 2013. According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and distributors involved must ensure that the products and services they provide will not cause damage to the safety of consumers and their properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the Part VII tort liability of the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the National People's Congress on May 28, 2020 and became effective on January 1, 2021, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies seeking by the consumers. If the product defect is caused by the manufacturer, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

Competition law

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) (the "Anti-Unfair Competition Law"), which was promulgated by the SCNPC on September 2, 1993, took effect from December 1, 1993 and was amended on November 4, 2017 and April 23, 2019. According to the Anti-Unfair Competition Law, when trading in the market, operators should abide by the principles of voluntariness, equality, fairness, honesty, and credibility, and abide by laws and recognized business ethics. An operator, in violation of the Anti-Unfair Competition Law, disrupting the competition order, and infringing the legitimate rights and interests of other operators or consumers, constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, it may start a lawsuit in the people's court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to stop the infringement.

Price law

According to the Price Law of the PRC (《中華人民共和國價格法》) (the "Price Law") promulgated by the SCNPC on December 29, 1997 and took effect from May 1, 1998, operators should observe the following principles when determining prices: fairness, lawfulness and good faith. The production and operation costs and the market supply and demand situation should be the fundamental basis for the operator to determine the price. When selling or purchasing goods and providing services, the operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit and price of a commodity, or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on the top of price indicated. In addition, operators may not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other operators or consumers. Any operator engaged in the act of illegitimate pricing stipulated by the Price Law shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than five times of its illegal income; if the circumstances are serious, the business combination shall be ordered to suspend for rectification, or the administrative department for industry and commerce shall revoke the business license. In addition, any operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if damage is caused, it shall be liable for compensation according to law. Any operator who violates the clearly marked price shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than RMB5,000.

REGULATIONS RELATING TO ONLINE TRADING AND E-COMMERCE

The SCNPC enacted the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) (the "E-Commerce Law") on August 31, 2018, which became effective on January 1, 2019. Under the E-Commerce Law, e-commerce refers to a natural person, a legal person or an unincorporated association that operates activities of selling goods or providing services through the internet or other information networks. The E-Commerce Law generally applies to: (i) Platform Operators, which refer to legal persons or unincorporated organizations that provide network places of business, transaction matching, information release and other services to enable the transaction parties to carry out independent transaction activities; (ii) Operators on the platform, which refer to e-commerce Operators that sell goods or provide services to customers through e-commerce platforms; and (iii) other e-commerce Operators that sell goods or provide services through self-established websites or other network services. The E-commerce Law also provides rules in relation to e-commerce contracts, dispute settlements, e-commerce development as well as legal liabilities involved in e-commerce. An e-commerce Business Operator shall make market participant registration and obtain relevant administrative licensing according to the law.

In accordance with the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》) (the "Online Trading Measures"), promulgated by the State Administration for Market Regulation (the "SAMR") on March 15, 2021, which came into effect on May 1, 2021, any business activity of selling goods or providing services through the Internet within mainland China shall abide by the PRC Law and the provisions of the Online Trading Measures. Persons engaged in operation of online goods trading (the "Online Trading Operators") are required to make an industrial and commercial registration in accordance with laws. In selling goods or providing services to consumers, Online Trading Operators must observe the Consumer Protection Law, the Product Quality Law, and provisions of other laws, regulations and rules.

REGULATIONS RELATING TO MOBILE APPs

In June 2016, the Cyberspace Administration of China (the "CAC") promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "Mobile Application Administrative Provisions"), which became effective on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, a mobile internet app refers to an app software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means, and mobile internet app providers refer to the owners or operators of mobile internet apps. Pursuant to the Mobile Application Administrative Provisions, an internet app program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front- office end. An internet app provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant app programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and app programs.

On June 14, 2022, the CAC amended the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), or the revised version of Mobile Application Administrative Provisions, which came into effect on August 1, 2022, which further emphasizes that mobile internet app providers shall not compel users to agree to personal information processing out of any reason, and are prohibited from banning users from their basic functional services due to the users refusal of providing non-essential personal information. The revised version of Mobile Application Administrative Provisions shall apply to whoever provide application information services and engage in the internet application stores and other application distribution services, clarifying that engaging in the Internet application stores and other application distribution services refers to the activities of providing users with application publishing, downloading, dynamic loading and other services through the Internet, including application stores, fast application centers, Internet applet platforms, browser plug-ins and other types of platform distribution services. If mobile internet app providers violate relevant laws and regulations and service agreement with the mobile application distribution platforms, mobile app stores through which it distributes its apps may issue warnings, suspend services, or terminate the distribution of its apps, and report the violations to governmental authorities.

In December 2016, the Ministry of Industry and Information Technology of the PRC (the "MIIT") promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "Interim Measures"), which came into effect on July 1, 2017. The Interim Measures aim to enhance the administration of mobile apps, and require, among others, that mobile phone manufacturers and internet information service providers must ensure that a mobile app, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of the hardware and operating system of a mobile smart device.

The Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by App (《關於開展App違法違規收集使用個人信息專項治理的公告》) jointly issued by the CAC, MIIT, the Ministry of Public Security and the SAMR on January 23, 2019 provides that (i) application operators are prohibited from collecting any personal information irrelevant to the services provided by such operator; (ii) information collection and usage policy should be presented in a simple and clear way, and such policy should be consented by the users voluntarily; (iii) authorization from users should not be obtained by coercing users with default or bundling clauses or making consent a condition of a service. App operators violating such rules can be ordered by authorities to correct its incompliance within a given period of time, be reported in public; or even suspend its operation for rectification or revoke its business license or operational permits.

The MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進App侵害用戶權益專項整治行動的通知》) (the "Further Rectification Notice"), on July 22, 2020. The Further Rectification Notice requires that certain conducts of app service providers should be inspected, including, among others, (i) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. The Further Rectification Notice also set forth that the period for the regulatory specific inspection on apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

REGULATIONS RELATING TO ADVERTISING

The Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC, as most recently amended on April 29, 2021, outlines the regulatory framework for the advertising industry. Advertisers, advertising operators and advertising distributors are required by PRC Law in relation to advertising to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. For example, pursuant to the Advertising Law, advertisements must not contain, among other prohibited contents, terms such as "the state level," "the highest grade," "the best" or other similar words. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and the relevant approval has been obtained. Pursuant to the Advertising Law, the use of the internet to distribute advertisements shall not affect the normal use of the internet by users. Particularly, advertisements distributed on internet pages such as pop-up advertisements shall be indicated with a conspicuous mark for "close" to ensure the close of such advertisements by one click. Where internet information service providers know or should know that illegal advertisements are being distributed using their services, they shall prevent such advertisements from being distributed.

In addition to the above regulations, the SAMR promulgated the Administrative Measures for Internet Advertising (《互聯網廣告管理辦法》) (the "Internet Advertising Measures") on February 25, 2023, which came into effect and replaced the Interim Administration Measures of Internet Advertising (《互聯網廣告管理暫行辦法》) on May 1, 2023, also set forth certain compliance requirements for online advertising businesses. For example, advertising operators and distributors of internet advertisements must examine, verify and record identity information, such as real identity, address and contact information, of advertisers, and maintain an updated verification record on a regular basis. Moreover, advertising operators and advertising distributors must examine supporting documentation provided by advertisers and verify the contents of the advertisements against supporting documents before publishing. If the contents of advertisements are inconsistent with the supporting documentation, or the supporting documentation is incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services. The Internet Advertising Measures set out, among other things, the following requirements for Internet advertising activities: Online advertisements for prescription medicine or tobacco are not allowed, while advertisements for special commodities or services such as medical treatment, pharmaceuticals, food for special medical purposes, medical instruments, agrochemicals, veterinary medicine and other health foods must be reviewed by competent authorities before online publication; Internet advertisements must be visibly marked as "advertisement", while paid search results must be obviously distinguished from natural search results; and Internet advertisements must not affect users' normal use of the Internet; "pop-up ads" must be clearly marked with a "close" sign and be closable with one click; and no deceptive or misleading means may be used to lure users into clicking or browsing an advertisement.

REGULATIONS RELATING TO MINI-KARAOKE

According to the Notice of the Ministry of Culture on Guiding the Healthy Development of the Mini-Karaoke Market (《文化部關於引導迷你歌詠亭市場健康發展的通知》) which was promulgated on July 18, 2017, mini-karaoke platform operators shall file the record with the Ministry of Culture (which has been replaced by the Ministry of Culture and Tourism), before the end of the month when they start operation. The Ministry of Culture will distribute the record information of the mini-karaoke to the cultural administration departments and cultural market comprehensive law enforcement agencies of each province as a unit, and will develop a system for online filing and inquiries in a timely manner. Provincial cultural administrative departments and cultural market comprehensive law enforcement agencies are responsible for coordinating the management of mini-karaoke within the province, and implementing territorial management responsibilities level by level in accordance with the actual operating location of the mini-karaoke.

REGULATIONS RELATING TO INFORMATION SECURITY AND PRIVACY PROTECTION

According to the Civil Code of the PRC, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

The Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), promulgated by the Ministry of Public Security on December 16, 1997, as amended by the State Council and became effective on January 8, 2011, prohibit using the internet which could threat national security, cause leakages of state secrets, impair state, public or collective interests or the lawful rights of citizens or commit a criminal crime. If the internet operators do not fulfil the responsibilities stipulated in measures, the relevant Telecommunications Operating License may be revoked and the websites shall be shut down, while a fine not more than RMB15,000 shall be imposed to the unit.

The Decisions on Protection of Internet Security (《關於維護互聯網安全的決定》) enacted by the SCNPC on December 28, 2000, as amended in August 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC Law, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby destroying the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On 22 June 2007, the Ministry of Public Security, State Secrecy Bureau, State Cryptography Administration and the Information Office of the State Council jointly promulgated the Administrative Measures for the Multi-level Protection of Information Security (《信息安全等級保護管理辦法》), under which the security protection grade of an information system may be classified into five grades. Companies operating and using information systems shall protect the information systems and any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect the personal information irrelevant to the services they provide or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store all the personal information and important data collected and produced within the territory of mainland China. Their purchases of network products and services that may affect national security shall be subject to national cyber security review. The network operators who violate the aforesaid regulations may be ordered by the competent authority to make corrections, be given a warning, or be imposed a fine with different amounts.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On December 28, 2021, the CAC and certain other PRC regulatory authorities published the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective on February 15, 2022, replacing the Measures for Cybersecurity Review in 2020. Pursuant to the new measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. A network platform operator that has the personal information of more than one million users must apply for a cybersecurity review when it seeks to list in a foreign country. The Measures for Cybersecurity Review further elaborates the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad.

Pursuant to the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data processor falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to CAC for security assessment of outbound data: (i) where a data processor provides critical data abroad; (ii) where a key information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required.

On November 14, 2021, the CAC issued the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》, the "**Draft Cyber Data Security Regulations**"). The Draft Cyber Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and obligations of internet platform operators. Pursuant to the Draft Cyber Data Security Regulations, data processors carrying out the following activities must, in accordance with the relevant national regulations, apply for a cybersecurity review: (i) the merger, reorganization or spin-off of Internet platform operators that possess a large number of data resources related to national security, economic development and public interests that affects or may affect national security; (ii) listing in a foreign country of any data processors that process the personal information of more than one (1) million users; (iii) listing in Hong Kong of data processors, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations did not define the scope of and threshold for determining what "affects or may affect national security." The term "national security" is defined as "the status of National regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from internal and external threats, as well as the ability to ensure continuous security" in the National Security Law of the PRC (《中華人民共和國國家安全法》). In the absence of further explanation or interpretation, the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security." As of the Latest Practicable Date, the Draft Cyber Data Security Regulations has not come into effect.

On August 20, 2021, the SCNPC issued the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021. It integrates the scattered rules with respect to personal information rights and privacy protection and aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained or where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligations of the third party who has access to the personal information by way of co-processing or delegation.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. The network services providers shall strengthen the management of the information published by their users, and shall immediately cease transmitting any information forbidden to be published or transmitted by the laws and regulations, take such measures as elimination, preserve relevant records, and report the same to relevant competent departments. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which became effective on September 1, 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and internet information service in mainland China. The personal information of users collected or used in the course of provision of service by the telecommunication Business Operators, internet information service providers and their personnel shall be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》) (the "Internet Information Service Market Provisions"), which became effective on March 15, 2012. The Internet Information Service Market Provisions stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (the "personal information of users"), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Internet Information Service Market Provisions also require that internet information service providers shall properly preserve the personal information of users. If internet information service providers violate the foregoing regulations, the telecommunications management department shall issue a warning, and may also impose a fine of not less than RMB10,000 but not more than RMB30,000, and announce to the public.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC Law that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》) (the "Labor Law"), which was issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "Labor Contract Law"), which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on September 18, 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in mainland China shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim

Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019, prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》), which was issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued by the State Council on January 22, 1999 and came into effect on the same day, the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing provident fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing provident fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship. Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, housing provident fund management center is entitled to apply for compulsory enforcement with the People's Court.

REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law"), which was issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985 and revised on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 and became effective on June 1, 2021, as well as by the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) issued by the State Council on June 15, 2001, came into effect on July 1, 2001 and revised on December 28, 2002 and January 9, 2010. The patent administrative departments are responsible for managing patent work. According to the Patent Law, inventions refer to inventions, utility models and designs. An invention or utility model for which patent rights are granted shall reach the standards of novelty, creativity and practicability. The protection period is 20 years for an invention patent, 10 years for a utility model patent and 15 years for a design patent, all counted from the date of application. Others may use the patent after obtaining the permit of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the "Trademark Office") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Copyright and Computer Software

China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. The Copyright Law of the PRC (《中國人民共和國著作權法》) (the "Copyright Law"), which was promulgated by the SCNPC on September 7, 1990, as amended on October 27, 2001 and last amended on November 11, 2020, and became effective on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which is beneficial to the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture. Unless otherwise stipulated in the Copyright Law, anyone that wishes to use another's work shall conclude a licensing contract with the copyright owner of the work. A licensing contract shall include: the type(s) of right(s) being licensed; whether the license is exclusive or non-exclusive; the geographic scope and term of the license; the amount and method of remuneration; liability for breach of contract; and other details which the parties consider necessary. Where the right licensed is an exclusive licensing right, the contracts shall be made in writing, except in cases where works are to be published by newspapers and periodicals according to the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated by State Council on August 2, 2002, last amended on January 30, 2013 and became effective on March 1, 2013. Any person, who concludes an exclusive licensing contract or assignment contract with a copyright owner, may submit, for filing, the contractual documents to the copyright administrative department.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the "Software Copyright Measures"), promulgated by the National Copyright Administration and became effective on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent governmental authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC") is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (《計算機軟件保護條例》).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), which became effective on January 1, 2021, provide that any network user or network service supplier provides without permission works, performance, sound or visual recordings to which the right holder has information network transmission right, the people's courts shall hold that said user or service supplier has infringed upon the information network transmission right, unless otherwise provided for by laws and administrative regulations.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in mainland China. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register." A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment

The Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. Investment activities in mainland China by foreign investors were principally governed by the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "Catalogue"), which was promulgated by the MOFCOM and the National Development and Reform Commission (the "NDRC"), and was abolished by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "Negative List") and Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the "Encouraging List"). The Negative List, which came into effect on January 1, 2022, sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment.

Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the Company Law of the PRC (《中華人民共和國公司法》) (the "Company Law"), which was lasted amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in mainland China and classifies companies into limited liability companies and limited companies by shares.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the SCNPC on March 15, 2019 and came into effect as of January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

In December 26, 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 1, 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign

Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in mainland China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, the CSRC released the Trial Measures for Administration of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), and five supporting guidelines (the "**Trial Measures**"), which took effect on March 31, 2023. According to the Trial Measures, mainland China-based companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If a mainland China-based company fails to complete the filing procedure, conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. According to the Trail Measures, no overseas offering and listing shall be made under any of the following circumstances: (1) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controllers, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; and (5) where there are material ownership disputes over equity held by the domestic company's controlling shareholders or by other shareholders that are controlled by the controlling shareholders and/or actual controllers.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Management Provisions**"), which took effect on March 31, 2023. According to the Confidentiality and Archives Management Provisions, mainland China-based companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, the domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Confidentiality and Archives Management Provisions also provide that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest. Since the Confidentiality and Archives Management Provisions were promulgated recently, substantial uncertainties still exist with respect to the interpretation and implementation of such provisions and how they will affect us.

REGULATIONS RELATING TO THE H SHARE FULL CIRCULATION

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company (the "H-share listed company"), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請"全流通"業務指引》(中國證券監督管理委員會公告[2019]22號)) (the "Guidelines for the 'Full Circulation'").

According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation." To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company."

On December 31, 2019, CSDC and the Shenzhen Stock Exchange (the "SZSE") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "Measures for Implementation"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

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

According to the Trial Measures, the H-shares "full circulation" should comply with the relevant regulations of the CSRC, and the domestic company should be entrusted to file with the CSRC.

REGULATIONS RELATING TO FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "SAFE Circular 59"), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in mainland China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015 (the "SAFE Circular 13"), which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 11, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "SAFE Circular 21"), which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in mainland China must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in mainland China based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies in mainland China shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies in mainland China through overseas listing may be repatriated to mainland China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19") promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019 and March 23, 2023, foreign-invested enterprises (the "FIE") may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted Renminbi within their approved business scope.

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

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

On April 10, 2020, SAFE promulgated Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), which came into effect on the same day. The notice provides that eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without the need to provide the evidential materials concerning authenticity of such capital to banks in advance, provided that their utilized capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall conduct spot checks in accordance with the relevant requirements.

REGULATIONS ON OVERSEAS DIRECT INVESTMENT REGISTRATION

Pursuant to the Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) issued by the SAFE on July 13, 2009 and took effect on August 1, 2009, upon obtaining approval for overseas investment, an enterprise in mainland China shall apply for foreign exchange registration for its overseas direct investments. According to the SAFE Circular 13, the administrative approval for foreign exchange registration approval under overseas direct investment has been canceled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and took effect on March 1, 2018, the investing activities of enterprises in mainland China such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects that involve sensitive countries and regions or sensitive industries shall be subject to administration of verification and approval by the NDRC and non-sensitive outbound investment projects shall be subject to administration by record-filing. For non-sensitive projects of US$300 million or above invested by local enterprise in mainland China or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC and non-sensitive outbound investment projects, of which the investment amount of investors in mainland China is less than US$300 million (exclusive) shall file with the provincial counterpart of the NDRC.

The principal laws, rules and regulations governing dividend distribution by companies in mainland China are the PRC Company Law, most recently amended by the SCNPC on October 26, 2018, which applies to both domestic companies and foreign-invested companies in mainland China, and the Foreign Investment Law of the PRC and the Regulations on Implementing the Foreign Investment Law of the PRC apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in mainland China are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. Companies in mainland China are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "Implementation Rules"), promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in mainland China. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in mainland China, or are established under foreign laws but whose actual management bodies are located in mainland China. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in mainland China but with no actual management body in mainland China, or enterprises that have not set up institutions or sites in mainland China but have derived incomes from mainland China. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in mainland China to the extent that such incomes are derived from their set-up institutions or sites in mainland China, or such income are obtained outside mainland China but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in mainland China or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from mainland China.

Value-Added Tax

The major PRC Law governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on December 25, 1993 by the Ministry of Finance (the "MOF"), came into effect on the same day and revised on December 15, 2008 and October 28, 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of mainland China are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in mainland China, the rate of VAT has been changed several times. The MOF and the State Taxation Administration (the "STA") issued the Notice of on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was last amended on August 31, 2018 by the SCNPC, which came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guoshui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guoshui Han [2011] No. 348) issued by the SAT on June 28, 2011, which came into effect on the same day, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of lower than 10%, non-foreign-invested enterprises listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) (Caishui Zi [1994] No. 20) promulgated by the MOF and the SAT on May 13, 1994 and came into effect on the same day, overseas individuals are exempted from the individual income tax for dividends and bonuses received from foreign-invested enterprises.

Enterprise Investors

According to the EIT Law, which was latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guoshui [2008] No. 897), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guoshui [2009] No. 394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**"), which was signed between the SAT and the Government of the Hong Kong Special Administrative Region of the PRC on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25.0% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) which came into effect on December 6, 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Taxation on Share Transfer

Individual Investors

According to the Circular Concerning Temporary Exemption From Individual Income Tax on The Income From Stocks Transfer (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Caishui Zi [1998] No. 61) promulgated by the SAT and became effective on March 20, 1998, since January 1, 1997, the IIT in the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law, the SAT has not clearly stipulated whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay a business income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

PRC Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which was promulgated by the Ministry of Finance on September 29, 1988 and came into effect on October 1, 1988, the PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

OVERVIEW

We are a vending machine operator in China. Leveraging our core capabilities and our expansive network, we are able to provide consumers with services. Our unmanned retail business can be traced back to 2011 when Mr. Wang, our principal Founder, together with our other Founders, namely Mr. Shen, Ms. Wu Songfeng (吳松鋒) ("**Ms. Wu**"), Mr. Lin Rong (林榮) ("**Mr. Lin**"), Mr. Li Minghao (李明浩) ("**Mr. Li**"), Mr. Huang Cinan (黃次南) ("**Mr. Huang**") and Ms. An Yufang (安煜芳) ("**Ms. An**"), commenced our vending machine business through Beijing Youbaokesi. For details of credentials and experience of Mr. Wang and Ms. An, please see "Directors, Supervisors and Senior Management — Directors."

Our Company was initially established on March 1, 2012 in the PRC as a wholly foreign-owned enterprise in order to facilitate our Group's financing opportunities outside China. In 2015, as we became more optimistic about the PRC domestic capital market, we unwound our offshore structure and streamlined our operations in the PRC, in which our Company became the onshore holding company of our Group's current business.

In preparation for the listing on the NEEQ, our Company was converted from a limited liability company into a joint stock company with limited liability on September 10, 2015 and was listed on the NEEQ on February 24, 2016. For further details, see "— Information on Our Group — Our Company" and "— Evolution of Our Group — 3. Listing and Delisting in relation to the NEEQ." Our Company then voluntarily delisted from the NEEQ on March 12, 2019. For further details, see "— Evolution of Our Group — 3. Listing and Delisting in relation to the NEEQ" below.

BUSINESS MILESTONES

The following is a summary of the key business development milestones of our Group:

Year	**Event**
2011	• Our Founders commenced our vending machine business through Beijing Youbaokesi, which built our first prototype vending machine
2012	• Our number of POSs reached 5,000
2013	• Our number of POSs reached 10,000
2015	• Our Company was converted from a limited liability company into a joint stock company with limited liability
	• We were recognized as "China's Most Promising Company" (中國最具潛力企業) by Ernst & Young and Fudan University School of Management

Year	Event
2016	• Our Shares began trading on the NEEQ in the PRC (stock code: 836053)
2017	• We were recognized as "The Best Operating Brand in the Auto Vending Industry" (無人售貨行業最佳運營品牌獎) by the China Commerce Association for General Merchandise in the PRC
2018	• We collaborated with Alipay and launched our first biometrics authentication ready vending machine
	• Our investee, namely JR Vending Pte. Ltd. ("**JR Vending**"), placed our first overseas vending machines in Singapore Changi Airport
2019	• Our Company voluntarily delisted from the NEEQ
	• Shanghai Yunxin, a wholly-owned subsidiary of Ant Group, invested in our Group as a Pre-[**REDACTED**] Investor
	• We received the "ONE Payment Business Transformation Award" (ONE支付商業轉型獎) by Alibaba
2020	• We launched the People's Bank of China's first vending machine that supported payment with e-CNY
	• We were ranked first in the "Top 200 of China's New Economy Quasi Unicorns" (2020中國新經濟準獨角獸200強榜單) by iMedia Research
	• We were awarded as "Most Influential Enterprise in China's New Economy in 2020" (2020年中國新經濟之王最具影響力企業) in the new retail industry by 36Kr Research Institute (36氪研究院)
	• We strongly promoted our partner model
2021	• We launched the first vending machine with 5G network
	• We were nominated as an offline licensed retail store for the Hangzhou 2022 19th Asian Games
	• We were recognized "New Consumer Ecological Service Provider of 2021" (2021年度新消費生態服務商) by TMTPost Media Group for the 2021 Edge Awards for Global Innovation
	• Our number of POSs reached 100,000

INFORMATION ON OUR GROUP

Our Company

Our Company was established as a wholly foreign-owned enterprise in the PRC on March 1, 2012 with a registered capital of US$320,000 under its former name Beijing UBOX Technology & Trade Company Limited (北京友博科斯科貿有限公司), and was wholly owned by UBOX (Hong Kong) Company Limited ("**Youbao (HK)**"), which was in turn indirectly wholly owned by UBOX International Holdings Co Limited ("**Youbao (Cayman)**"). For details of the then shareholding of Youbao (Cayman), see "— Evolution of Our Group — 2. Establishment and unwinding of our offshore structure." Our Company was initially established as a wholly foreign-owned enterprise in order to facilitate our Group's financing opportunities outside China.

Between March 2012 and February 2014, our Company underwent a series of capital increase, in which the registered capital of our Company increased from US$320,000 to US$26,000,000. Each of the capital increase was contributed by Youbao (HK) and was settled by cash.

Pursuant to an equity transfer agreement dated May 25, 2015, Youbao (HK) transferred the entire equity interest it held in our Company to Mr. Wang, Mr. Shen, Mr. Lin, Ms. Wu, Mr. Huang, Mr. Li, Mr. Xu Ge, Huazhu Investment (Shanghai) Co., Ltd. (華住投資(上海)有限公司) ("**Huazhu Investment**"), Mr. Chen, Hainan Changyang Venture Capital Co., Ltd. (海南長陽創業投資有限公司) ("**Hainan Changyang**"), Horgos Fengmao Equity Investment Management Partnership (L.P.) (霍爾果斯鋒茂股權投資管理合夥企業(有限合夥)) ("**Horgos Fengmao**"), Nanjing Hanergy Venture Capital Center (L.P.) (南京漢能創業投資中心(有限合夥)) ("**Nanjing Hanergy**"), Chongqing Hanergy Venture Capital Center (L.P.) (重慶漢能科技創業投資中心(有限合夥)) ("**Chongqing Hanergy**") and Ms. Yi Jiaping (衣嘉平) ("**Ms. Yi**"), respectively, for an aggregate consideration of RMB10,000,000 (the "**2015 Equity Transfer**"), which was fully settled on July 16, 2015. The consideration was made after arm's length negotiations between the parties with reference to the net asset value of our Company as at December 31, 2014, after taking into account the fact that the transferees were either the beneficial owners of Youbao (Cayman) or the individuals/entities as designated by the shareholders of Youbao (Cayman) to undertake the equity transfers under the Restructuring Framework Agreement. Upon completion of the 2015 Equity Transfers on June 5, 2015, our Company was converted from a wholly foreign-owned enterprise to a limited liability company, in which the registered capital of our Company was converted from US$26,000,000 to RMB161,209,504, and its shareholding was as follows:

Shareholders	**Registered capital** *(RMB)*	**Percentage of shareholding** *(%)*
Mr. Wang	53,372,759	33.11
Mr. Shen	20,488,761	12.71
Mr. Xu Ge	18,425,924	11.43
Mr. Lin	13,884,330	8.61
Ms. Wu	13,884,330	8.61
Mr. Huang	13,864,982	8.60

Shareholders	Registered capital *(RMB)*	Percentage of shareholding *(%)*
Mr. Li	9,078,191	5.63
Huazhu Investment	6,011,180	3.73
Mr. Chen	5,122,110	3.18
Hainan Changyang	3,984,454	2.47
Horgos Fengmao	1,734,937	1.08
Nanjing Hanergy	472,183	0.29
Chongqing Hanergy	472,183	0.29
Ms. Yi	413,180	0.26
Total	161,209,504	100

On June 19, 2015, a capital subscription agreement was entered into between the then shareholders of our Company, Beijing Hanergy Zhonghong Investment Center (L.P.) (北京漢能中宏投資中心(有限合夥)) ("**Beijing Hanergy**") and Jiaxing Yingfei Investment Center (L.P.) (嘉興英飛投資中心(有限合夥)) ("**Jiaxing Yingfei**"), pursuant to which Beijing Hanergy, Jiaxing Yingfei and the then shareholders of our Company, namely Mr. Wang, Mr. Shen, Mr. Lin, Ms. Wu, Mr. Li, Mr. Huang, Mr. Xu Ge, Mr. Chen, Ms. Yi, Huazhu Investment, Hainan Changyang, Horgos Fengmao, Nanjing Hanergy and Chongqing Hanergy, agreed to make capital contributions to our Company and subscribed for RMB487,459, RMB1,949,838, RMB5,909,895, RMB2,268,693, RMB1,537,393, RMB1,537,393, RMB1,200,155, RMB1,954,318, RMB2,040,278, RMB14,215,614, RMB630,638, RMB1,416,471, RMB441,193, RMB192,107, RMB52,284 and RMB1,514,587, representing approximately 0.25%, 0.98%, 2.98%, 1.14%, 0.77%, 0.77%, 0.60%, 0.98%, 1.03%, 7.16%, 0.32%, 0.71%, 0.22%, 0.10%, 0.03% and 0.76% of our Company's registered capital as enlarged upon completion of the capital contribution, respectively, at an aggregate consideration of RMB378,505,138. It was agreed that RMB37,348,316 shall be contributed to our Company's registered capital and the remaining consideration amount shall be contributed to our Company's capital reserves. The consideration was made after arm's length negotiations between the parties with reference to our Company's then valuation of approximately RMB2 billion as agreed between the parties based on the then operating results and industry outlook of our Group's business, and was fully settled on July 27, 2015. Jiaxing Yingfei was an Independent Third Party, and Beijing Hanergy, together with Nanjing Hanergy and Chongqing Hanergy, are affiliated to The Hina Group (漢能投資集團). On June 19, 2015, the registered capital of our Company increased from RMB161,209,504 to RMB198,557,820 (the "**First 2015 Capital Increase**").

Pursuant to the Previous Deed of AIC entered into between Mr. Wang and Mr. Chen on July 20, 2015, which upon expiry was succeeded by the Deed of AIC entered into between Mr. Wang and Mr. Chen on July 18, 2019 with a term until July 17, 2023 (both such deeds together, the "**Deeds of AIC**"), (i) Mr. Wang and Mr. Chen had agreed to consult each other and reach a unanimous consensus between themselves on the subject matters of any shareholders' resolutions or board resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations during the period each party remains a shareholder of our Company, and (ii) where a consensus cannot be reached, the matter shall be decided by the individual who holds more Shares. Mr. Wang has, since the beginning of the acting-in-concert arrangement as described above, held more Shares and been entitled to control more voting rights in the Company than Mr. Chen. Mr. Wang and Mr. Chen believed that the entering into of the Deeds of AIC was based on the mutual trust and confidence among them and the term of the Deeds of AIC would enable them to regularly evaluate the effectiveness of the Deeds of AIC in achieving the benefits of the concert party arrangement, and make necessary modifications to the terms thereof if needed, further allowing flexibility in altering the composition to the concert party arrangement, if needed. It is expected that Mr. Wang and Mr. Chen will enter into a further deed of acting-in-concert agreement upon expiry of the Deed of AIC under similar terms as the Deeds of AIC. By virtue of the Deeds of AIC, Mr. Wang and Mr. Chen are collectively our Single Largest Group of Shareholders.

Further, the registered capital of our Company increased from RMB198,557,820 to RMB207,486,509 on July 28, 2015 (the "**Second 2015 Capital Increase**"). The Second 2015 Capital Increase was contributed by (i) Mr. Wen Ruifeng (溫瑞峰) ("**Mr. Wen**"), who controlled Beijing Taiming Investment Management Co., Ltd. (北京泰銘投資管理有限公司) ("**Beijing Taiming**"), which was a then minority shareholder of our Company's subsidiary, Beijing Taihe; and (ii) Mr. Zhou Jianghua (周江華) ("**Mr. Zhou**"), who controlled Guangzhou Dongji Industrial Co., Ltd. (廣州東吉實業有限公司) ("**Guangzhou Dongji**"), which was a then minority shareholder of our Company's subsidiary, Guangzhou Weiji, pursuant to which Mr. Wen and Mr. Zhou made capital contributions to our Company with reference to our Company's then registered capital, and subscribed for RMB4,870,194 and RMB4,058,495 of our Company's registered capital, representing approximately 2.35% and 1.96% of our Company's registered capital as enlarged upon completion of the capital contribution, respectively, at an aggregate consideration of RMB8,928,689, which was fully settled on July 30, 2015. The Second 2015 Capital Increase was entered into pursuant to the Restructuring Framework Agreement and the consideration of the Second 2015 Capital Increase formed a part of the consideration of our Group's acquisition of Beijing Taihe and Guangzhou Weiji from companies controlled by Mr. Wen and Mr. Zhou, respectively. For further details of such acquisitions and our Group's relationship with Mr. Wen and Mr. Zhou, see "— Evolution of Our Group — 1. Establishment of Our Principal Subsidiaries" below.

On September 10, 2015, in anticipation for the application for listing on the NEEQ, our Company was converted into a joint stock company with limited liability and renamed as Beijing Ubox Online Technology Corp. (北京友寶在線科技股份有限公司). The conversion was made with reference to the Company's net asset value as at July 31, 2015 of approximately RMB582 million, among which, RMB450 million was converted into 450,000,000 Shares with a par value of RMB1.00 each, and the remaining amount was classified as capital reserves.

Our Company was then listed on the NEEQ on February 24, 2016. Upon completion of the First 2015 Capital Increase and the Second 2015 Capital Increase and immediately prior to the listing on the NEEQ, our Company's shareholding was as follows:

Shareholders	**Registered capital before converting into a joint stock company** *(RMB)*	**Shares**	**Percentage of shareholding** *(%)*
Mr. Wang and Mr. Chen*(Note)*	78,620,378	170,513,550	37.89
Mr. Shen	22,757,454	49,356,900	10.97
Mr. Xu Ge	20,466,202	44,387,550	9.86
Mr. Huang	15,819,300	34,309,350	7.63
Mr. Lin	15,421,723	33,446,700	7.43
Ms. Wu	15,421,723	33,446,700	7.43
Mr. Li	10,278,346	22,291,650	4.95
Huazhu Investment	7,427,651	16,109,100	3.58
Mr. Wen	4,870,194	10,562,400	2.35
Hainan Changyang	4,425,647	9,598,500	2.13
Mr. Zhou	4,058,495	8,802,000	1.96
Chongqing Hanergy	1,986,770	4,308,750	0.96
Jiaxing Yingfei	1,949,838	4,228,650	0.94
Horgos Fengmao	1,927,044	4,179,600	0.93
Ms. Yi	1,043,818	2,263,950	0.50
Nanjing Hanergy	524,467	1,137,600	0.25
Beijing Hanergy	487,459	1,057,050	0.24
Total	207,486,509	450,000,000	100

Note: Pursuant to the Previous Deed of AIC, Mr. Wang and Mr. Chen were parties acting in concert.

On May 11, 2016, our Company issued 46,660,000 Shares, representing approximately 9.39% of our total number of issued Shares as enlarged upon completion of the share issuance, at a subscription price of RMB7.50 per Share. The 46,660,000 Shares were subscribed by 22 investors, at an aggregate consideration of RMB349,950,000, which was fully settled on March 28, 2016, among which (i) each investor was an Independent Third Party; (ii) there were 10 individual investors and 12 corporate investors; and (iii) the largest investor, being Ms. Liu Xia (劉霞) ("**Ms. Liu Xia**"), acquired 13,326,500 Shares, representing approximately 2.68% of our total number of issued Shares as enlarged upon completion of the share issuance. Upon completion, our issued Shares increased from 450,000,000 Shares to 496,660,000 Shares (the

"**2016 Capital Increase**"). The purpose of the 2016 Capital Increase was principally to increase the then working capital of our Company for Group expansion, and the consideration was made with reference to the then operating results and industry outlook of our Group's business.

On July 6, 2017, our Company issued 22,412,184 Shares and 89,648,737 Shares, representing approximately 3.68% and 14.73% of our issued Shares as enlarged upon completion of the share issuance, respectively, to Beijing Kaibao Investment Center (L.P.) (北京凱寶投資中心(有限合夥)) ("**Beijing Kaibao**"), a then affiliate of The Carlyle Group, a global investment firm, and Qingdao Haier, at a consideration of RMB106,009,630.32 and RMB424,038,526.01, or approximately RMB4.73 per Share, respectively, which had been fully settled on April 21, 2017. Upon completion, our issued Shares increased from 496,660,000 Shares to 608,720,921 Shares (the "**2017 Capital Increase**"). Prior to the 2017 Capital Increase, an investment agreement (the "**Kaibao Investment Agreement**") was entered into in June 2015 between, among others, Beijing Kaibao and our Company, pursuant to which Beijing Kaibao agreed to provide a loan to our Company for the purpose of financing our business operations, which would be convertible into a certain number of Shares upon our Company's application of a qualified IPO with reference to a business valuation of our Company to be further determined between the parties and in accordance with the terms of the Kaibao Investment Agreement. Beijing Kaibao then provided a loan in the principal amount of RMB530,000,000 to our Company, at an annual interest rate of 13% and for a term of six years (the "**2015 Convertible Loan**"). In October 2015, it was determined between the parties that our Company's then valuation was approximately RMB2.66 billion, which was made with reference to the targeted earnings for the years ended December 31, 2015 and 2016 as agreed between the parties, and a maximum of 112,060,921 Shares would be issued upon exercise in full of the conversion rights attached to the 2015 Convertible Loan at a conversion price of approximately RMB4.73 per Share. In February 2017, Beijing Kaibao transferred 80% of the rights and obligations in relation to the 2015 Convertible Loan to Qingdao Haier. Although our Company's listing on the NEEQ was not a qualified IPO under the Kaibao Investment Agreement, it was nevertheless agreed between the parties that the basis of valuation adopted for the 2017 Capital Increase would be made with reference to the conversion price in the Kaibao Investment Agreement (as supplemented and amended) and the proceeds from the 2017 Capital Increase would be used to repay the 2015 Convertible Loan. As at the Latest Practicable Date, the 2015 Convertible Loan has been fully repaid.

On October 26, 2018, our Company issued 22,222,223 Shares, representing approximately 3.52% of our total number of issued Shares as enlarged upon completion of the share issuance, at a subscription price of RMB9.00 per Share to Shantou Haiyi Investment (Group) Co., Ltd. (汕頭市海逸投資(集團)有限公司) ("**Shantou Haiyi**"), at a consideration of RMB200,000,007, which had been fully settled on August 31, 2018. The consideration was made with reference to, among others, the timing of the investment, the then trading price of our Company and the then growth prospects of our Group. Upon completion, our issued Shares increased from 608,720,921 Shares to 630,943,144 Shares (the "**2018 Capital Increase**"). The purpose of the 2018 Capital Increase was principally for repayment of loans and increasing the then working capital of our Company.

Our Company was delisted from the NEEQ on March 12, 2019. For details, see " — Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Listing and Delisting in Relation to the NEEQ." Immediately after the delisting from the NEEQ, our Company's shareholding was as follows:

Shareholders	**Shares**	**Percentage of shareholding**
		(%)
Mr. Wang and Mr. Chen*(Note 1)*	159,543,550	25.29
Qingdao Haier	59,648,737	9.45
Mr. Shen	49,356,900	7.82
Mr. Huang	27,988,350	4.44
Beijing Kaibao	22,412,184	3.55
Shantou Haiyi	22,222,223	3.52
Mr. Lin	12,588,700	2.00
Huazhu Investment	11,299,100	1.79
Mr. Wen	10,562,400	1.67
Mr. Xu Ge	10,114,550	1.60
Hainan Changyang	9,598,500	1.52
Mr. Zhou	9,493,000	1.51
Horgos Fengmao	4,179,600	0.66
Ms. Yi	2,263,950	0.36
Mr. Li	536,650	0.09
Remaining Shareholders(Note 2)	219,134,750	34.73
Total	630,943,144	100

Notes:

1. Pursuant to the Deed of AIC, Mr. Wang and Mr. Chen were parties acting in concert.

2. Among the remaining Shareholders, (i) there were a total of 316 Shareholders; (ii) the largest Shareholder was CICC Qiyuan National Emerging Industry Venture Capital Guidance Fund (Hubei) Equity Investment Enterprise (Limited Partnership) (中金啟元國家新興產業創業投資引導基金(湖北)股權投資企業(有限合夥) ("**CICC Qiyuan**"), an Independent Third Party, which held 30,000,000 Shares, representing approximately 4.76% of our then total number of issued Shares; and (iii) the shareholding of the other remaining Shareholders ranged from approximately 0.01% to 2.37%.

As a protective measure for Shareholders who dissented to the delisting of our Shares from NEEQ, our Company and Mr. Wang undertook that they (or Mr. Wang's designated person acting in his/her own capacity) would repurchase any dissenting or abstaining Shareholders' Shares after the completion of the delisting. Later, Mr. Wang designated Ms. Liu Xia, an Independent Third Party and a then Shareholder holding 3,317,500 Shares, which represented approximately 0.53% of the then total number of issued Shares, to be the person to undertake the purchase of shares from dissenting Shareholders. Mr. Wang considered Ms. Liu Xia as a suitable person because Ms. Liu Xia had been a Shareholder since 2016. Ms. Liu Xia entered into share purchase agreements with 69 dissenting Shareholders, pursuant to which 34,144,550 Shares, representing an aggregate of 5.41% of our then total number of issued Shares were transferred to Ms. Liu Xia during the period from May 23, 2019 to July 17, 2019. The price paid by Ms. Liu Xia for the purchase of Shares from the 69 dissenting Shareholders ranged from RMB9.50 to RMB15.00 per Share, which was determined largely based on the arm's length negotiations between Ms. Liu Xia and each of the dissenting Shareholders, and made with reference to the original price paid by these dissenting Shareholders in relation to their respective Shares. The Company made various advances in the aggregate amount of RMB362.9 million to facilitate her share purchases. The share purchases had all been completed and the considerations for the share purchase had all been settled as at July 17, 2019. Upon completion of the share purchases, Ms. Liu Xia reassessed her financial position and her total shareholding in the Company, in which she then (A) purchased an aggregate of 9,857,325 Shares from five individual Shareholders at a total consideration of RMB93,500,009.10 between August 2019 and July 2020; and (B) disposed of (i) 19,692,700 Shares and 3,000,000 Shares to Chunhua Rongshun and Mr. Xiao Lin, each a Pre-[**REDACTED**] Investor, at a consideration of RMB187,080,650 and RMB28,500,000 in August 2019 and December 2019, respectively; (ii) 2,188,569 Shares to Mr. Li Weiwei (李衛偉), an Independent Third Party, at a total consideration of RMB10,395,702.75 in September 2019[*(Note)*]; and (iii) an aggregate of 22,438,106 Shares to Mr. Wang, Mr. Chen, Ms. Cui Yan (an executive Director), Mr. Wang Ge (a senior management of our Group) and Shenzhen Youhui, our employee incentive platform, at a total consideration of approximately RMB213.2 million, for the purpose of implementing the 2020 Incentive Scheme in December 2020 and January 2021, among which approximately RMB2.2 million were paid by Mr. Wang, Mr. Chen, Ms. Cui Yan, Mr. Wang Ge and Shenzhen Youhui as the grant price of the options under the 2020 Incentive Scheme and the remaining amount of approximately RMB211.0 million was partially set off against the advances owed by Ms. Liu Xia to our Company and such advances were fully repaid by Ms. Liu Xia as at the Latest Practicable Date.

Ms. Liu Xia was a friend of Mr. Wang, who then introduced Ms. Liu Xia to Mr. Chen. She was a sole shareholder, director and legal representative of Beijing Qile Jiujiu Technology Co., Ltd. (北京其樂久久科技有限公司), a wholly-owned subsidiary of our Company from December 2015 to June 2017, and was a minority shareholder, legal representative and general manager of Shenzhen Mibao New Retail Technology Co., Ltd. (深圳蜜寶新零售科技有限公司) ("**Shenzhen Mibao**"), a then subsidiary of our Company which was disposed of in December 2021. Save as disclosed herein, to the best of our Directors' knowledge, there was no other past or present relationships between Ms. Liu Xia and our Group, our Directors or senior management, or any of their respective associates. As at the Latest Practicable Date, Ms. Liu Xia ceased to be a Shareholder. For details of the above transfer of Shares to Chunhua Rongshun, Mr. Xiao Lin and Shenzhen Youhui, see "— Pre-[**REDACTED**] Investments" and "— 2020 Incentive Scheme and Pre-[**REDACTED**] Incentive Scheme."

Note: As confirmed by Ms. Liu Xia, the consideration was determined after arm's length negotiations and as agreed between the parties. At the time of the transfer, since Ms. Liu Xia intended to increase the liquidity of her assets, she was willing to dispose of such Shares at a lower price.

Subsequent to the delisting from the NEEQ, on September 10, 2019, our Company issued 126,315,789 Shares, representing approximately 16.68% of our total number of issued Shares as enlarged upon completion of the share issuance, of RMB9.50 each to Shanghai Yunxin, one of our Pre-[**REDACTED**] Investors and a wholly-owned subsidiary of Ant Group, at a consideration of RMB1,199,999,995.50 (the "**2019 Capital Increase**"). The consideration had been fully settled on August 21, 2019. For further details, see "— Pre-[**REDACTED**] Investments." Upon completion, our issued Shares increased from 630,943,144 Shares to 757,258,933 Shares.

Apart from the share purchases and disposals undertaken by Ms. Liu Xia and the Pre-[**REDACTED**] Investments undertaken by the Pre-[**REDACTED**] Investors as set out in the section headed "— Pre-[**REDACTED**] Investments", there were certain shareholding changes of our Company from the date immediately after our Company's delisting from the NEEQ and up to April 18, 2022 involving share transfers among the then Shareholders. Such share transfers were undertaken by a total of 57 individuals and entities, as transferees, involving an aggregate of 102,962,902 Shares, representing approximately 13.60% of our total number of issued Shares as at the Latest Practicable Date, whereby on individual transaction basis, save for the share transfer as detailed in the table below, the number of Shares involved in these share transfers were very insignificant, ranging from 0.0002% to 1.27% of our then total number of issued Shares.

Transferor	Transferee	Date of share transfer agreement	Number of Shares acquired	Total amount of consideration	Date of full settlement of consideration
Mr. Huang	Mr. Li Wei	August 6, 2019	26,988,350 (representing approximately 4.28% of our then total number of issued Shares)	RMB256,389,325.00	August 8, 2019

Except for (i) Mr. Li Wei (李偉) ("**Mr. Li Wei**"), who is the controller of Shenzhen Baihang Management Consulting Partnership (Limited Partnership) (深圳市佰航管理諮詢合夥企業(有限合夥)) ("**Shenzhen Baihang**"), which holds as to 14.8% equity interest in Shenzhen Youye, a subsidiary of our Company; and (ii) Mr. Yang Ling (楊凌) ("**Mr. Yang Ling**"), who holds 13% equity interest in Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司) ("**Youbao Online**"), a subsidiary of our Company, our Directors have confirmed that all these individuals and entities from the above-mentioned share transfers are Independent Third Parties, and to the best of our Directors' knowledge, information and belief having made reasonable enquiries, the basis of consideration of these share transfers were determined after arm's length negotiations between the parties while the Company was not involved in these negotiations at all. Our Directors have further confirmed that none of these Shareholders were granted any special rights relating to our Company and the consideration for these share transfers have all been fully settled. Since April 18, 2022, being the final settlement date of the share transfer to Mr. Xiao Lin as set out in the section headed "— Pre-[**REDACTED**] Investments", no other shareholding changes of the Company has taken place.

For further details of our Company's shareholding structure as at the Latest Practicable Date, see "— Corporate Structure."

Adoption of the WVR Structure

From August 20, 2019 to May 30, 2021, in contemplation of the capital subscription by Shanghai Yunxin which had completed on September 10, 2019, our Company had in place a weighted voting rights structure (the "**WVR Structure**") under which our Shares were redesignated into 75,725,893 class A ordinary shares ("**Class A Shares**", which were held solely by Mr. Wang) and 681,533,040 class B ordinary shares ("**Class B Shares**, which were held by Mr. Wang, Mr. Chen and other Shareholders), respectively, for the purpose of enabling our Company to benefit from the continuing vision and leadership of Mr. Wang, the sole holder of Class A Shares, who, together with Mr. Chen, would control more than 50% voting rights of our Company. Each Class A Share entitled its holder to exercise eight votes, and each Class B Share entitled the holder to exercise one vote, on any resolution proposed at our Company's general meetings, except for resolutions for the approval of the following matters, on which the holders of the Class A Shares and the Class B Shares were entitled to the same voting rights:

i. any amendment to the articles of association of our Company;

ii. variation of voting rights attached to the Class A Shares;

iii. the appointment or removal of the independent directors of our Company;

iv. the appointment or removal of our Company's auditors which issues audit opinions on the periodic reports of our Company; and

v. the combination, division, dissolution and change of legal form of our Company.

Our Company's shareholding upon the completion of the 2019 Capital Increase and the adoption of the WVR Structure was as follows:

Shareholders	**Shares***(Note 2)*	**Percentage of shareholding** *(%)*	**Percentage of voting rights** *(%)(Note 3)*
Mr. Wang and Mr. Chen*(Note 1)*	159,543,550	21.07	53.57
Shanghai Yunxin	126,315,789	16.68	9.81
Qingdao Haier	59,648,737	7.78	4.63
Mr. Shen	49,356,900	6.52	3.83
Shantou Haiyi	22,222,223	2.93	1.73
Mr. Lin	12,588,700	1.66	0.98
Huazhu Investment	11,299,100	1.49	0.88
Mr. Wen	10,562,400	1.39	0.82
Mr. Xu Ge	9,914,550	1.31	0.77
Hainan Changyang	9,598,500	1.27	0.75
Mr. Zhou	9,393,000	1.24	0.73
Horgos Fengmao	4,179,600	0.55	0.32
Ms. Yi	2,263,950	0.30	0.17
Mr. Li	536,650	0.07	0.04
Remaining Shareholders(Note 4)	269,835,384	35.74	20.97
Total	757,258,933	100	100

Notes:

1. Pursuant to the Deed of AIC, Mr. Wang and Mr. Chen were parties acting in concert.

2. As of September 10, 2019, the Company's issued Shares was 757,258,933 Shares, comprising 75,725,893 Class A Shares (which were held solely by Mr. Wang) and 681,533,040 Class B Shares (which were held by Mr. Wang, Mr. Chen and other Shareholders).

3. On the basis that Class A Shares entitled the Shareholder to eight votes per Share and Class B Shares entitled the Shareholder to one vote per Share.

4. Among the remaining Shareholders, (i) there were a total of 254 Shareholders; (ii) the largest Shareholder was CICC Qiyuan, which held 30,000,000 Class B Shares, representing approximately 3.96% and 2.33% of the issued Shares and total voting rights of our Company; and (iii) the shareholding and total voting rights of our Company of the other remaining Shareholders ranged from approximately 0.01% to 3.56% and approximately 0.01% to 2.10%, respectively.

Nonetheless, during the process of preparation for [**REDACTED**], in light of the requirements under Rule 8.11 of the Listing Rules, our Company terminated the WVR Structure with effect on May 31, 2021.

Our Principal Subsidiaries

We set forth below information about the principal subsidiaries of our Company that made a material contribution to our results of operations:

No.	Company name	Date of establishment and commencement of business	Ownership as of the Latest Practicable Date	Principal business activity	Major shareholding changes during the Track Record Period
1.	Guangzhou Weiji	January 20, 2012	100%	Operation of unmanned retail machine in Guangzhou, the PRC	None
2.	Beijing Beiguo	September 28, 2012	100%	Operation of unmanned retail machine in Beijing, the PRC	None
3.	Shanghai Huilin	February 28, 2013	100%	Operation of unmanned retail machine in Shanghai, the PRC	None
4.	Beijing Taihe	January 16, 2014	100%	Operation of wholesale and retail in the PRC	None
5.	Shenzhen Yousuan	June 13, 2016	100%	Operation of wholesale and retail in the PRC	None

We have adopted a complex group structure with a number of subsidiaries as our Group has set up a company for each of the principal geographical area of our unmanned retail business across China. Establishing a company for each principal geographical area allows our Group's direct sales force to be primarily located in tier one, new tier one or tier two cities and highly populated areas in the PRC, which allows us to maximize POS acquisition efficiency for our self-operated machines. For details of the principal activities of the other subsidiaries of our Group, see Note 14 to the Accountant's Report as set out in Appendix I.

EVOLUTION OF OUR GROUP

1. Establishment of Our Principal Subsidiaries

Guangzhou Weiji

Guangzhou Weiji was established in the PRC on January 20, 2012 as a limited liability company with a registered capital of RMB50,000,000 and was owned as to 75% by Mr. Li Wei, and 25% by Guangzhou Dongji, a company controlled by Mr. Zhou.

On April 26, 2012, Mr. Li Wei transferred the 75% equity interest he held in Guangzhou Weiji to our Company for a consideration of RMB2,000,000, which was made with reference to the paid-up registered capital of Guangdong Weiji and was fully settled. Subsequently, pursuant to the Restructuring Framework Agreement and in contemplation of the Second 2015 Capital Increase, Guangzhou Dongji transferred the 25% equity interest it held in Guangzhou Weiji to our Company at a consideration of RMB4,058,495, which was made after arm's length negotiation between the parties with reference to the registered capital of Guangzhou Weiji. The consideration was fully settled on July 28, 2015 and the acquisition was properly and legally completed.

Since completion of the above acquisition and up to the Latest Practicable Date, Guangzhou Weiji remained wholly owned by our Company and is principally engaged in the operation of unmanned retail machine in Guangzhou, the PRC.

Beijing Beiguo

Beijing Beiguo was established in the PRC on September 28, 2012 as a limited liability company with a registered capital of RMB3,000,000 and was wholly owned by our Company. On September 15, 2014, the registered capital of Beijing Beiguo was increased from RMB3,000,000 to RMB10,000,000.

Since its establishment and up to the Latest Practicable Date, Beijing Beiguo remained wholly owned by our Company and is principally engaged in the operation of unmanned retail machine in Beijing, the PRC.

Shanghai Huilin

Shanghai Huilin was established in the PRC on February 28, 2013 as a limited liability company with a registered capital of RMB3,000,000 and was wholly owned by our Company. On February 13, 2015, the registered capital of Shanghai Huilin was increased from RMB3,000,000 to RMB10,000,000.

Since its establishment and up to the Latest Practicable Date, Shanghai Huilin remained wholly owned by our Company and is principally engaged in the operation of unmanned retail machine in Shanghai, the PRC.

Beijing Taihe

Beijing Taihe was established in the PRC on January 16, 2014 as a limited liability company with a registered capital of RMB30,000,000 and was owned as to 60% by Beijing Beiguo and 40% by Beijing Taiming, a company controlled by Mr. Wen. Pursuant to the Restructuring Framework Agreement and an equity transfer agreement dated July 29, 2015, and in contemplation of the Second 2015 Capital Increase, Beijing Taiming agreed to transfer the 40% equity interest it held in Beijing Taihe to Beijing Beiguo at a consideration of RMB18,870,194, which was made after arm's length negotiation between the parties with reference to the registered capital of Beijing Taihe. The consideration was fully settled on July 29, 2015 and the acquisition has been properly and legally completed.

Since completion of the above acquisition and up to the Latest Practicable Date, Beijing Taihe was wholly owned by our Company and is principally engaged in our Group's vending machine operations located in airports and subway stations in the PRC.

Shenzhen Yousuan

Shenzhen Yousuan was established in the PRC on June 13, 2016 as a limited liability company with a registered capital of RMB10,000,000 and was wholly owned by Shenzhen Youbaokesi, a wholly-owned subsidiary of our Company throughout the Track Record Period and up to the Latest Practicable Date.

Since its establishment and up to the Latest Practicable Date, Shenzhen Yousuan remained wholly owned by Shenzhen Youbaokesi and was principally engaged in the operation of wholesale and retail in the PRC.

2. Establishment and unwinding of our offshore structure

Incorporation of and investments in Youbao (Cayman)

On October 19, 2011, Youbao (Cayman), the indirect holding company of our Company, was incorporated in the Cayman Islands in order to facilitate our Group's financing opportunities outside China, and was owned as to 35% by Ever Surpass Limited (wholly owned by Mr. Wang), 20% by Excel Dignity Limited (wholly owned by Mr. Shen), 13% by Best Bond Investment Limited (wholly owned by Mr. Lin), 13% by Ding Sheng Investments Limited (wholly owned by Mr. Yu Long as nominee for and on behalf of Ms. Wu), 8% by Prolific Ocean Group Limited (wholly owned by Mr. Huang), 6% by Top Sleek Limited (wholly owned by Mr. Li) and 5% by Great Distinct Investments Limited (wholly owned by Ms. An), mirroring the then shareholding structure of Beijing Youbaokesi.

In connection with the establishment of our offshore structure, we entered into contractual arrangements with the onshore entities within our Group, namely Beijing Youbaokesi and Shenzhen Youbaokesi.

Between 2012 and 2014, Youbao (Cayman) received several rounds of investments amounting to approximately US$67 million.

Unwinding of our offshore structure and reorganization of onshore structure

In 2015, as we became more optimistic about the PRC domestic capital market, we underwent a corporate restructuring of our Group on the terms of the Restructuring Framework Agreement. Pursuant to the Restructuring Framework Agreement, among others, (i) Youbao (Cayman) would repurchase all its issued shares from its then existing shareholders; (ii) the equity interest in our Company would be transferred from Youbao (HK) to those as named in the Restructuring Framework Agreement, being either the beneficial owners of Youbao (Cayman) or the individuals/entities designated by the shareholders of Youbao (Cayman) to undertake the equity transfer; (iii) Mr. Chen was one of the parties named therein to participate in the restructuring process and would be entitled to acquire equity interests in our Company; (iv) our Group terminated the contractual arrangements entered into by Youbao (Cayman) with Beijing Youbaokesi and Shenzhen Youbaokesi; (v) the onshore assets, liabilities and employees of Beijing Youbaokesi were also transferred to our Company; and (vi) the minority interests in Beijing Taihe and Guangzhou Weiji would be transferred to our Company from Mr. Wen and Mr. Zhou, respectively. Mr. Chen joined our Group in April 2011 and was promoted to chief operating officer in 2014. See "Directors, Supervisors and Senior Management" for his further details.

On July 23, 2015, Youbao (Cayman) entered into a share repurchase agreement and a series A preferred share repurchase agreement with the then ordinary shareholders and series A preferred shareholders of Youbao (Cayman), respectively, to implement the corporate restructuring as contemplated under the Restructuring Framework Agreement. Pursuant to the share repurchase agreements, save for one ordinary share held by Ever Surpass Limited (wholly owned by Mr. Wang), Youbao (Cayman) repurchased all its shares for an aggregate consideration of RMB16,338,370, which was made with reference to the consideration received by our Group's offshore entities as a result of the reorganization pursuant to the Restructuring Framework Agreement.

Subsequent to the completion of the repurchases, the offshore entities within our Group were deregistered.

3. Listing and Delisting in relation to the NEEQ

For details on the listing and delisting of our Shares on the NEEQ, see "— Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Listing and Delisting in Relation to the NEEQ."

4. Overseas Expansion

In order to expand our vending machines operations overseas, we invested in JR Vending, a limited liability company incorporated in Singapore on May 11, 2012.

Pursuant to an investment agreement dated November 28, 2016 made between, among others, our Company and JR Vending, we agreed to subscribe for 1,406,850 shares of JR Vending for a consideration of SGD4 million, which was made with reference to the then prospects and industry outlook of JR Vending, and was fully settled on November 1, 2019. Further, our Company was also granted an option to subscribe for a further 351,715 shares pursuant to the terms of the investment agreement (the "**Option**"). Upon completion, our Company held approximately 43.48% of JR Vending's issued shares.

Pursuant to an investment agreement dated April 15, 2020 made between, among others, our Company and JR Vending, we agreed to further subscribe for 1,406,850 shares for a consideration of SGD4 million, among which, 351,715 Shares were subscribed upon the exercise of the Option, and an additional 1,055,135 shares were subscribed based on the exercise price under the Option. Such arrangement was made after arm's length negotiations and with reference to the then prospects and industry outlook of JR Vending, and was fully settled on March 1, 2021. Upon completion, our Company was interested in approximately 60.61% of JR Vending's issued shares.

Since our Company had the right to appoint only two board members out of five in JR Vending, the financial results of JR Vending were accounted for as an associate of our Group upon completion of the above share subscriptions. For further details, see Note 20 to the Accountant's Report as set out in Appendix I. As at the Latest Practicable Date, JR Vending principally engaged in automated vending machine operations located in Singapore, and was owned as to 60.61%, 37.88% and 1.51% by our Company, JR Group Holdings Pte. Ltd. (an Independent Third Party) and AYA Asia Holding Pte. Ltd. (an Independent Third Party), respectively.

5. Disposals and Deregistration during the Track Record Period and up to the Latest Practicable Date

In order to rationalize our corporate structure, our Group deregistered certain subsidiaries of our Company during the Track Record Period and up to the Latest Practicable Date as (i) these subsidiaries had no business operations immediately prior to their respective deregistration; (ii) our Group intended to streamline its business operations; or (iii) our Group ceased to continue a business line that was not profit generating. The relevant deregistered subsidiary that was not profit-generating was principally engaged in the provision of software development and technical services in Qinhuangdao City, and its financial results prior to the deregistration had been consolidated into our Company's financial statements and included in our Group's others segment during the Track Record Period. The discontinued business line is insignificant to the Group.

The following sets out certain unaudited financial information of the relevant deregistered subsidiary which was principally engaged in the provision of software development and technical services in Qinhuangdao City during the years ended December 31, 2019 and 2020 and the one month ended January 31, 2021:

	For the year ended December 31,		**For the one month ended January 31,**
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*(Note)
Revenue	3,277	194	–
Percentage of our total revenue	*0.120%*	*0.001%*	–
Profit/(Loss) before tax	152	(242)	(1)
Percentage of our total profit/loss before tax	*0.357%*	*0.021%*	*0.004%*

	As of December 31,		**As of January 31,**
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*(Note)
Assets	3,369	2,313	2,103
Percentage of our total assets	*0.093%*	*0.105%*	*0.101%*
(Liabilities)	(831)	(29)	(71)
Percentage of our total liabilities	*0.085%*	*0.004%*	*0.011%*

Note: The relevant financial information in terms of percentage to the Group for the one month ended January 31, 2021 was calculated based on the unaudited consolidated management accounts of the Company for the one month ended January 31, 2021.

Further, during the Track Record Period and up to the Latest Practicable Date, the following subsidiaries had been disposed of:

PRC subsidiary disposed of*(Note 4)*	Date of agreement	Transferee(s)*(Note 1)*	Interest disposed of*(Note 2)*	Reason for disposal	Total consideration *(RMB)*	Basis of consideration	Consideration settlement date
Beijing Youyang Technology Co., Ltd. (北京友陽科技有限公司)	June 9, 2020	Lu Jihong (路繼紅) and her wholly-owned company, namely Shenzhen Shengshi Aicai Network Technology Co., Ltd. (深圳市盛世愛彩網絡技術有限公司) ("**Shenzhen Shengshi Aicai**")	100%	The subsidiary was principally engaged in the operation of advertising and system support services in the PRC, and our Group decided to transfer its assets to another subsidiary prior to the disposal of this subsidiary in order to streamline our Group's business	500,000	Registered capital of the subsidiary	February 15, 2022
Beijing Youbaokesi	June 25, 2021	Liu Zuquan (劉祖權)	100%	The only business of such subsidiary was the holding of an ICP license and our Group's operation no longer required such license*(Note 3)*	Nil	Net asset value of Beijing Youbaokesi as at June 30, 2021	N/A
Shenzhen Mibao	December 29, 2021	Shenzhen Shengshi Aicai	56%	The subsidiary was initially used to explore the market of vending machines for female sanitary napkins. Nonetheless, the relevant project held by the subsidiary had ended	250,000	Paid-up registered capital of the subsidiary	December 30, 2021

Notes:

1. Each of the transferees and their respective ultimate beneficial owners is an Independent Third Party.

2. Our Group ceased to have any interests in the relevant subsidiaries upon completion of the disposals.

3. Our Group initially obtained an ICP license as it contemplated to engage in the value-added telecommunications business. Nonetheless, our Group did not commence such business line after obtaining the ICP license.

4. Our Directors confirm that each of these subsidiaries were solvent immediately prior to their respective disposal.

To the best of our Directors' knowledge, and based on independent litigation search and public search on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the Website of Administrative Penalties for the State Administration for Market Regulation (中國市場監管行政處罰文書網), each of the deregistered or disposed subsidiaries did not have any material non-compliance with relevant laws and regulations or any material litigation, claims or legal proceedings during the Track Record Period prior to their respective deregistration or disposal.

PRE-[REDACTED] INVESTMENTS

The following table summarizes the key terms of the Pre-[**REDACTED**] Investments to our Company made by the Pre-[**REDACTED**] Investors. As confirmed by our PRC Legal Advisor, the Pre-[**REDACTED**] Investments have been approved, filed and registered by relevant regulatory authorities subject to the then effective PRC Law.

	Subscription by Qingdao Haier in 2017(Note 3)	**Subscription by Shanghai Yunxin in 2019**	**Transfers to Chunhua Rongshun in 2019**	**Transfer to Gongqingcheng Changyou in 2020**	**Transfers to Guoxin Energy Fund in 2020**	**Transfers to Mr. Xu Ge in 2022**(Note 7)	**Transfers to Mr. Xiao Lin**(Note 7)
Date of agreement(s)	February 24, 2017	April 22, 2019	June 28, 2019	August 12, 2020	November 18, 2020 and November 20, 2020	November 4, 2021, April 2, 2022 and April 5, 2022	November 18, 2019, December 12, 2019 and April 6, 2022
Name of transferor(s)/issuer	Our Company	Our Company	Ms. Liu Xia and Beijing Kaibao(Note 4)	Qingdao Haier	Mr. Li Wei and Qingdao Haier	Mr. Li Wei, Gongqingcheng Yinxi Investment Management Partnership (L.P.) (共青城銀溪投資管理合夥企業(有限合夥)) and Qingdao Haier(Note 5)	Ms. Liu Xia, Mr. Chen, Mr. Ma Kaiyuan (馬開元), Mr. Li Wei and Mr. Xu Ge
Number of Shares involved	89,648,737	126,315,789	42,104,884	16,129,032	6,666,667	36,083,194	21,250,000
Total amount of consideration	RMB424,038,526.01	RMB1,199,999,995.50	RMB399,996,398.00	RMB149,999,997.60	RMB60,000,003.00	RMB258,713,252.65	RMB186,250,000.00
Date of full settlement of the consideration	April 21, 2017	August 21, 2019	February 28, 2021	August 21, 2020	November 26, 2020	April 8, 2022(Note 6)	April 18, 2022
Cost per Share	RMB4.73	RMB9.50	RMB9.50	RMB9.30	RMB9.00	RMB7.16	RMB8.76
[**REDACTED**] to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Approximate post-money valuation of our Group(Note 2)	RMB2.88 billion	RMB7.19 billion			N/A		

	Subscription by Qingdao Haier in 2017(Note 3)	Subscription by Shanghai Yunxin in 2019	Transfers to Chunhua Rongshun in 2019	Transfer to Gongqingcheng Changyou in 2020	Transfers to Guoxin Energy Fund in 2020	Transfers to Mr. Xu Ge in 2022(Note 7)	Transfers to Mr. Xiao Lin(Note 7)
Basis of determining the consideration	See "— Information on Our Group — Our Company" for details of the basis of consideration in relation to the subscription by Qingdao Haier in 2017 under the 2017 Capital Increase	The timing of the investment, the subscription price and the valuation of our Group for the 2018 Capital Increase as agreed with Shantou Haiyi in late 2018 and the then operating results and industry outlook of our Group's business	To the best of our Directors' knowledge, information and belief having made reasonable enquiries, each of the basis of consideration was made after arm's length negotiations between the parties				
Use of proceeds	The proceeds had been fully utilized for repayment of the 2015 Convertible Loan	The proceeds had been fully utilized for acquisition of fixed assets and additional working capital to our Group	No proceed was received by our Company in relation to the share transfers				

	Subscription by Qingdao Haier in 2017(Note 3)	Subscription by Shanghai Yunxin in 2019	Transfers to Chunhua Rongshun in 2019	Transfer to Gongqingcheng Changyou in 2020	Transfers to Guoxin Energy Fund in 2020	Transfers to Mr. Xu Ge in 2022(Note 7)	Transfers to Mr. Xiao Lin(Note 7)
Strategic benefits	At the time of the Pre-[**REDACTED**] Investment, our Directors were of the view that the Pre-[**REDACTED**] Investment would provide additional capital to our Company for repayment of the 2015 Convertible Loan, while benefitting from the strengthened and diverse Shareholder base	At the time of the Pre-[**REDACTED**] Investment, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-[**REDACTED**] Investment. In addition, the Pre-[**REDACTED**] Investment would have provided us with further collaboration opportunities with Ant Group and create business synergies	Our Directors were of the view that the Pre-[**REDACTED**] Investors' investments in our Company was an endorsement of our Company's strength and prospects, and that our Company would benefit from the strengthened and diverse Shareholder base. In particular, each of Chunhua Rongshun, Gongqingcheng Changyou and Guoxin Energy Fund is a professional investor, which can provide us with professional advice on our Group's development when required				

Notes:

1. The [**REDACTED**] to the [**REDACTED**] is calculated based on the [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range.

2. Post-money valuation is calculated by dividing the total consideration of the Pre-[**REDACTED**] Investment by the total % of Shares allotted to the Pre-[**REDACTED**] Investor. Accordingly, save for the subscriptions made by Qingdao Haier and Shanghai Yunxin, the remaining Pre-[**REDACTED**] Investments were made by transferring existing Shares, and post-money valuation is not applicable to these Pre-[**REDACTED**] Investments as no Shares were issued and allotted to the relevant Pre-[**REDACTED**] Investors.

3. In 2019, Qingdao Haier and Mr. Wang entered into a right-of-sale agreement, pursuant to which Mr. Wang granted Qingdao Haier a right to dispose of the Shares held by it to Mr. Wang under the terms of the agreement. See "— Special Rights of the Pre-[**REDACTED**] Investors" for further details.

4. In 2018, Beijing Kaibao and our Company entered into a repurchase agreement pursuant to which the Company shall repurchase from Beijing Kaibao certain Shares held by it, being 15,789,474 Shares, at a price of RMB9.50 per Share in anticipation of the NEEQ delisting. Later upon further discussion between the parties in 2019, Beijing Kaibao and our Company agreed not to proceed with the completion of the share repurchase and Beijing Kaibao shall instead transfer the 15,789,474 Shares to Chunhua Rongshun. The consideration paid by our Company under the repurchase agreement had been returned in full to our Company.

5. Upon completion of its share transfer to Mr. Xu Ge, Qingdao Haier ceased to be a Shareholder and the special right granted to Qingdao Haier as detailed in note 3 above was terminated. For further information about Qingdao Haier, see "— Information about our Pre-[**REDACTED**] Investors — Qingdao Haier" below.

6. Mr. Xu Ge has been a Shareholder since the 2015 Equity Transfer and prior to our Company's listing on the NEEQ. Immediately prior to his Pre-[**REDACTED**] Investment, Mr. Xu Ge held 5,814,550 Shares, representing approximately 0.77% of our issued Shares. For illustration purposes, the cost per Share only takes into account of the Pre-[**REDACTED**] Investment as detailed in the table. For further information about Mr. Xu Ge, see "— Information about our Pre-[**REDACTED**] Investors — Mr. Xu Ge" below.

7. It was agreed between Mr. Xu Ge and Qingdao Haier that the total consideration for the share transfer to Mr. Xu Ge in 2022 would be paid in three instalments, being RMB50,000,000 by November 5, 2021, RMB50,000,000 by November 30, 2021 and RMB113,413,252.65 by April 8, 2022. Due to his liquidity issues, prior to the payment of the last instalment, Mr. Xu Ge decided to onward transfer part of the Shares to be acquired from Qingdao Haier, being 6,250,000 Shares, to Mr. Xiao Lin, an existing Shareholder, who had also been purchasing Shares from various other Shareholders since the delisting of our Company from NEEQ.

Information about our Pre-[REDACTED] Investors

Shanghai Yunxin

Shanghai Yunxin was established in the PRC on February 11, 2014 and is a wholly owned subsidiary of Ant Group. Ant Group is the parent company of Alipay, a digital payment platform, and the leader in the development of open platforms for technology-driven inclusive financial services. Through technology and innovation, it enables the digitalization of the modern service industry globally from financial services to services for everyday life. Ant Group is committed to working with partners in China and around the world to bring services to consumers and small businesses that are inclusive, green and sustainable. Ant Group was acquainted with our Group through business cooperation opportunities, such as Alipay. As at the Latest Practicable Date, Shanghai Yunxin held 126,315,789 Shares, representing approximately 16.68% of our total number of issued Shares.

Chunhua Rongshun

Chunhua Rongshun was established in the PRC on June 21, 2017 and is managed by Chunhua Qiushi (Tianjin) Equity Investment Management Co., Ltd. (春華秋實(天津)股權投資管理有限公司) ("**Chunhua Qiushi**"), which is in turn indirectly controlled by an Independent Third Party. Based on publicly available information, Chunhua Rongshun's general partner is Qiushi (Tianjin) Equity Investment Management Partnership (Limited Partnership) (秋實(天津)股權投資管理合夥企業(有限合夥)) ("**Qiushi Tianjin**"), a company managed by Chunhua Qiushi, and its limited partners are Chunhua Xingkang (Tianjin) Investment Center (Limited Partnership) (春華興康(天津)投資中心(有限合夥)) and Chunhua Xing'an (Tianjin) Investment Center (Limited Partnership) (春華興安(天津)投資中心(有限合夥)), which are each an Independent Third Party and managed by Qiushi Tianjin. Chunhua Rongshun is affiliated to the Primavera Capital Group, a premier China-based global investment firm, and is principally engaged in investing in unlisted companies and non-public shares by listed companies, with main investment themes including consumption upgrade, technological innovation and decarbonization, and with assets under management of over RMB10 billion. Chunhua Rongshun was acquainted with our Group after conducting their independent market research upon our Company's delisting from the NEEQ. As at the Latest Practicable Date, Chunhua Rongshun held 42,104,884 Shares, representing approximately 5.56% of our total number of issued Shares.

Mr. Xu Ge

Mr. Xu Ge is an individual Pre-[**REDACTED**] Investor who from time to time participates in various investment opportunities with a primary focus in China. He was a chief operating officer of our Group between 2012 and 2014. Mr. Xu Ge graduated from Shanghai Jiaotong University and is experienced in the retail and the equity investment industry. He is currently the chairman of Valuable Capital Group Limited (華盛資本集團). As at the Latest Practicable Date, Mr. Xu Ge held 35,647,744 Shares, representing approximately 4.71% of our total number of issued Shares.

Mr. Xiao Lin

Mr. Xiao Lin is an individual Pre-[**REDACTED**] Investor who from time to time participates in various investment opportunities with a primary focus in China. He was acquainted with our Group through the referral from Ms. Cui Yan (an executive Director), who was introduced to Mr. Xiao Lin by their mutual friend. Mr. Xiao Lin obtained his master's degree in economics from Peking University and has extensive investment and financing experiences. He previously worked at China Southern Airlines Company Limited (a company listed on the Stock Exchange (stock code: 1055.hk), the Shanghai Stock Exchange (stock code: 600029) and the New York Stock Exchange (ADR Code: ZNH)) and Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000333)), and is currently the second largest investor in Orinko Advanced Plastics Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 688219)). As at the Latest Practicable Date, Mr. Xiao Lin held 21,250,000 Shares, representing approximately 2.81% of our total number of issued Shares.

Gongqingcheng Changyou

Gongqingcheng Changyou was established in the PRC on December 20, 2019 and is managed by its general partner, CCB International Wealth Management (Tianjin) Co., Ltd. (建銀國際財富管理(天津)有限公司), an Independent Third Party, which is in turn ultimately controlled by China Construction Bank Cooperation, a company listed on the Stock Exchange (stock code: 939.hk) and the Shanghai Stock Exchange (stock code: 601939) ("**CCB**"). As of the Latest Practicable Date, based on publicly available information, the limited partners of Gongqingcheng Changyou which held more than 5% partnership interests were (i) Jiangxi Tourism Group Co., Ltd. (江西省旅遊集團股份有限公司), a company controlled as to 37% by its largest shareholder, Jiangxi State-owned Capital Operation Holding Group Co., Ltd. (江西省國有資本運營控股集團有限公司), which was in turn controlled by the State-Owned Asset Supervision and Administration Commission ("**SASAC**") of Jiangxi Province; (ii) Jiangxi Province Development and Upgrade Guidance Fund (Limited Partnership) (江西省發展升級引導基金(有限合夥)), which was in turn managed by its general partner, Jiangxi Caitou Equity Investment Fund Management Co., Ltd. (江西省財投股權投資基金管理有限公司), which was in turn indirectly controlled by the SASAC of Jiangxi Province; and (iii) Shanghai Jingye Investment Management Co., Ltd. (上海景燁投資管理有限公司), an indirect wholly-owned subsidiary of CCB. Gongqingcheng Changyou is a private equity fund which invests in both unlisted and listed companies, and its general partner has assets under management of over RMB2 billion. Gongqingcheng Changyou was acquainted with our Group through the referral and introduction from a then existing Shareholder, namely Qingdao Haier. As at the Latest Practicable Date, Gongqingcheng Changyou held 16,129,032 Shares, representing approximately 2.13% of our total number of issued Shares.

Guoxin Energy Fund

Guoxin Energy Fund was established in the PRC on November 15, 2016 and is controlled by its general partner, Guoxin Hongsheng Private Equity Fund Management Co., Ltd. (國信弘盛私募基金管理有限公司), which is in turn owned by Guosen Securities Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002736). As of the Latest Practicable Date, based on publicly available information, the limited partners of Guoxin Energy Fund were (i) Hubei E-Travel Investment Capital Holding Co., Ltd. (湖北省鄂旅投資本控股有限公司), which was indirectly controlled by the SASAC of Hubei Provincial People's Government; (ii) Yungang Innovation Technology (Zhuhai) Co., Ltd. (雲港創新科技(珠海)有限公司), which was indirectly wholly-owned by Elegance Collection (China) Holdings Limited (雅詩(中國)控股有限公司), which was in turn indirectly owned as to 50% and 50% by Huang Keli and Li Pingrong, each an Independent Third Party, respectively; and (iii) Xianning Hongzhi Equity Investment Center (Limited Partnership) (咸寧弘智股權投資中心(有限合夥)), which was managed by Guangxi Yirui Investment Co., Ltd. (廣西益瑞投資有限公司), which was in turn controlled by Yu Zhenzu (虞楨祖), an Independent Third Party. Guoxin Energy Fund is principally engaged in equity investments, and its general partner has accumulated assets under management of over RMB9 billion. Guoxin Energy Fund was acquainted with our Group through the referral and introduction from a then existing Shareholder, namely Qingdao Haier. As at the Latest Practicable Date, Guoxin Energy Fund held 6,666,667 Shares, representing approximately 0.88% of our total number of issued Shares.

Qingdao Haier

Qingdao Haier was established in the PRC on April 16, 2010 and is wholly owned by Haier Group (Qingdao) Finance Holding Co., Ltd. (海爾集團(青島)金盈控股有限公司), an Independent Third Party, which is ultimately controlled by Haier Group Corporation (海爾集團公司). Qingdao Haier is principally engaged in investments and venture capital businesses. Qingdao Haier was acquainted with our Group through the referral from Beijing Kaibao from the 2017 Capital Increase.

Subsequent to the completion of the 2017 Capital Increase and prior to the Company's delisting from the NEEQ, Qingdao Haier had disposed of a total of 30,000,000 Shares, and had further disposed of a total of 59,648,737 Shares after the Company's delisting from the NEEQ. As at the Latest Practicable Date, Qingdao Haier ceased to be a Shareholder. To the best of our Directors' knowledge, information and belief having made reasonable enquiries, Qingdao Haier's gradual exit was prompted after they had internally reviewed their overall investment strategies and decided to withdraw from its non-core investments.

Save as disclosed herein, (i) other than their respective investments in our Group, each of the Pre-[**REDACTED**] Investors and their respective general partners and limited partners or substantial shareholder as publicly disclosed by the relevant investor (as the case may be) is an Independent Third Party; and (ii) to the best knowledge of our Directors, the limited partners of the Pre-[**REDACTED**] Investors (if any) are independent from each other.

Special Rights of the Pre-[REDACTED] Investors

Save for Mr. Xu Ge and Mr. Xiao Lin, each of the Pre-[**REDACTED**] Investors had been granted certain special rights relating to our Company by certain Shareholders, including but not limited to rights of first refusal, anti-dilution rights, information rights, director nomination rights and divestment rights. Since Qingdao Haier had ceased to be a Shareholder, the special right granted to Qingdao Haier had been terminated. Further, as of the Latest Practicable Date, supplemental termination agreements were entered into with (i) each of Gongqingcheng Changyou and Guoxin Energy Fund, pursuant to which each of them agreed that such special terms granted to them by certain Shareholders would be terminated upon the date of submission of the [**REDACTED**] for the CSRC's approval of the [**REDACTED**]; and (ii) each of Shanghai Yunxin and Chunhua Rongshun, pursuant to which each of them agreed that the divestment rights granted to them by certain Shareholders would be terminated immediately before the date of submission of the [**REDACTED**] to the Stock Exchange, and all remaining special rights granted to them will be terminated upon [**REDACTED**].

Agreement among Shanghai Yunxin and our Single Largest Group of Shareholders

Pursuant to the supplemental termination agreement entered into with Shanghai Yunxin, in the event a candidate is nominated by Shanghai Yunxin in accordance with the Articles of Association as a Director after [**REDACTED**], our Single Largest Group of Shareholders agreed to vote for such candidate as Director (and to vote for the removal of any Director initially nominated by Shanghai Yunxin) at the general meeting of our Company, the appointment of which would be subject to shareholders' approval. Shanghai Yunxin has director nomination rights pursuant to the Articles of Association because Articles 70 and 73 provide that any shareholder holding more than 10% of our issued Shares is entitled to request to convene a shareholders' general meeting and submit a resolution proposal for consideration, and Shanghai Yunxin holds more than 10% of our issued Shares upon [**REDACTED**].

The above agreement is not a special right granted by our Company to Shanghai Yunxin. It constitutes private arrangement among Shanghai Yunxin and our Single Largest Group of Shareholders and is not subject to the relevant guidance letters issued by the Stock Exchange, and will not be terminated upon [**REDACTED**].

Lock up

Pursuant to the laws of the PRC, the shares which have been issued before we publicly issue H Shares are prohibited from being transferred within one year from the [**REDACTED**].

Public Float

Save for Shanghai Yunxin, which will hold approximately [**REDACTED**]% of our total number of issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised), and will therefore be a substantial shareholder of our Company, the other Pre-[**REDACTED**] Investors are independent from our Group and our core connected persons and the H Shares held by such independent Pre-[**REDACTED**] Investors shall be counted towards the public float of our Company.

Further, upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised), (i) Mr. Wang and Mr. Chen (as parties acting in concert pursuant to the Deeds of AIC) and Ms. Cui Yan, each an executive Director, will hold approximately [**REDACTED**]% and [**REDACTED**]% of our issued Shares, respectively; (ii) Shanghai Yunxin, as disclosed above, will be a substantial shareholder of our Company; and (iii) Mr. Li Wei and Mr. Yang Ling, each a substantial shareholder of our Company's subsidiary, will hold approximately [**REDACTED**]% and [**REDACTED**]% of our issued Shares. As such, they are core connected persons of our Company and the H Shares held by them will not be considered as part of the public float.

Save as provided above, all of the other H Shares held by our Shareholders upon [**REDACTED**] will be counted towards to the public float, and approximately [**REDACTED**]% of our Company's issued Shares will be held by the public in accordance with Rule 8.08(1)(a) of the Listing Rules upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised).

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the first date of submission of the [**REDACTED**] to the Stock Exchange took place on May 27, 2022, which was more than 28 clear days after completion of the last Pre-[**REDACTED**] Investment, being the completion date of the Pre-[**REDACTED**] Investment made by Mr. Xiao Lin on April 18, 2022; and (ii) the Pre-[**REDACTED**] Investors shall have the same rights as the other public Shareholders after the [**REDACTED**], the Joint Sponsors confirm that, based on the documents provided by the Company relating to the Pre-[**REDACTED**] Investments, the Pre-[**REDACTED**] Investments are in compliance with (i) the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017.

2020 INCENTIVE SCHEME AND PRE-[REDACTED] INCENTIVE SCHEME

With a view to incentivizing our management members and core employees to further promote our development and in recognition of their contributions, our Company adopted the 2020 Incentive Scheme in 2020 and Shenzhen Youhui was established as the platform to hold Shares for the option grantees under the 2020 Incentive Scheme. Shenzhen Youhui was a limited partnership incorporated in the PRC by Ms. Zhou Chuanjiao (周川姣) and Mr. Chen Wenwei (陳文偉), each an employee of our Group, and was initially incorporated for their own personal use. As part of the 2020 Incentive Scheme, participants who were the then senior management of our Company were granted options to directly subscribe for or acquire Shares, whereas the remaining participants were granted options to hold limited partnership interests in Shenzhen Youhui. The grant price of such options was RMB0.10 per Share. In accordance with the 2020 Incentive Scheme, options to acquire a total of 22,438,106 Shares were granted, pursuant to which each of Mr. Wang, Mr. Chen, Ms. Cui Yan (an executive Director) and Mr. Wang Ge (a senior management of our Group) was granted options to directly acquire 7,000,000 Shares, 4,000,000 Shares, 3,000,000 Shares and 3,000,000 Shares, respectively, while the remaining 5,438,106 Shares were held by Shenzhen Youhui. As at the Latest Practicable Date, there were no outstanding options granted under the 2020 Incentive Scheme and all options which were granted had been exercised. Ms. Zhou Chuanjiao is currently the sole general partner of Shenzhen Youhui, and Shenzhou Youhui had 23 limited partners, all of whom were employees of our Group who had obtained their respective limited partnership interests as a result of exercising their options granted under the 2020 Incentive Scheme. As at the Latest Practicable Date, Shenzhen Youhui held 5,438,106 Shares, representing approximately 0.72% of our total number of issued Shares. For further information about the 2020 Incentive Scheme, see "Statutory and General Information — D. Share Incentive Scheme — 2. 2020 Incentive Scheme" in Appendix IV.

Further, we adopted the Pre-[**REDACTED**] Incentive Scheme on May 31, 2021 to further refine the incentive system of our Company by linking the personal interests of our officers, directors and employees, and to attract technical and managerial talents in the industry to join our Company. The principal terms of the Pre-[**REDACTED**] Incentive Scheme are set out in "Statutory and General Information — D. Share Incentive Scheme — 1. Pre-[**REDACTED**] Incentive Scheme" in Appendix IV. Pursuant to the Pre-[**REDACTED**] Incentive Scheme, the maximum number of Shares in respect of which share options may be granted shall not exceed 37,862,946 Unlisted Shares, representing approximately [**REDACTED**]% of our Company's issued share capital immediately after the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised). As of the Latest Practicable Date, the Company had granted share options to subscribe for an aggregate of 37,750,000 Unlisted Shares under the Pre-[**REDACTED**] Incentive Scheme, representing approximately [**REDACTED**]% of our Company's issued share capital immediately after the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised). The Company will not grant further share options under the Pre-[**REDACTED**] Incentive Scheme after the [**REDACTED**]. For further information about the Pre-[**REDACTED**] Incentive Scheme, see "Statutory and General Information — D. Share Incentive Scheme — 1. Pre-[**REDACTED**] Incentive Scheme" in Appendix IV.

PREVIOUS LISTING ON THE NEEQ, PREVIOUS LISTING PLAN AND PROPOSED MERGER ARRANGEMENT

Listing and Delisting in Relation to the NEEQ

On January 29, 2016, our Company received approval for our Shares to be listed on the NEEQ in the PRC (stock code: 836053), and our Shares began trading on the NEEQ in the PRC on February 24, 2016.

Delisting of Our Shares from the NEEQ

Having taken into account our operation demands and long-term development plans, and having already received a few rounds of funding from certain investors on the NEEQ, the listing of our Shares on the NEEQ no longer satisfied the then financing needs of our Company. As such, considering the reasons as set out in "— Previous Listing on the NEEQ, Previous Listing Plan and Proposed Merger Arrangement — Reasons for Seeking [**REDACTED**] on the Stock Exchange" below for seeking [**REDACTED**] on the Stock Exchange, our Shareholders resolved to voluntarily delist our Shares from the NEEQ. Our Company applied for the delisting on January 11, 2019 and the delisting was completed on March 12, 2019. As a protective measure for Shareholders who dissented to the delisting of our Shares from NEEQ, our Company and Mr. Wang undertook to repurchase any dissenting or abstaining Shareholders' Shares after the completion for the delisting. For further details, see "— Information on Our Group — Our Company."

Change in Board Composition

Immediately prior to the delisting of our Shares on the NEEQ, our Board comprised seven directors, including Mr. Wang, Mr. Chen, Mr. Gui Zhaoyu (桂昭宇), Mr. Huang Heming (黃鶴鳴), Mr. Li Xinyang (李新陽), Ms. Cui Yan (崔艷) and Ms. An Yufang (安煜芳). Save for Mr. Wang, Mr. Chen, Ms. Cui Yan (崔艷) and Ms. An Yufang (安煜芳) who remain as our Directors, other members of our Board during the period when our Shares were listed on the NEEQ had ceased to be our Directors. For further details of our board composition, please see the section headed "Directors, Supervisors and Senior Management" in this document.

Compliance During Listing on the NEEQ

Our Directors, to the best of their knowledge and belief, confirmed that:

(i) during the period that our Company was listed on the NEEQ:

   a. our Company and our then Directors had been in compliance in all material respects with all applicable rules and regulations of the NEEQ and PRC securities law; and

   b. our Company had not been subject to any administrative penalty by the NEEQ and/or any relevant law enforcement authority or regulator related to securities supervision; and

(ii) there are no further matters in relation to the prior listing of our Company on the NEEQ and the subsequent withdrawal that needs to be brought to the attention of the Stock Exchange, our Shareholders or the potential investors.

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' views mentioned above in relation to the compliance status of the Company, its shareholders and directors during the quotation of the Company's Shares on the NEEQ between February 2016 and March 2019. The Joint Sponsors also concur the view of the Directors that there is no other matter in relation to the NEEQ quotation and the subsequent withdrawal that need to be brought to the attention of the Stock Exchange or the potential investors.

Previous Listing Plan and Proposed Merger Arrangement

In December 2016, our Company planned to apply for listing on the Shenzhen Stock Exchange ("**Previous Listing Plan**"). In preparation for the Previous Listing Plan, CSC Financial Co., Ltd., a company listed on the Stock Exchange (stock code: 6066.hk) and the Shanghai Stock Exchange (stock code: 601066), were engaged by our Company to provide tutoring and preliminary compliance advice with regards to the requirements of the CSRC (the

"**SZSE Financial Institution**"). In January 2017, our Company started to attend a pre-listing tutorial (上市輔導). The purpose of the pre-listing tutorial was to update the Beijing CSRC (中國證券監督管理委員會北京監管局) from time to time in respect of the progress of the preliminary guidance and tutoring services provided by the SZSE Financial Institution in accordance with the relevant CSRC's guidelines on our Group's major operational and financial condition, corporate governance and internal control measures. The scope of the pre-listing tutorial provided by the SZSE Financial Institution involved, among others, the provision of comprehensive training to the Company's directors, supervisors, senior management and shareholders on their obligations and duties, as well as the inspection and supervision of the Company's compliance with the relevant laws and regulations, corporate governance and internal control measures. The pre-listing tutorial did not constitute a listing application with the Beijing CSRC and there was no proposed timetable for the Previous Listing Plan.

However, in consideration of the reasons as set out in "— 3. Listing and Delisting in relation to the NEEQ — Reasons for Seeking [**REDACTED**] on the Stock Exchange" and the uncertainty of the A-share listing timetable, we decided to focus our resources on the [**REDACTED**] on the Stock Exchange and did not proceed with the Previous Listing Plan. In February 2021, we terminated the engagement with the SZSE Financial Institution. During the preparation for the Previous Listing Plan, we did not receive any feedback nor comment from the CSRC, and we did not encounter any disagreements with the relevant professional parties nor the CSRC.

In July 2017, Mr. Wang and Mr. Chen, who were then (and currently are) our single largest group of shareholders, entered into an absorption and merger framework agreement (the "**Merger Framework Agreement**") with New Huadu Supercenter Co., Ltd. ("**New Huadu**"), a company listed on the Shenzhen Stock Exchange (stock code: 002264). Pursuant to the Merger Framework Agreement, our Company would be merged into and absorbed by New Huadu in consideration of New Huadu issuing A shares to our then Shareholders (the "**Proposed Merger Arrangement**"). Upon completion of the Proposed Merger Arrangement, New Huadu would assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of our Company and our Company would be deregistered. Nonetheless, as New Huadu and our then Shareholders could not reach an agreement on the pricing terms of the Proposed Merger Arrangement, the Merger Framework Agreement was terminated in August 2017. As at the Latest Practicable Date and to the best of our Directors' knowledge, New Huadu and our Company did not receive any comments from the relevant authorities with respect to the Proposed Merger Arrangement. After the termination of the Proposed Merger Arrangement, we continued to attend pre-listing tutorial for the Previous Listing Plan until we terminated the engagement with the SZSE Financial Institution in February 2021.

To the best of their knowledge, our Directors confirm that they are not aware of (i) any other matters relating to the Previous Listing Plan nor the Proposed Merger Arrangement which should be reasonably highlighted in this document for investors to form an informed assessment of our Company; (ii) any other matters relating to the Previous Listing Plan or the Proposed Merger Arrangement that may have implications on our Company's suitability for

[**REDACTED**] on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this document; and (iii) any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the Previous Listing Plan or the Proposed Merger Arrangement. Our Directors also confirm that no formal listing application was filed in relation to the Previous Listing Plan nor the Proposed Merger Arrangement as at the Latest Practicable Date.

The Joint Sponsors concur the view of the Directors that there are no other matters in relation to the Previous Listing Plan or the Proposed Merger Arrangement that need to be brought to the attention of the Stock Exchange and the potential investors.

Reasons for Seeking [REDACTED] on the Stock Exchange

Our Directors believe that the [**REDACTED**] will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fundraising capabilities and broaden our fundraising channels and our Shareholders base as well as strengthen our corporate governance;

(ii) the [**REDACTED**] would give us a better platform to further develop our business; and

(iii) the [**REDACTED**] will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

PRC COMPLIANCE

As confirmed by our PRC Legal Advisor, the share subscriptions and material share transfers of our Company have been approved, filed and registered by relevant regulatory authorities subject to the then effective PRC Law.

SHAREHOLDING STRUCTURE

As of the Latest Practicable Date, our Company had in aggregate 303 Shareholders holding 757,258,933 Unlisted Shares. Further, [**REDACTED**] Unlisted Shares held by a total of [211] Shareholders (including certain Shares held by each of Shanghai Yunxin, Chunhua Rongshun, Mr. Xiao Lin, Gongqingcheng Changyou and Guoxin Energy Fund) have been filed with the CSRC in relation to the filing of overseas listing and "Full Circulation." See "Share Capital — Conversion of Unlisted Shares into H Shares" for details of the filing of overseas listing and "Full Circulation" with the CSRC and "Substantial Shareholders" for details on our substantial Shareholders.

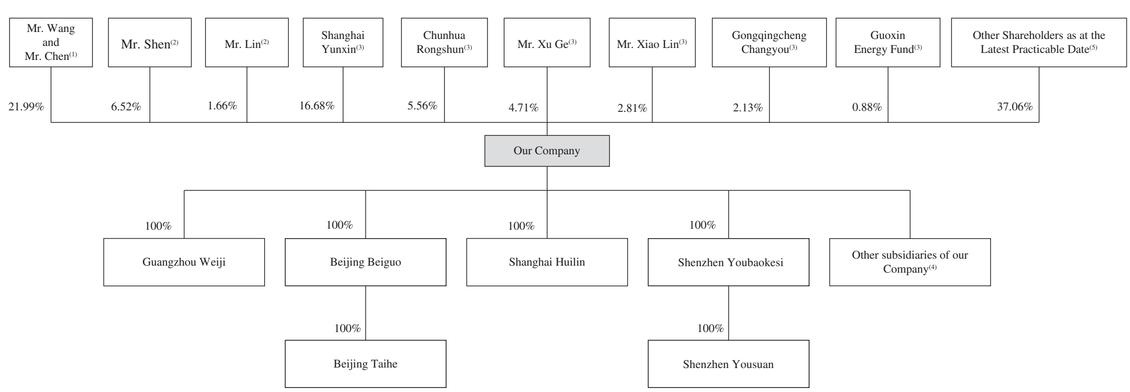
As of the Latest Practicable Date, we were unable to verify the identity and shareholding of 56 Shareholders, who held approximately 0.23% of the issued share capital of our Company. Our PRC Legal Advisor is of the view that the existence of such Shareholders does not have any material adverse impact on the clarity of the shareholding structure of our Company.

As of the Latest Practicable Date, as far as our Directors are aware, save for Mr. Wang and Mr. Chen, who are parties acting-in-concert pursuant to the Deeds of AIC, and Shanghai Yunxin, which will become a substantial shareholder upon [**REDACTED**], our Company did not have any other substantial Shareholders. For further details on our substantial Shareholders, please refer to the section headed "Substantial Shareholders" in this document.

CORPORATE STRUCTURE

Corporate Structure as at the Latest Practicable Date

The following diagram illustrates the corporate and shareholding structure of our Company as at the Latest Practicable Date:



Notes:

1. Pursuant to the Deeds of AIC, Mr. Wang and Mr. Chen were parties acting in concert. As at the Latest Practicable Date, Mr. Wang and Mr. Chen held 135,573,100 Shares and 30,949,306 Shares, representing approximately 17.90% and 4.09% of our issued Shares, respectively.

2. Each of Mr. Shen and Mr. Lin is one of the Founders.

3. For details, see "— Pre-[**REDACTED**] Investments — Information about our Pre-[**REDACTED**] Investors."

4. As at the Latest Practicable Date, there were 34 other subsidiaries of our Company. For further details of the subsidiaries of our Company, see Note 14 to the Accountant's Report as set out in Appendix I.

5. As at the Latest Practicable Date, there were 293 other Shareholders, among which included:

   a. CICC Qiyuan (3.96%), an Independent Third Party, which was the largest Shareholder among the other Shareholders;

   b. Ms. Cui Yan (0.40%) and Mr. Wang Ge (0.40%), an executive Director and a senior management of our Group, respectively;

   c. Shenzhen Youhui (0.72%), an employee incentive platform of our Group, which was managed by Ms. Zhou Chuanjiao (周川姣), an employee of our Group, as general partner;

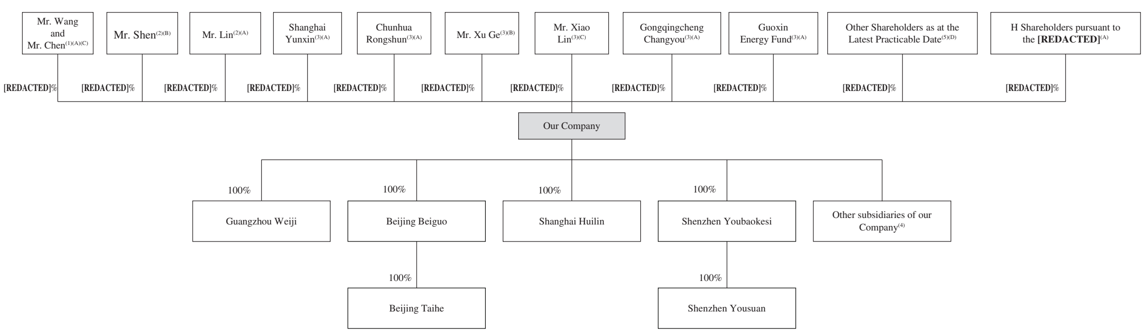
d. Mr. Li Wei (0.34%), who is the controller of Shenzhen Baihang, which holds as to 14.8% equity interest in Shenzhen Youye, a subsidiary of our Company;

e. Mr. Yang Ling (0.06%), who holds 13% equity interest in Youbao Online, a subsidiary of our Company; and

f. the remaining 287 other Shareholders which (i) to the best of our Directors' knowledge, information and belief having made reasonable enquiries, were Independent Third Parties; and (ii) had a shareholding ranging from approximately 0.01% to 2.94%.

Corporate Structure Immediately Following the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised):



Notes:

See notes (1) to (5) under "— Corporate Structure — Corporate structure as at the Latest Practicable Date."

(A) The Shares held by these Shareholders are H Shares.

(B) The Shares held by these Shareholders are Unlisted Shares.

(C) Immediately upon the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised, (i) [**REDACTED**] Unlisted Shares, [**REDACTED**] Unlisted Shares and [**REDACTED**] Unlisted Shares held by Mr. Wang, Mr. Chen and Mr. Xiao Lin will be converted into H Shares, respectively. Such conversion of Unlisted Shares into H Shares has been filed with the CSRC with the notification issued by the CSRC on completion of the filing procedures published on July 3, 2023 and is still subject to the approval by the Stock Exchange; and (ii) [**REDACTED**] Unlisted Shares and [**REDACTED**] Unlisted Shares held by Mr. Wang and Mr. Xiao Lin will remain as Unlisted Shares, respectively.

(D) Immediately upon the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised, (i) [**REDACTED**] Unlisted Shares held by the other 203 Shareholders will be converted into H Shares. Such Conversion of Unlisted Shares into H Shares has been filed with the CSRC with the notification issued by the CSRC on completion of the filing procedures published on July 3, 2023 and is still subject to the [**REDACTED**] approval by the Stock Exchange; and (ii) [**REDACTED**] Unlisted Shares held by the other 90 Shareholders will remain as Unlisted Shares.

(E) Immediately upon the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Incentive Scheme are not exercised, Mr. Wang and Mr. Chen will hold [**REDACTED**] Shares and [**REDACTED**] Shares, representing approximately [**REDACTED**]% and [**REDACTED**]% of our issued Shares, respectively.

OVERVIEW

Who We Are

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

Our Revenue Model

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

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

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

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

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

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

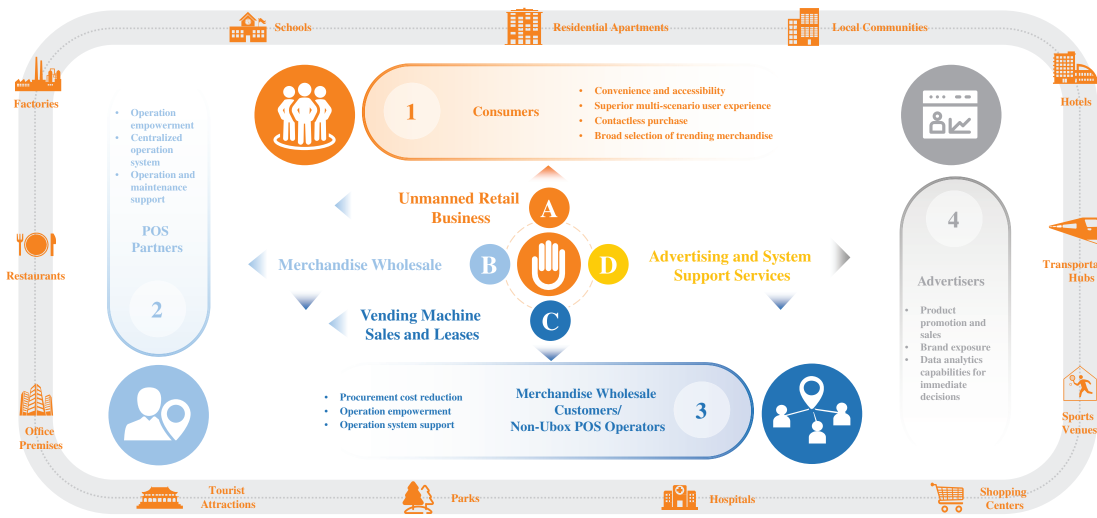
Our Market Opportunity

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

Our Platform for Participants along the Industry Value Chain

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

The diagram below illustrates our platform and the interactions among its major participants:



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

Digitalized Operation

We have been dedicated to digitalized operation since our inception. Based on industry insights into and operational know-how of the unmanned retail industry that we have accumulated over the years, we have continually upgraded vending machines and digitalized our operation system to improve operational performance of our POSs and our operating efficiency. We utilize massive multi-dimensional transaction data and our proprietary digital management platform to digitalize, automate and refine core components across the retail value chain. We use data analytics to select POS sites, determine and continuously optimize the merchandise mixes tailored for each vending machine, and automatically generate recommendations on restocking schedules and route plannings. Our algorithm and data analytical capabilities coupled with the wealth of transaction data generated from our retail platform bring insights to our operation, which in turn fuels our expansion and further accelerates our accumulation of transaction data, forming a virtuous cycle. Leveraging our strong digitalization capabilities, we have created a retail network for diversified consumption scenarios, a nation-wide operation network and a data-driven operation system. It empowers and optimizes various aspects of our operation, including:

- *Merchandise mix optimization and procurement*. Our operation system collects and analyzes transaction data from our POS network to facilitate merchandise mix optimization and procurement decision-making for each machine under different consumption scenarios, maximizing potential sales of each POS.

- *Vending machine restocking and maintenance*. Our operation system uses algorithms to enable centralized restocking scheduling and route planning, recommending optimized restocking routes and schedules, ensuring efficient utilization of our transportation capacity, minimizing transportation and labor costs and maximizing potential sales. Our operation system also closely tracks and monitors our vending machines in real time, and automatically notifies responsible operation staff if any malfunctioning is identified.

- *POS site selection and optimization*. We leverage our wealth of data and strong analytical ability to select consumption scenarios and, within these scenarios, pinpoint specific POS sites. Our operation system enables us to continuously monitor and evaluate the performance of existing vending machines to guide our future POS site selection.

- *Inter-connected POS network with real-time data transmission*. Equipped with advanced telecommunication technology, each of our machines is connected to our centralized operation system over the cloud operated by third-party cloud service providers in mainland China, which enables our machines to instantly transmit data across our system, and allows operators to constantly monitor its operating status in real time to ensure optimal performance.

Operation Empowerment

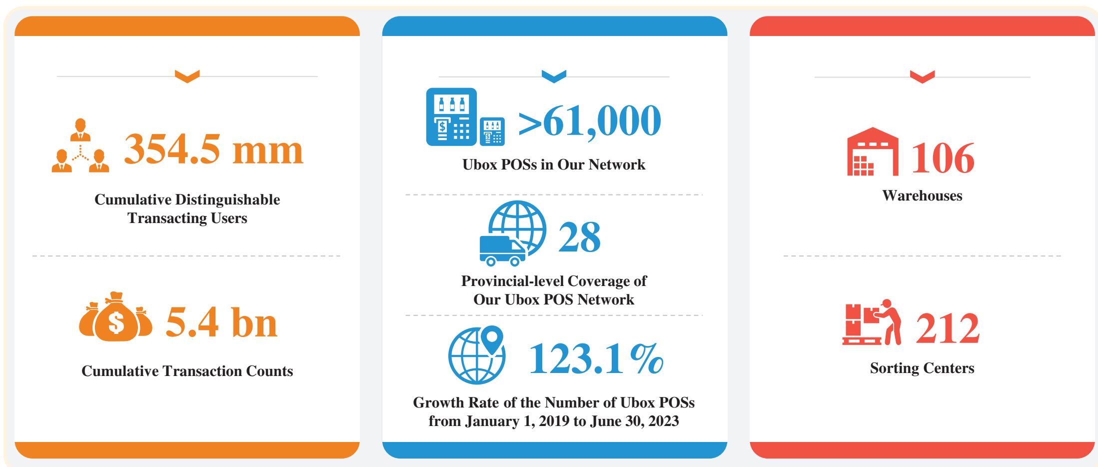
Our strong operation capabilities have laid the foundation for our business expansion, and have become one of our core competitive edges. Our bulk purchase has also given us a cost advantage. We have built a nation-wide operation network and a data-driven operation system that allow us to efficiently support our POS network, our POS partners and merchandise wholesale customers. As of June 30, 2023, we operated 106 warehouses and 212 sorting centers, covering 121 cities and 28 provincial-level administrative regions across mainland China, and had entered into strategic cooperation with 13 well-known international FMCG brands.

Flexible POS Management under Different Consumption Scenarios

For different consumption scenarios, we have strategically adopted different POS management and expansion strategies to achieve efficient and rapid business expansion. We generally adopt a direct operation model for POSs at strategically important sites, such as transportation hubs and premises of key accounts ("**KA**s"), including Deppon Logistics and Xiaomi, which tend to have a large number of potential POS locations at a single site. As of June 30, 2023, we cooperated with more than 40 KAs to operate POSs under the direct operation model. By directly operating POSs in such premium locations, we not only achieve a stable source of income, but also promote our brand awareness and presence. In other locations, we engage POS partners to assist with sourcing and establishing POSs. This facilitates the expansion of our POS network at relatively low costs and risks associated with establishment and development of POSs, and better aligns our interest with those of the POS partners by incentivizing them to capitalize on their expertise to source and establish more and better POSs. In addition, our outstanding digitalization capability and unique business expansion model together forge our "platform" capability, which allows us to transform from operating a network of vending machines to a platform that provides services under a wide range of consumption scenarios. See "Financial Information — Overview" for the revenue, costs and expenses recognition of our direct operation and partner models.

OUR ACHIEVEMENTS

Highlights of our major achievements as of June 30, 2023 are set forth as follows:



Due to the COVID-19 pandemic, our revenue decreased from RMB2.7 billion in 2019 to RMB1.9 billion in 2020. As the impact of COVID-19 relented and our new business operations developed, our revenue in 2021 rebounded to RMB2.7 billion. Our revenue decreased from RMB2.7 billion in 2021 to RMB2.5 billion in 2022 primarily due to the regional resurgence of COVID-19 in mainland China. Despite that our revenue of vending machine sales and leases in 2022 was adversely affected by the regional resurgences of COVID-19 in mainland China, our revenue of unmanned retail business increased from RMB1,915.1 million in 2021 to RMB1,974.7 million in 2022 primarily due to the expansion of our POS network driven by the partner model. Our revenue from unmanned retail business increased by 8.0% from RMB913.4 million for the six months ended June 30, 2022 to RMB986.8 million for the six months ended June 30, 2023, primarily due to the increase in our sales of FMCG through our POS network as a result of the overall recovery of consumer traffic and business activities following the relaxation of COVID-19 policies since December 2022.

OUR STRENGTHS

Well-positioned to capture the massive market opportunity in mainland China's Underpenetrated Unmanned Retail Industry with Significant Growth Potential

We are a vending machine operator in mainland China, with strong operation and digitalization capabilities. According to Frost & Sullivan, we ranked first in terms of both total transaction GMV and network scale in the unmanned retail industry in mainland China for each of 2019, 2020, 2021 and 2022. The total transaction GMV from our unmanned retail business amounted to approximately RMB1,724 million, RMB1,529 million, RMB2,142 million, RMB2,210 million, RMB1,020 million and RMB1,126 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. During the Track Record Period, the number of POSs in our network increased from 27,744 as of January 1, 2019 to 61,888 as of June 30, 2023, representing a growth rate of 123.1%. The cumulative number of our distinguishable transacting users reached 354.5 million as of June 30, 2023.

According to Frost & Sullivan, vending machines provide a significant channel for offline FMCG retail, as they can effectively address the pain points of the industry's traditional business model, including high start-up costs and escalating operating costs. However, the unmanned retail market in mainland China is underpenetrated, with an average of 0.8 vending machine per thousand population in 2022. As of December 31, 2022, the vending machines in mainland China covered only 8.8% of the country's potentially available sites, and such penetration rate of offline sites covered by vending machines is expected to increase to 15.6% by 2027, indicating a vast development prospect for vending machines in offline retail scenarios. Accordingly, the size of the vending machine retail market in mainland China is expected to grow from RMB27.1 billion in 2021 to RMB79.9 billion in 2026, with a CAGR of 24.0%. We believe our industry-leading position and strong ability to digitalize operations will enable us to further increase our market penetration and to expand into new consumption scenarios.

In addition to capturing market opportunities to expand our business scale, we have led the industry in innovation and developed numerous novel operation models, such as customized sales and marketing strategies based on real-time data. We collaborate with internet companies to build a diversified payment infrastructure supporting a wide variety of payment methods including major payment methods such as Alipay and WeChat Pay, advanced technologies such as biometric authentication payment, and customized scenario-specific payment methods such as student card and staff card payment. We pay transaction fees to the internet companies for the different payment methods. According to Frost & Sullivan, we developed mainland China's first vending machine that enables payment through biometric authentication.

Powerful Digitalization Capabilities Driving Operational Excellence and Empowering Customers and Business Partners

We have been dedicated to digital operations since our inception. As of June 30, 2023, we had cumulatively 354.5 million distinguishable transacting users, with approximately 5.4 billion transactions completed. Leveraging our scale and IoT technology, we have enabled automatic collection of a massive amount of transaction data in multiple dimensions, including transaction frequency, location, timing and consumption preference.

We analyze these valuable transaction data with our proprietary data algorithms, and use the insights we gain from the analytics to optimize economics of POSs and achieve operational excellence on a continual basis. In any particular scenario, data analytics of, for example, historical sales by SKU, sales speed and stock value informs our decisions in initial merchandise mix and subsequent restocking strategies. We also continuously optimize the accuracy of our algorithms and recommend the most popular and profitable merchandise for any given vending machine in real time. In addition, our operation system allows us to conduct optimized logistics operations by efficiently arranging regional restocking frequency and routes, and merchandise redeployment. Our data-driven network is instrumental to enhancing our merchandise turnover rate, gross margin and operating cash flows.

Furthermore, our powerful digitalization capabilities based on massive transaction data allow us to empower the other participants along the industry value chain on our platform, including POS partners and Non-Ubox POS operators by streamlining their operations with valuable insights into consumer behavior. We also provide advertisers with sales reports before placing advertisements, and subsequent analytics reports on the effect of their advertisements, allowing them to improve marketing efficiency.

Strong Operation Capabilities Underpinning Our Business Growth

We have built a nation-wide operation network and a data-driven operation system, which underpin our business growth. Highlights of our operation capabilities include:

- *Cost advantage*. We purchase a large amount of merchandise and have strong bargaining power. Our nation-wide POS network also presents an effective way for merchandise suppliers to distribute and showcase their products, which further increases our leverage to lower procurement costs.

- *Nation-wide operation network*. As of June 30, 2023, we operated 106 warehouses and 212 sorting centers across 121 cities and 28 provincial-level administrative regions in mainland China, covering a total of 61,888 Ubox POSs, and had entered into strategic cooperation with 13 well-known international FMCG brands. As of the same date, we had a fleet comprising 372 self-owned vehicles and approximately 900 operation personnel, among whom approximately 190 were our employees and 710 were third-party contractors. Our nation-wide operation network can effectively support our rapid expansion of POS network across the country. Relying on our data-driven operation network, we can realize efficient restocking, reduce stock-out losses, and deliver merchandise to our customers timely, thereby reducing transportation costs. In 2021, we introduced a shared warehouse initiative leveraging our existing warehouses, which uses a high-density and low-inventory "small warehouse" model to provide more efficient and flexible services to our merchandise wholesale customers and help them reduce warehousing costs. Leveraging our strong operation capabilities, our shared warehouse initiative targets to reduce the merchandise wholesale customers' staff costs and capital investment in warehouse facilities through the provision of more comprehensive services, including warehousing, operation system management, and hardware and software support services, to the merchandise wholesale customers on top of merchandise wholesale. Such services can be used by our merchandise wholesale customers who participate in our shared warehouse initiative at no extra charge. We do not charge our merchandise wholesale customers any rental fee for using the shared warehouse. We believe this new initiative can help us attract new merchandise wholesale customers and convert many of them into our POS partners.

- *Digitalized management and know-how*. Our data-driven operation system can predict demand from a specific POS for specific merchandise. Additionally, by monitoring the status of our vending machines in real time, the system can automatically propose restocking needs to operators as well as generate relevant restocking schedules and route plans, reducing stock-out losses, minimizing sales loss due to late restocking, and achieving operational and management efficiency. The stock-out rate of our pick-and-go cabinets, being the number of SKUs sold out before restocking as a percentage of the total number of SKUs after restocking, decreased from 27.5% in 2019 to 8.6% for the six months ended June 30, 2023.

- *Just-in-time capability*. Our data-driven operation system allows us to predict demand and timely arrange for procurement and logistics. For the six months ended June 30, 2023, the average inventory retention days of our warehouses were approximately 12 days. Through our shared warehouses, we further enable merchandise wholesale customers to adopt a just-in-time inventory model by tapping into our operation system, optimizing their inventory levels and increasing their inventory turnover rates. In particular, for shared warehouses, we generally only procure merchandise upon receiving orders from merchandise wholesale customers, with an order-to-delivery time of approximately three days for the six months ended June 30, 2023.

Flexible POS Management and Development Strategies Tailored to Different Consumption Scenarios Fueling Rapid Expansion of POS Network

For different scenarios, we have strategically adopted different POS management and development strategies to achieve efficient and rapid expansion. Currently, we predominantly pursue the following models:

Direct Operation Model: We generally source, establish and manage POSs ourselves at strategically important locations, such as schools and premises of KAs, which tend to have a large number of potential POS sites at a single location. By directly operating POSs in such premium locations, we not only achieve a stable source of income, but also promote our brand awareness and presence. In addition, we had entered into strategic cooperation with various leading internet companies, logistics service providers, automobile manufacturers and companies from other industries, including Deppon Logistics and Xiaomi, with over 6,100 POSs deployed to their premises nationally as of June 30, 2023. We will continue to increase the number of POSs under the direct operation model through strengthening our cooperation with KAs and turning leading enterprises in industries with growth prospects into our KAs.

Partner Model: In other locations, we have actively enhanced the use of POS partners since 2020 to maintain the flexibility to engage POS partners to assist with sourcing and establishing, while we manage the operation of POSs. The partner model has transformed traditional offline vending machine operation and revenue distribution models, which allows us to rapidly expand our POS network at relatively low costs and risks associated with establishment and operation of POSs. As a result, our POS operation and development expenses as a percentage of revenue from unmanned retail business decreased from 37.3% in 2019 to 26.5% for the six months ended June 30, 2023. This partner model aligns our interest with those of our POS partners, who are typically entitled to a share of the POSs' transaction

GMV subject to deduction of their responsible fees and costs, and therefore incentivized to mobilize resources to set up vending machines at the best POSs. Our POS partners are generally responsible for sourcing potential sites, the costs for developing POSs, occupancy fees and utility costs. Since 2020, we have actively enhanced the use of POS partners to assist us with sourcing and establishing POSs. At the same time, relying on our highly replicable "platform" capability in unmanned retail operations, we have continuously sought to penetrate into different consumption scenarios to fuel our growth.

Our POS management is flexible given that (i) our operation system allows the POS partners to monitor the sales data and performance of the POSs in real time and provides them with monthly reports in respect of their share of transaction GMV and the fees to be charged; (ii) the POS partners can relocate or remove any of their POSs at any time with our technical support; and (iii) the POS partners can give suggestions as to the merchandise mix in their POSs, which will be taken into account by us in our decision to adjust and optimize the merchandise mix when we arrange restocking for the vending machines.

Large POS Network in mainland China Creating Economies of Scale and Competitive Edge

For more than a decade since our founding, we have endeavored to cultivate the unmanned retail industry in mainland China, and built a large vending machine POS network, occupying a large number of premium POSs with high foot traffic. According to Frost & Sullivan, existing vending machine operators with long operating history have well-established POS networks, which are difficult for new entrants to replicate within a short period of time. As such, we believe our extensive POS network has formed a high competitive barrier and cannot be easily replicated. According to Frost & Sullivan, we ranked first in terms of network scale in the unmanned retail industry in mainland China for each of 2019, 2020, 2021 and 2022. As of June 30, 2023, we had a network of 61,888 Ubox POSs across 157 cities and 28 provincial-level administrative regions in mainland China, 87.3% of which were concentrated in tier one, new tier one and tier two cities, where populations are denser and residents have higher levels of income and greater mobility.

Our POS network covers a wide range of consumption scenarios, including schools, factories, restaurants, office premises, public venues and transportation hubs. As of December 31, 2022, our POS network covered 45% of mainland China's top 40 airports by passenger traffic, 22% of all university and college campuses, and 29% of top 80 shopping malls in terms of sales. As of June 30, 2023, we had entered into strategic cooperation with various leading companies, with over 6,100 POSs deployed to their premises nationally. During the Track Record Period, the number of POSs in our network increased from 27,744 as of January 1, 2019 to 61,888 as of June 30, 2023, representing a growth rate of 123.1%.

We believe that the breadth and depth of our nation-wide POS network benefit us with significant economies of scale, as they enable us to significantly increase our operational efficiency and profitability. Coupled with our deep understanding of different consumption scenarios and first-mover advantage, we are well-positioned to continuously increase our market share and to expand into new consumption scenarios.

Outstanding R&D Capabilities with Deep Industry Insights

We have continuously invested in research and development to further improve our technological capabilities, and have acquired deep industry insights by collecting and analyzing the massive amount of transaction data generated from our operations. We put technologies including data analytics, visual recognition and IoT technologies into industry applications, digitalizing, automating and refining our operation, and thereby significantly enhancing our operational efficiency. We led the technological developments of the industry. As early as 2015, we obtained the first patent of “Method for Communication between Vending Machines and Industrial Computers,” which set the ground for the development of our vending machines. We have since then leveraged real-time communication and data transmission technologies to develop a set of systems, including remote control, information display, advertising management and payment management on vending machines. Building upon these systems, we further utilized data algorithm models to continuously enhance our operational efficiency. As of the Latest Practicable Date, we had 204 registered patents in areas such as structural designs and components in relation to vending machines, modules and components for digital payment on vending machines and communication and restocking methods for vending machines. As of June 30, 2023, our research and development team consisted of 75 personnel, the majority of whom had joined our Group for more than three years and held a bachelor’s degree or above. Some of the key R&D innovations in various aspects of our operations include:

- *Application of advanced technologies on vending machines*: We have continuously enhanced our vending machines with technologies to meet the specific needs of a diverse range of consumption scenarios. For example, we have developed a vending machine payment system, which is able to accept a wide range of payment methods and allows centrally controlled adjustment of payment methods accepted at each machine. We have also developed pick-and-go cabinets, our generation 2.0 vending machines. Equipped with advanced hardware technologies, structural design and lighting, and the combined use of biometric authentication, credit assessment algorithm and IoT technologies, these pick-and-go cabinets poise to revolutionize unmanned retail by allowing consumers to open the door with biometric authentication and simply pick up merchandise and leave, leaving authentication and payment to technology and thereby creating a new, hassle-free consumption experience.

- *Data analytical capability driving operational excellence*. We have developed algorithm models for determining the optimal POS sites, merchandise mix and inventory level at each of our machines, as well as restocking routes and schedules. We have also continuously trained and enhanced the accuracy of our algorithms with the massive volume of transaction data generated from our operation. Leveraging our data processing capabilities, our operation system is able to precisely guide the operation of each of our machines. For the six months ended June 30, 2023, each of our logistics staff restocked a monthly average of approximately 41,200 units of merchandise.

- *An inter-connected network of POSs forming diversified advertising media*. With the inter-connectivity of our nation-wide multi-scenario POS network, we have been able to customize each machine with individualized features. By harvesting transaction data accumulated from our POS network, we are able to devise and implement targeted marketing campaigns through each of our machines. For example, through our operation system, we can centrally adjust the display of, and offer promotional discounts, at each machine during any designated period to appeal to target demographics. This allows our advertising customers to precisely, flexibly and timely implement a wide variety of marketing initiatives across the nation, including product launches and promotional campaigns.

Management Team with Rich Industry Experience

Our management team introduced the concept of data-driven unmanned retail to the vending machine retail industry in mainland China. Our founder, Mr. Wang, is experienced in the field of research and development of software and unmanned retail platforms. He applied the power of the internet to traditional retail and transformed it into an inter-connected and data-driven process with our centralized operation system connecting our vending machines through the cloud operated by third-party cloud service providers. Prior to establishing our Group, Mr. Wang served as a senior vice president of SINA.com Technology (China) Co., Ltd., and had invested in a number of industry-leading companies as an independent angel investor.

We have a core management team that is stable, innovative and deeply committed to the industry. As of June 30, 2023, the majority of our core management team members had more than ten years of experience in the unmanned retail industry, and had been with our Group for more than five years. Our middle and senior management teams also have extensive experience in a variety of industries, including information and technology, logistics services and business management, bringing a wealth of knowledge and insights into our operation. Our management team guides our strategic development with innovative ideas and their unique and profound insights into the industry. The team continuously cultivates breakthroughs in various aspects including business models, payment channels, advertising and system support services and operation management, with a view to achieving differentiated development.

Backed by Renowned Strategic Investors

Renowned strategic investors have invested in and supported our business development, creating strong synergies with our business with respect to technology and business development, and have played an important role in boosting our influence in the industry.

- *Technological cooperation*. We cooperate with our strategic investors to apply AI, payment and other advanced technologies to facilitate our development and enhance the feasibility of some of our business initiatives. For example, we have leveraged the technological strengths of our strategic investors, such as biometric authentication technology, AI technology and motion sensing technology, to boost the development of unmanned retail such as pick-and-go cabinets.

- *Business development cooperation*. We cooperate with our strategic investors to gain access to potentially available sites at their commercial properties and tap into their consumer traffic. While this allows us to rapidly expand our POS network, it also enriches consumer experience and add value to the properties, creating a win-win scenario.

OUR STRATEGIES

Further Expand Our POS Network

We plan to further increase our POS penetration in tier one, new tier one and tier two cities. According to Frost & Sullivan, operation of vending machines is well suited for the relatively fragmented spaces in these cities, as land is becoming increasingly scarce and rent increasingly high. In addition, we plan to gradually tap into tier three cities and below with higher economic growth rates.

The total capital expenditure for the above strategy in the two financial years ending December 31, 2024 is expected to be approximately HK$[255.0] million (equivalent to approximately RMB[233.4] million), of which HK$[169.5] million (equivalent to approximately RMB[155.2] million) is expected to be applied to new POSs of pick-and-go cabinets, approximately HK$[24.7] million (equivalent to approximately RMB[22.6] million) is expected to be applied to new POSs of beverage vending machines, approximately HK$[11.4] million (equivalent to approximately RMB[10.4] million) is expected to be applied to new POSs of beverage and snack vending machines, and approximately HK$[49.3] million (equivalent to approximately RMB[45.2] million) is expected to be applied to new POSs of freshly brewed beverage vending machines. The total capital expenditure is estimated based on the expected number of new POSs to be opened and the estimated costs of setting up new POSs of different types of vending machines. We intend to apply approximately [**REDACTED**]% or [**REDACTED**] (equivalent to approximately [**REDACTED**]) of the net [**REDACTED**] from the [**REDACTED**] to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for details.

As we expand the scale of our POS network coverage and penetration, we believe we will be able to further enhance economies of scale and improve operational efficiency and optimize profitability.

Continuously Invest in and Enhance Our Services Related Technologies

We will continue to invest in R&D to enhance our technologies relating to our services. For example, we will focus our resources on furthering data analytics capability, optimizing algorithms, and expanding the application of data in our operations. We will endeavor to develop and introduce AI recognition technology and back-end algorithms related to unmanned retailing with vending machines to improve customer experience and fuel our business expansion.

Further, we will continuously upgrade our vending machines. For example, we will further enhance the structural design of our vending machines to increase their durability, versatility, usability and energy efficiency. We will also continue to customize our vending machines to cater to a wider range of consumption scenarios, tailored to varying needs from consumers, and further enhancing the breadth and depth of our POS network.

We also plan to continuously optimize our operation systems for our business partners, and further increase our overall operational efficiency through hardware and software upgrades.

The total capital expenditure for this strategy in the two financial years ending December 31, 2024 is expected to be approximately HK$[22.2] million (equivalent to approximately RMB[20.3] million), of which approximately HK$[5.6] million (equivalent to approximately RMB[5.1] million) is expected to be applied to hardware upgrade and approximately HK$[16.6] million (equivalent to approximately RMB[15.2] million) is expected to be applied to software enhancement. The total capital expenditure is estimated based on the expected development of the Group's R&D projects. We intend to apply approximately [**REDACTED**]% or [**REDACTED**] (equivalent to approximately [**REDACTED**]) of the net [**REDACTED**] from the [**REDACTED**] to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for details.

Further Improve Operation Infrastructure and Enhance Operational Efficiency

We plan to further improve the efficiency of our operations to save costs and to improve consumer experience. We believe that expansion in scale will further enhance our bargaining power and allow us to develop relationships with a wider variety of suppliers to improve our procurement efficiency in the supply chain. With the further expansion and enhancement of our POS coverage and penetration rate, we will further upgrade our warehousing system and equipment and therefore the overall management of our inventory. We will continue to enhance our operation capability by promoting shared warehouses. We expect our shared warehouses to attract more merchandise wholesale customers, who may become our POS partners. More shared warehouses can also enhance the economies of scale by enabling more flexible storage and transportation of merchandise. We will also continuously increase the level of digitalization and automation of shared warehouses to enable more unmanned operation, including automatic placing of procurement orders.

We will further improve our inventory turnover rates. At the same time, we will constantly adjust our restocking routes planning according to fluctuations of demand, inventory levels, and location of our warehouses. We will expand our logistics team and enhance our restocking efficiency through unified scheduling. In addition, we will continue to increase the level of automation of our shared warehouses and thereby offer more efficient and flexible services to merchandise wholesale customers. By fostering deep integration of the operation of our merchandise wholesale customers with our operation system, we will strive to convert more merchandise wholesale customers into our POS partners.

The total capital expenditure for the above strategy in the two financial years ending December 31, 2024 is expected to be approximately HK$[20.9] million (equivalent to approximately RMB[19.2] million), of which approximately HK$[14.5] million (equivalent to approximately RMB[13.3] million) is expected to be applied to rental expenses, approximately HK$[2.1] million (equivalent to approximately RMB[1.9] million) is expected to be applied to renovation costs, and approximately HK$[4.3] million (equivalent to approximately RMB[3.9] million) is expected to be applied to staff costs. The total capital expenditure is estimated with reference to the prevailing market rates. We intend to apply approximately [**REDACTED**]% or [**REDACTED**] (equivalent to approximately [**REDACTED**]) of the net [**REDACTED**] from the [**REDACTED**] to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for details.

Attract, Nurture and Retain Talent

In order to support future expansion, we intend to continue to attract, nurture and retain talent. We plan to attract talent with our competitive remuneration and vibrant corporate culture. In particular, we target to recruit talent from the internet and innovative economy sectors to aid our innovation and development. The total capital expenditure for this strategy in the two financial years ending December 31, 2024 is expected to be approximately HK$[5.6] million (equivalent to approximately RMB[5.2] million), which is expected to be applied to recruitment of talents in algorithm, software and hardware development. The total capital expenditure is estimated with reference to the prevailing market rates. We intend to apply approximately [**REDACTED**]% or [**REDACTED**] (equivalent to approximately [**REDACTED**]) of the net [**REDACTED**] from the [**REDACTED**] to finance this strategy. The remainder will be funded by our internal resources and/or bank borrowings. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for details. In addition, we plan to further improve our employee training programs through both in-house training as well as external resources to upskill our employees and help realize their personal growth and professional advancements.

We will also continue to provide career advancement opportunities to our employees. We believe that our internet consciousness, innovative spirit and flat management structure will continue to drive our growth. Our competitive remuneration and employee benefits, and smooth promotion mechanism will stimulate the productivity of our employees, allowing us to maintain our position in the industry.

OUR BUSINESS MODEL

Leveraging our digitalization and operation capabilities, we have created a platform where we provide value to, and nurture symbiotic relationships among, a variety of participants along the unmanned retail value chain. We offer consumers with easy access to a broad selection of merchandise, and empower POS partners, merchandise wholesale customers, Non-Ubox POS operators, advertisers and other participants of our unmanned retail platform. As of June 30, 2023, we had a network of 61,888 Ubox POSs. Leveraging our vast network of POSs and data analytical capabilities, we strive to refine the traditional retail industry by establishing a technology-based retail platform, which digitalizes and automates core components across the retail value chain.

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

	For the year ended December 31,											
	2019				2020				2021			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Unmanned retail business	1,539,891	56.5	683,467	44.4	1,336,763	70.3	557,516	41.7	1,915,116	71.6	888,056	46.4
Advertising and system support services	540,600	19.8	488,280	90.3	219,561	11.5	218,812	99.7	243,120	9.1	184,411	75.9
Digital advertising services	518,874	19.0	466,634	89.9	203,095	10.6	202,365	99.6	224,706	8.4	166,431	74.1
Operation system support	21,726	0.8	21,646	99.6	16,466	0.9	16,447	99.9	18,414	0.7	17,980	97.6
Merchandise wholesale	297,900	10.9	14,669	4.9	115,485	6.1	4,029	3.5	40,516	1.5	2,965	7.3
Vending machine sales and leases	91,485	3.4	15,147	16.6	47,040	2.5	(32,224)	(68.5)	44,241	1.7	13,887	31.4
Others	257,585	9.4	127,633	49.5	183,161	9.6	(189,572)	(103.5)	433,244	16.1	11,805	2.7
Total	**2,727,461**	**100.0**	**1,329,196**	**48.7**	**1,902,010**	**100.0**	**558,561**	**29.4**	**2,676,237**	**100.0**	**1,101,124**	**41.1**

	For the year ended December 31,				For the six months ended June 30,							
	2022				2022				2023			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)		*(Unaudited)*					
Unmanned retail business	1,974,657	78.4	891,398	45.1	913,388	79.9	413,543	45.3	986,795	78.8	444,458	45.0
Advertising and system support services	194,271	7.7	160,225	82.5	100,074	8.8	87,918	87.9	56,450	4.5	55,769	98.8
Digital advertising services	176,216	7.0	142,233	80.7	91,314	8.0	79,180	86.7	50,415	4.0	49,764	98.7
Operation system support	18,055	0.7	17,992	99.7	8,760	0.8	8,738	99.7	6,035	0.5	6,005	99.5
Merchandise wholesale	131,795	5.2	5,225	4.0	54,103	4.7	2,834	5.2	110,685	8.8	3,990	3.6
Vending machine sales and leases	33,840	1.3	10,792	31.9	16,149	1.4	2,981	18.5	11,712	0.9	3,165	27.0
Others	184,661	7.4	9,096	4.9	59,376	5.2	2,961	5.0	87,036	7.0	10,594	12.2
Total	**2,519,224**	**100.0**	**1,076,736**	**42.7**	**1,143,090**	**100.0**	**510,237**	**44.6**	**1,252,678**	**100.0**	**517,976**	**41.3**

Value Propositions to Key Participants of Our Unmanned Retail Platform

Leveraging our technology-based retail platform, we provide consumers with excellent consumption experience and empower POS partners, merchandise wholesale customers or Non-Ubox POS operators, advertisers and other participants of our unmanned retail platform.

Value Propositions to Consumers

- *Convenience and accessibility*. Our expansive POS network covers a wide range of consumption scenarios, including schools, factories, restaurants, office premises, public venues and transportation hubs. Our POSs are also strategically located at easily accessible locations. With its wide coverage and high accessibility, our POS network allows consumers easy access to our broad selection of merchandise. See "— Our POS Network."

- *Excellent consumption experience*. Our vending machines significantly reduce manual efforts in purchasing. For instance, our vending machines support popular payment methods including biometric authentication to allow swift and frictionless transactions. Most of our vending machines are equipped with touch screens that support interactive content, thereby elevating the overall consumption experience. In particular, our pick-and-go cabinet allows consumers to open the door with biometric authentication and just pick up the merchandise and leave, thereby reforming traditional automated retailing mechanism which requires consumers to pay before they collect the merchandise. See "— Our Product and Service Offerings — Unmanned Retail Business — Our Vending Machines — Pick-and-go Cabinet."

- *Contactless purchase*. Our vending machines offer consumers with contactless purchase. With no human interaction required in the process, it significantly increases the efficiency and availability in terms of service time and location. Moreover, by reducing face-to-face contact, it also represents a safer and more hygienic way of purchasing, which helps it gain an advantage at the time of the COVID-19 pandemic.

- *Broad selection of trending products*. As of June 30, 2023, we offered over 64,000 SKUs of quality products, including beverages, instant meals and casual snacks, through vending machines under our unmanned retail business. We regularly update our product offerings to satisfy consumers' changing demands.

Value Propositions to POS Partners

Under our partner model, we provide our POS partners with an opportunity and resources to start a POS operation business. Our POS partners are responsible for sourcing potential sites, bear the costs for developing POSs, occupancy fees and utility costs, and are generally entitled to a share of the transaction GMV generated from the vending machines, subject to deduction of their responsible costs and expenses. Our model allows POS partners to capitalize on their POS resources and local expertise while tapping into our digitalization and operation capabilities. See "— Our POS Network — Our POS Partners."

Value Propositions to Merchandise Wholesale Customers/Non-Ubox POS Operators

We empower merchandise wholesale customers with our digitalization and operation capabilities. Due to the relatively small scale of operation, it is not cost-efficient for our merchandise wholesale customers to establish and maintain their own operation network. Utilizing our nation-wide data-driven operation network, bulk purchase, and warehouses and storage facilities across mainland China, our merchandise wholesale customers are able to enjoy cost-efficient and flexible procurement. We also streamline the operation of our merchandise wholesale customers who are also Non-Ubox POS operators, providing them with our vending machines, access to our operation system, and hardware supports. See "— Our Product and Service Offerings — Advertising and System Support Services", "— Our Product and Service Offerings — Merchandise Wholesale" and "— Our Product and Service Offerings — Vending Machine Sales and Leases."

Value Propositions to Advertisers

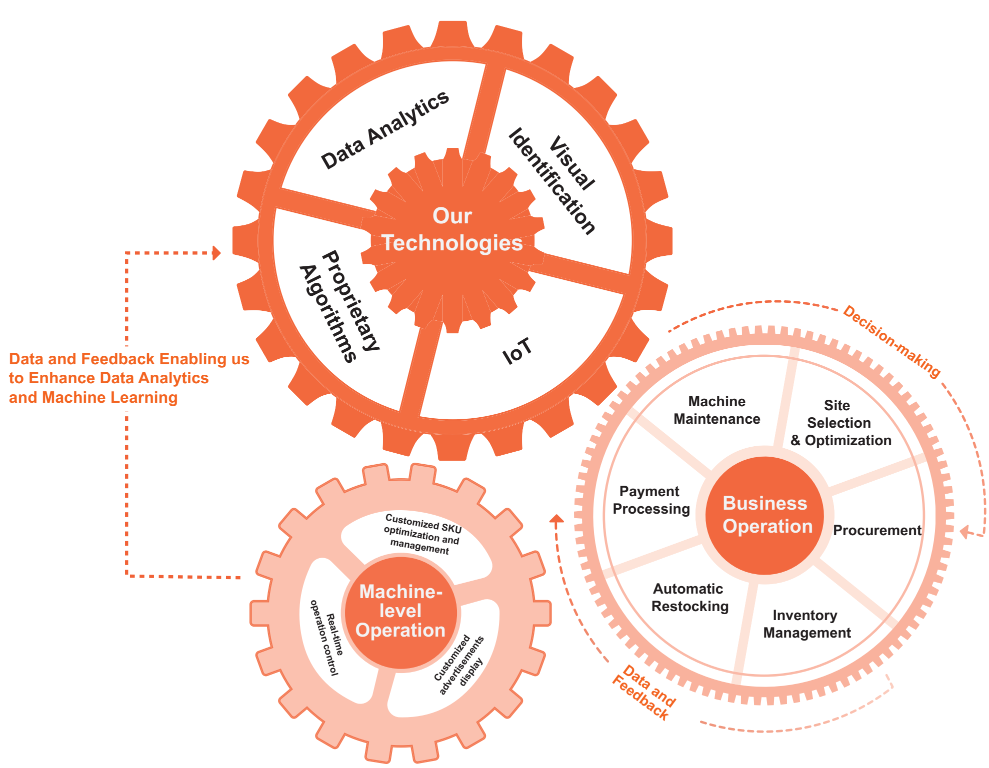
We create value for advertisers by providing them with a vast and engaging platform to reach consumers. Our extensive POS network allows advertisers to physically interact with consumers across mainland China. With our deep insights into consumers' behavior and data analytical capabilities, we can help advertisers improve accuracy and efficiency in reaching their target consumers by precisely placing their advertisements on POSs at specific consumption scenarios that are most relevant to the target consumers. See "— Our Product and Service Offerings — Advertising and System Support Services."

OUR TECHNOLOGY-BASED RETAIL PLATFORM

Leveraging our digitalization capabilities, we strive to construct a technology-based retail platform. We digitalize, automate and refine each component of our operation with technologies, including data analytics, visual identification and IoT technologies, and have constructed a centralized operation system, which significantly enhances our operational efficiency. We also "platformize" our business model by allowing a wide range of participants in the vending machine industry to tap into our operation system, thereby digitalizing and streamlining workflows across the retail value chain.

Vending machines at our POSs are the bedrock of our retail platform. Utilizing a range of technologies, we design and develop, and engage third-party manufacturers to produce, a range of vending machines. We applied communication technology in vending machines and developed the first prototype vending machine in 2011. This innovation enables us to realize remote and real-time management of our vending machines, which essentially transforms traditional vending machines into an inter-connected network of automated retail outlets. Since then, we have developed a comprehensive line up of vending machines, including the pick-and-go cabinet (即選即取貨櫃), the beverage vending machine (飲料售貨機), the beverage and snack vending machine (飲料及零食售貨機) and the freshly brewed beverage vending machine (現製飲料售貨機), each of which is customized to meet consumers' diverse needs under different consumption scenarios. Our vending machines are characterized by the ability to connect and share operational data with a back-end operation system. This would enable the use of a wide range of technologies to streamline operation. Our operation system and vending machines have formed an inter-connected network that is able to operate without manual intervention or reconciliation in certain material aspects. For example, coupled with visual recognition technologies applied in our vending machines, our operation system can monitor the machine inventory level in real time. Further, by utilizing data analytics and proprietary algorithms, our operation system can make use of the transaction data collected by our vending machines, such as sales and inventory levels of merchandise, to monitor and evaluate the performance of vending machines, identify optimal sites for Ubox POSs, recommend the most popular and profitable merchandise at each machine in real time, constantly adjust merchandise mix recommendation, generate restocking alerts, formulate restocking schedules and routing plans, and generate maintenance requests to our operation staff. As of the Latest Practicable Date, all of our self-operated machines under our direct operation model and partner model were connected to our operation system. For details, see "— Our Product and Service Offerings — Unmanned Retail Business — Our Vending Machines."

With our centralized operation system, we streamline our operation into standardized components, and significantly digitalize and automate each component. Our technologies and algorithms can guide and streamline human decision-making in various aspects of our operations, including site selection, merchandise mix optimization and procurement, warehouse inventory management, vending machine restocking, payment processing and machine maintenance. The following diagram illustrates how advanced technologies empower our business operations:



Our Technologies

Our digitalization capabilities lay the foundation of our business, and distinguish us from our competitors. The following technologies assist us in creating our business model:

- *Data analytics and proprietary algorithms*. We utilize our extensive data and proprietary algorithms throughout our entire business process, from site selection and merchandise mix optimization and procurement to vending machine restocking and maintenance. Leveraging data analytics and proprietary algorithms, our operation system can automatically evaluate the performance of vending machines, identify optimal sites for Ubox POSs, recommend the most popular and profitable merchandise at each machine in real time, constantly adjust merchandise mix recommendation, monitor machine inventory level, generating restocking alerts, generate maintenance requests to our operation staff, formulate the optimal restocking schedules and routing plans, enabling efficient restocking without manual intervention or reconciliation, and reducing our overall operation cost, in particular, stock-out losses and labor cost.

- *Visual recognition*. We use built-in visual recognition cameras in our pick-and-go cabinets to detect the movement of merchandise, and enable uniform and standardized management of machine inventory. Our visual recognition function also enables consumers to open the door of our pick-and-go cabinets with biometric authentication and simply pick up merchandise and leave, creating a new, hassle-free consumption experience.

- *IoT technologies*. We utilize IoT technologies, which enable our machines to connect and exchange data with other machines and our system, to create an inter-connected network of our vending machines. Each of our vending machines is embedded with sensors and software for the purpose of connecting with our centralized operation system over the internet. Our IoT network can connect up to a million POSs and support up to 1,000 consumer requests per second. The inter-connection among machines allows us to monitor and manage multiple machines at the same time.

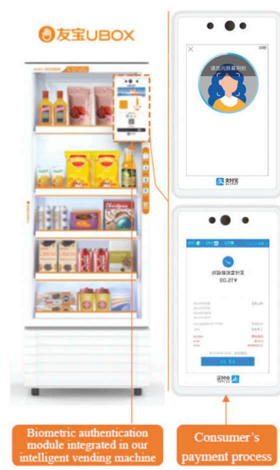
Our Business Operation

We employ various technologies to empower key components of our business operations:

- *POS Site Selection and Optimization.* We use our proprietary site selection algorithm to aid strategic site selection for Ubox POSs. We leverage our wealth of data and strong analytical ability to select consumption scenarios and, within these scenarios, pinpoint specific POS sites. Our operation system enables us to continuously monitor and evaluate the performance of existing vending machines in different consumption scenarios and identify the optimal sites for Ubox POSs. The algorithm takes into account parameters such as availability of consumption scenarios, features of different types of machines, foot traffic, consumers' spending power, operating results at similar sites and distance from our warehouses and other POSs. We also use smart heat maps offered by third-party service providers to visualize foot traffic, facilitating more intuitive decision-making. See "— Our POS Network" for our site selection criteria. We continuously evaluate the effectiveness of our site selection strategy by analyzing the operational performance of existing vending machines.

- *Merchandise Mix Optimization and Procurement.* Our centralized operation system collects and analyzes transaction data from our POS network to facilitate merchandise mix optimization and procurement decision-making. Leveraging our wealth of data, our system designs the initial merchandise mix for the specific consumption scenarios. By utilizing multi-dimensional data, our centralized operation system can recommend the most popular and profitable merchandise at each machine in real time, and constantly adjust the merchandise mix recommendation accordingly. Our system is also able to monitor the inventory level of each POS and automatically generate restocking alerts without manual intervention or reconciliation of transaction data at the operation system level, facilitating the optimization of restocking scheduling and operational efficiency. The screenshot below sets forth an example of real-time data and analytics of a given item of merchandise on our operation system:

- *Payment Processing*. Our vending machines are also equipped with payment devices that can accept a wide variety of payment methods, including major payment methods such as Alipay and WeChat Pay, advanced technologies such as biometric authentication payment, and customized scenario-specific payment methods such as student card, staff card payment and cash. Electronic payment and biometric authentication are widely used in mainland China. In the rare cases where customers do not have electronic wallets and/or registration of biometric authentication, they can pay with cash at some of our vending machines. As of June 30, 2023, approximately 1.9% of our vending machines supported cash payment. Below is a picture of our pick-and-go cabinet supporting biometric authentication:



- *Vending Machine Restocking*. With data collected from each vending machine in our network, our operation system uses algorithms to enable centralized restocking scheduling and route planning, recommending the optimized time and sequence for restocking and most efficient route for delivery. It takes into account parameters including stock level, road traffic, type of merchandise and delivery capacity. It then sends notifications to our operation team to ensure efficient utilization of our transportation capacity, thereby minimizing transportation and labor costs and maximizing potential sales. The screenshots below set forth an example of restocking schedule and route recommendation generated by our operation system:

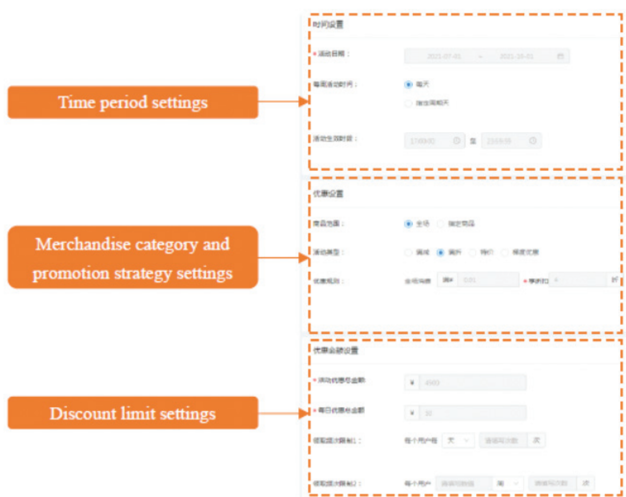
- *Warehouse Inventory Management.* Our centralized operation system allows us to establish our nation-wide warehouse network. Our operation system facilitates seamless communications across the retail platform, and in real time feeds restocking requests from the POSs to the warehouse inventory management module, which in turn arranges for procurement and restocking via our operation network. For details, see "— Logistics and Inventory Management — Inventory Management." The screenshot below sets forth an example of real-time warehouse inventory information on our operation system:

- *Machine Maintenance.* We leverage our centralized operation system to closely track and monitor the operation status of our vending machines in real time. In case any malfunction is identified, our operation system will send notifications to the responsible operation staff, who will timely repair the vending machines. This is able to reduce sales loss during the malfunction hours by accelerating maintenance. The screenshot below sets forth a maintenance request generated on our operation system:

Machine-level Operation

Premised on data analytics and IoT technologies, we have established a data-driven machine-level operation and management module. Leveraging our wealth of data and deep understanding of consumer behavior, we create the initial merchandise mix by categorizing consumption scenarios into finer subsets through multi-level classification. Based on the initial merchandise mix, our centralized operation system then constantly uses multi-dimensional data collected from the vending machines to optimize the accuracy of our algorithms, SKU recommendation algorithm and SKU replacement algorithm, and recommend the most popular and profitable merchandise for the vending machines in real time.

We further develop customized promotion strategies for different vending machines. For example, based on specific needs of a particular scenario, our centralized operation system allows swift configuration of the relevant vending machines to apply discounts to certain categories of merchandise. The screenshot below sets forth the interface for customizing promotion strategy on our operation system:



Our operation system customizes each machine with individualized features. For example, in addition to customizing the content shown on the screens of each of the vending machines, we can customize the merchandise displayed on machine racks based on the merchandise mix recommendation generated by our centralized operation system. Our machines can also be customized for the consumption scenario and/or marketing campaign at any particular time and location, such as providing discount to staff members who purchase merchandise with staff cards after office hours at our machines located in their office. We constantly upgrade our system and adjust technical parameters so that our system is adaptable to all vending machines in our network.

We monitor the sales and stock level status of each POS in real time. We actively analyze these operating data and have developed multi-dimensional standards to evaluate the performance of each machine. The screenshot below sets forth real-time status of a POS as shown in our operation system:

OUR POS NETWORK

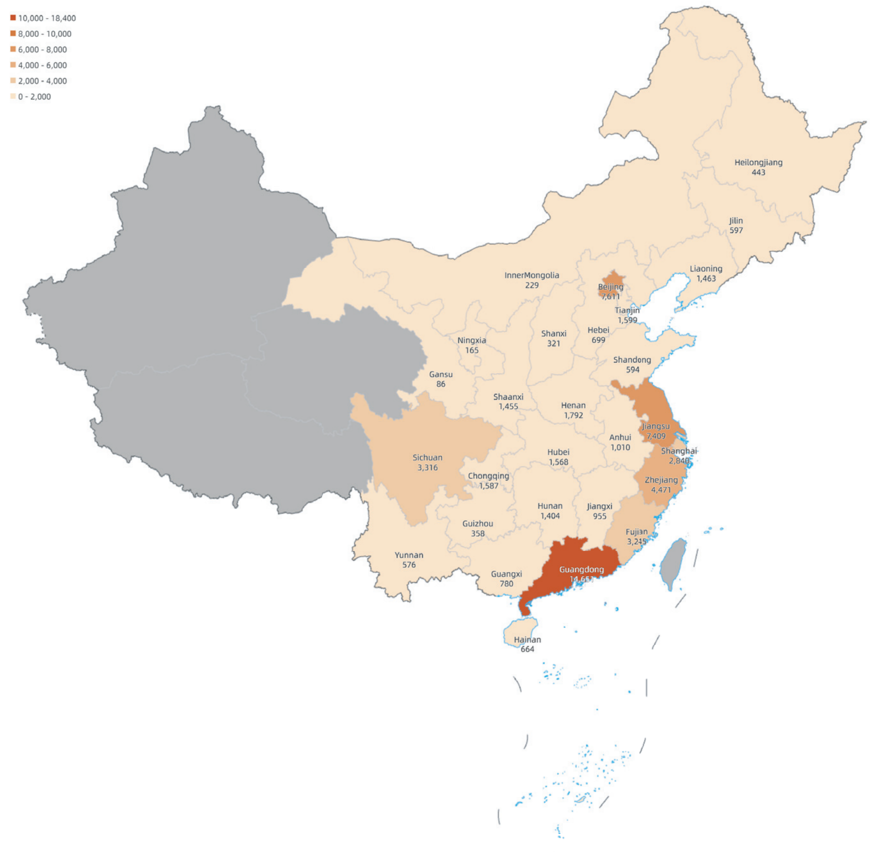
Our vast network of POSs is the bedrock of our retail platform. It comprises the following:

- Ubox POSs, which are POSs operated by us under the direct operation and the partner models. We source and establish POSs ourselves under the direct operation model, and engage POS partners to do so under the partner model. Through Ubox POSs, we sell merchandise to consumers through vending machines in our unmanned retail business. See "— Our Product and Service Offerings — Unmanned Retail Business."

- Non-Ubox POSs, which are POSs connected to our operation system and operated by Non-Ubox POS operators. We provide our vending machines, the related hardware support services and operation system support to Non-Ubox POS operators. We also supply vending merchandise to some of them on a wholesale basis. See "— Our Product and Service Offerings — Merchandise Wholesale", "— Our Product and Service Offerings — Vending Machine Sales and Leases" and "— Our Product and Service Offerings — Advertising and System Support Services — Operation System Support."

In addition, we provide digital advertising services through both Ubox POSs and Non-Ubox POSs. See "— Our Product and Service Offerings — Advertising and System Support Services — Digital Advertising Services."

As of June 30, 2023, we had a POS network of 61,888 Ubox POSs, covering 157 cities and 28 provincial-level administrative regions across mainland China. The map below illustrates the geographical distribution of these POSs as of the same date:



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

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POSs by city tier												
Tier one cities	16,625	26.2	15,836	27.1	21,572	25.3	19,929	30.1	20,281	28.0	19,611	31.7
New tier one cities	21,462	33.8	17,725	30.3	30,580	35.9	23,077	34.8	24,335	33.6	21,365	34.5
Tier two cities	15,838	25.0	15,228	26.0	22,097	26.0	14,405	21.7	18,052	25.0	13,031	21.1
Tier three cities	6,420	10.1	5,718	9.8	7,042	8.3	5,820	8.8	6,419	8.9	5,177	8.4
Others	3,106	4.9	3,960	6.8	3,848	4.5	3,001	4.6	3,232	4.5	2,704	4.3
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

During the Track Record Period, our POSs were mainly located in relatively developed regions in mainland China, including the Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region and provincial capitals. In particular, as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, 26.2%, 27.1%, 25.3%, 30.1% and 31.7% of our POSs were located in tier one cities, and 33.8%, 30.3%, 35.9%, 34.8% and 34.5% were located in new tier one cities, respectively. With denser population, higher level of income and greater mobility, cities of higher tiers generally generate higher sales per vending machine. Also, due to the higher density of POSs in cities of higher tiers, we are able to conduct more efficient restocking and therefore achieve higher operating efficiency.

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

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POS by consumption scenario												
Schools	14,611	23.0	18,195	31.1	19,738	23.2	18,706	28.2	19,372	26.8	17,572	28.4
Factories	16,197	25.5	13,528	23.1	17,695	20.8	16,998	25.7	17,401	24.1	16,493	26.6
Office premises	12,797	20.2	11,059	18.9	14,113	16.6	13,876	21.0	14,453	20.0	13,342	21.6
Public venues[1]	11,321	17.8	9,063	15.5	9,877	11.6	8,751	13.2	9,818	13.6	8,122	13.1
Transportation hubs	3,884	6.1	3,773	6.5	3,587	4.2	2,265	3.4	3,099	4.3	2,281	3.7
Restaurants[2]	183	0.3	129	0.2	16,490	19.4	1,636	2.5	4,308	6.0	829	1.3
Others[3]	4,458	7.0	2,720	4.7	3,639	4.3	4,000	6.0	3,868	5.3	3,249	5.2
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

Notes:

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

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

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

Substantially all of our POSs are located at high foot traffic sites including schools, factories, restaurants, office premises, public venues and transportation hubs. We deploy different machines based on the requirements and characteristics of the specific consumption scenarios. For instance, our pick-and-go cabinet can accommodate merchandise of various dimensions, and is designed for indoor locations with more diversified consumption scenarios. Similarly, we typically place our vending machines, which are designed to be more durable, at sites with high demand for beverages and high transaction frequency. Also, most of our freshly brewed beverage vending machines are placed on office premises where there is higher demand for freshly brewed coffee or other freshly brewed beverages.

The table below sets forth the movement of our Ubox POSs for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Number of Ubox POSs at the beginning of the period (A)						
Ubox POS	**27,744**	**63,451**	**58,467**	**85,139**	**85,139**	**66,232**
– Direct operation model	26,931	52,562	18,393	13,659	13,659	12,472
– Partner model	813	10,889	40,074	71,480	71,480	53,760
Number of Ubox POSs opened during the period (B1)						
Ubox POS	**41,413**	**10,629**	**40,847**	**17,460**	**10,826**	**7,262**
– Direct operation model	34,226	6,822	3,329	2,387	1,979	903
– Partner model	7,187	3,807	37,518	15,073	8,847	6,359
Number of Ubox POSs closed during the period (B2)						
Ubox POS	**(8,897)**	**(15,784)**	**(14,040)**	**(36,035)**	**(23,631)**	**(11,252)**
– Direct operation model	(8,754)	(12,350)	(5,099)	(4,041)	(2,215)	(2,293)
– Partner model	(143)	(3,434)	(8,941)	(31,994)	(21,416)	(8,959)
Net increase/(decrease) in the number of Ubox POSs during the period (B1+B2)						
Ubox POS	**32,516**	**(5,155)**	**26,807**	**(18,575)**	**(12,805)**	**(3,990)**
– Direct operation model	25,472	(5,528)	(1,770)	(1,654)	(236)	(1,390)
– Partner model	7,044	373	28,577	(16,921)	(12,569)	(2,600)

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Net increase/(decrease) in the number of Ubox POSs due to change in operation model (C)						
Ubox POS	**3,191**	**171**	**(135)**	**(332)**	**(15)**	**(354)**
– Direct operation model	159	(28,641)	(2,964)	467	60	107
– Partner model	3,032	28,812	2,829	(799)	(75)	(461)
Number of Ubox POSs at the end of the period (A+B1+B2+C)						
Ubox POS	**63,451**	**58,467**	**85,139**	**66,232**	**72,319**	**61,888**
– Direct operation model	52,562	18,393	13,659	12,472	13,483	11,189
– Partner model	10,889	40,074	71,480	53,760	58,836	50,699

Our POS network rapidly expanded in 2019, and slightly shrank in 2020 primarily as a result of the COVID-19 pandemic. Our POS network resumed rapid expansion in 2021 primarily due to the increase in the number of POSs placed at restaurants in the second half of 2021. Since 2020, we have shifted our focus from the direct operation model to the partner model, which led to the net decrease in the number of POSs under the direct operation model and net increase in the number of POSs under the partner model for 2020 and 2021. The number of POSs, especially those under the partner model, decreased in 2022 primarily due to the regional resurgence of COVID-19 in mainland China in the same period that affected consumer traffic and sales activities in certain consumption scenarios. In particular, the restrictive measures taken by local governments significantly reduced opening hours and consumer traffic of restaurants. Despite that most travel restrictions and quarantine requirements were lifted in December 2022 which has led to the overall recovery of consumer traffic and business activities in the first half of 2023, the number of our Ubox POSs slightly decreased during the same period. This was mainly because the Company, POS partners and some other business partners such as site owners adopted a prudent approach towards the pace of recovery in the macro-environment under the prolonged impact of the pandemic and slowed down the expansion of the POS network in the same period.

We continuously monitor the performance, and adjust the location, of our Ubox POSs to optimize operational efficiency. In particular, we identify Ubox POSs that require optimization, and consider improving or redeploying these POSs by taking into account a range of factors. See "Our Product and Service Offerings — Unmanned Retail Business — Our Vending Machines" for details.

In addition, to increase the flexibility in POS operation management, commencing from 2020, we have actively increased the use of the partner model. During the Track Record Period, we increased the use of POS partners to source and establish new POSs. For better business efficiency, we converted certain POSs under the direct operation model to the partner model, as these POSs were historically sourced and managed by POS partners who used to be our employees. See "— Our POS Partners" for details of our arrangement with POS partners.

Sourcing and Establishing Ubox POSs

We source Ubox POS sites directly from site owners under our direct operation model, and we source POS sites through POS partners under our partner model. Some of our POS partners, such as restaurant model partners, also own the sites. Where our POS partners do not own the sites, we or our POS partners enter into cooperation with the site owners to place our vending machines on their premises, typically for a monthly occupancy fee plus utility cost. Cooperation agreements with site owners generally have terms that range from one year to three years, and are generally automatically renewable unless either party objects. Such cooperation does not constitute property leasing under the PRC Law.

Under the direct operation model, we enter into cooperation agreements with site owners, under which we are responsible for the provision and daily operation of vending machines, including restocking and maintenance, for terms of one to two years in general. We are entitled to the revenue generated by the machines. We pay site owners a fixed or variable occupancy fee per POS and utility cost on a monthly, quarterly or yearly basis. Variable occupancy fee is generally calculated with reference to the transaction GMV of the POSs. In general, we pay occupancy fees of approximately RMB8,000-RMB20,000 per year for each POS at schools, RMB6,000-RMB15,000 per year for each POS at factories, RMB1,200-RMB3,000 per year for each POS at office premises, RMB1,200-RMB3,000 per year for each POS at public venues, and RMB20,000-RMB50,000 per year for each POS at transportation hubs, respectively. We are generally not required to pay occupancy fee for POSs at restaurants. Subject to the agreements with the site owners, the occupancy fees are typically settled on a monthly, quarterly or yearly basis. The occupancy fees and utility costs were recognized as our selling and marketing expenses. The cooperation agreements can generally be terminated upon mutual agreement or unilaterally when any site owner is in material breach of the agreement. Under the direct operation model, we own the vending machines.

Under the partner model, regardless of whether we or our POS partners enter into cooperation agreements with the site owners, the POS partners are responsible for the occupancy fee plus utility cost. As of June 30, 2023, we had entered into approximately 16,800 cooperation agreements with site owners for the use of POS sites for all the POSs under the direct operation model and a part of the POSs under the partner model (excluding restaurant model partners, who we directly engage as our POS partners). Some of the POSs under the cooperation agreements signed by us were operated under the partner model. In the event that we decide to change a POS from direct operation model to partner model, we generally allow our POS partner to maintain that POS and bear the occupancy fees and utility costs without terminating the existing cooperation agreement with the site owner. We monitor the expiry dates of the agreements and arrange communication and negotiation for renewal in advance. Upon expiration of the cooperation agreements between us and site owners, we usually renew the agreements with the site owners even if the POSs have been changed from direct operation model to partner model, subject to any specific requirement of the site owners. We continue to sign cooperation agreements with site owners for POSs that have been shifted from direct operation model to partner model and do not actively terminate the same primarily because (i) such POSs were developed with our resources, brand influence and qualifications, (ii) some of the site owners adopt stringent selection criteria for their business partners, where our established brand recognition and presence in the market have made us a preferred signing party in their cooperation agreements, and (iii) the operation risks of such POSs in respect of deployment of machines and restocking of merchandise remain with the Group. For the POSs operated under the partner model with the cooperation agreements signed by us, the occupancy fees for such POSs are settled either by the POS partners themselves or by us with the site owners directly where we deduct such amounts in the POS partners' share of transaction GMV. We have not entered into tripartite agreement with our POS partners and the respective site owners in such circumstances. If the cooperation agreements with site owners are entered into by the POS partners, they will settle the occupancy fees directly with site owners. Under the partner model, save for some of the POS partners who own and use their own vending machines, we own the majority of the vending machines.

We generally consider types of consumption scenarios, background of site owners and concentration level of potential POSs in the locations in determining whether the POSs will be directly operated by us or by our POS partners. Direct operation model is generally adopted for POSs at sites which we consider strategically important, such as certain schools and premises of KAs, which tend to have a large number of potential POS locations at a single site.

The table below sets forth the number of POSs by type of vending machines under the direct operation model as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Type of vending machines						
Direct operation model						
Pick-and-go cabinets	27,420	8,122	6,430	6,992	7,074	6,233
Beverage vending machines	21,258	8,142	5,548	4,028	4,848	3,525
Beverage and snack vending machines	1,327	748	615	415	577	396
Freshly brewed beverage vending machines	2,201	1,228	954	972	892	972
Others[(1)]	356	153	112	65	92	63
Total	**52,562**	**18,393**	**13,659**	**12,472**	**13,483**	**11,189**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

During the Track Record Period, there was an overall decreasing trend of the number of POSs under the direct operation model due to our shift of business focus from the direct operation model to the partner model. The number of POSs of pick-and-go cabinets under the direct operation model increased in 2022 primarily due to the expansion our POS network in office premises of KAs primarily involving pick-and-go cabinets.

The table below sets forth the average monthly GMV per POS of each type of our vending machines under the direct operation model for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Average monthly GMV per POS by type of vending machines under the direct operation model						
Pick-and-go cabinets	1,366	1,014	2,122	2,375	2,122	2,754
Beverage vending machines	4,265	2,521	3,592	2,875	2,476	3,962
Beverage and snack vending machines	3,296	4,227	6,035	4,297	3,735	8,096
Freshly brewed beverage vending machines	903	806	1,431	898	719	1,103
Others(1)	1,255	130	99	58	83	11
Overall	**3,310**	**1,723**	**2,902**	**2,506**	**2,211**	**3,162**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

The average monthly GMV per POS under the direct operation model decreased in 2020 as compared to 2019 primarily due to the impact of COVID-19 in 2020. During a partial recovery from COVID-19 in 2021, the average monthly GMV per POS under the direct operation model increased in 2021. The average monthly GMV per POS under the direct operation model was lower in 2022 as compared to 2021 primarily due to the regional resurgence of COVID-19 in mainland China in 2022 which affected our sales. The average monthly GMV per POS of beverage and snack vending machines under the direct operation model was lower in 2022 as compared to 2021 primarily because beverage and snack vending machines were mainly deployed at transportation hubs, which were heavily affected by the resurgence of COVID-19. The average monthly GMV per POS of beverage vending machines and freshly brewed beverage vending machines under the direct operation model decreased in

2022 as compared to 2021, primarily due to the reduction of sales activities amid the regional resurgence of COVID-19. The average monthly GMV per POS of pick-and-go cabinets under the direct operation model was higher in 2022 as compared to 2021 primarily due to (i) the relatively higher GMV generated by the newly developed POSs of pick-and-go cabinets, and (ii) the optimization of the POSs of pick-and-go cabinets including the removal or relocation of some of such POSs that were heavily affected by the regional resurgence of COVID-19. The average monthly GMV per POS under the direct operation model, in particular, the POSs of beverage and snack vending machines, which were mainly deployed at transportation hubs, was higher in the first half of 2023 as compared to the same period in 2022 primarily due to the recovery of consumer traffic and sales in the first half of 2023 following the relaxation of COVID-19 policies and our strategic closure of some under-performing POSs.

The table below sets forth the number of POSs by the term of our cooperation agreements with site owners under the direct operation model as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Term of our cooperation agreements with site owners under the direct operation model						
Less than one year/ no fixed term	23,406	5,457	4,092	7,526	5,134	7,559
Between one and three years	17,995	9,985	7,892	4,124	6,896	3,090
More than three years	11,161	2,951	1,675	822	1,453	540
Total	**52,562**	**18,393**	**13,659**	**12,472**	**13,483**	**11,189**

In 2022 and the first half of 2023, the number of our POSs under direct operation model with a term of cooperation with the site owners for more than one year decreased whereas those for less than one year or no fixed term increased primarily because we adopted a prudent approach towards the selection of sites for deployment of POSs under the prolonged impact of the pandemic. Cooperation agreements with relatively shorter terms offer more flexibility to us.

Our POS Partners

To efficiently expand our footprint nation-wide, we have actively enhanced the use of POS partners since 2020 to form an extensive and effective network to help us expand more efficiently. We engage POS partners to assist with sourcing and establishing, while we manage the operation, of POSs. The partner model aligns our interest with those of our POS partners. While we remain entitled to the revenue generated by the machines, the POS partners are typically entitled to a share of the transaction GMV, subject to deduction of their responsible fees and costs. Under the partner model, the POS partners are primarily responsible for sourcing, establishing and bearing the costs in relation to POSs, such as the costs for development of POSs, occupancy fees and utility costs, which are typically borne by us under the direct operation model. With the POS partners being responsible for the costs in relation to POSs, they are motivated to actively negotiate with the site owners on the occupancy fees to better manage their costs and expenses associated with the POS sites. As such, we are insulated, to a certain extent and as compared to the direct operation model, from the risk that revenue from POSs is insufficient to cover such costs and expenses. By leveraging the resources of POS partners, who have more local sources to develop POSs and maintain the relationship with site owners, and sharing the POSs' transaction GMV with the POS partners, we can relatively stablize our profitability at machine level and incentivize our partners to generate more sales at the POSs.

The POS partners are not required to bear the daily operation costs of POSs, such as costs of procurement, restocking and maintenance. They are not responsible for the capital expenditure in relation to purchase of vending machines. The POS partners are incentivized to cooperate with us as they have the opportunity to tap into the unmanned retail business without incurring substantial upfront costs, capitalize on their POS resources and local expertise while reaping the benefits of our digitalization and operation capabilities. Being responsible for the occupancy fees and entitled to a share of transaction GMV, some of the POS partners had successfully negotiated with the site owners for reduction of occupancy fees to lower their costs and/or better locations to place the vending machines to increase sales as well as their share of transaction GMV. As of June 30, 2023, for unmanned retail business, we had a total of 2,830 POS partners, including 1,922 POS partners (excluding restaurant model partners) assisting with the operation of 49,350 POSs and 908 restaurant model partners assisting with the operation of 1,349 POSs. Revenue from POSs operated under the partner model amounted to 9.2%, 40.1%, 55.3%, 64.0%, 66.0% and 64.1% of our total revenue in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

The table below sets forth the number of POSs by type of vending machines under the partner model as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Type of vending machines						
Partner model						
Pick-and-go cabinets	1,023	21,719	45,503	30,668	34,006	29,148
Beverage vending machines	8,634	16,552	23,210	19,732	21,961	16,850
Beverage and snack vending machines	1,072	953	1,331	1,641	1,287	2,917
Freshly brewed beverage vending machines	–	603	1,100	1,381	1,242	1,449
Others[(1)]	160	247	336	338	340	335
Total	**10,889**	**40,074**	**71,480**	**53,760**	**58,836**	**50,699**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

During the Track Record Period, there was an overall increasing trend of the number of POSs under the partner model due to our shift of business focus from the direct operation model to the partner model. The number of POSs under the partner model decreased in 2022 primarily due to the regional resurgence of COVID-19 in mainland China in the same period as consumer traffic of certain consumption scenarios including restaurants were heavily affected by COVID-19. Despite that most travel restrictions and quarantine requirements were lifted in December 2022, which has led to the overall recovery of consumer traffic and business activities in the first half of 2023, the number of our Ubox POSs slightly decreased during the same period. This was mainly because the Company, POS partners and some other business partners such as site owners adopted a prudent approach towards the pace of recovery in the macro-environment under the prolonged impact of the pandemic and slowed down the expansion of the POS network in the same period.

The table below sets forth our POS partners' (excluding restaurant model partners) average monthly GMV per POS of each type of our vending machines for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
POS partners' average monthly GMV per POS by type of vending machines						
Pick-and-go cabinets	2,159	1,872	2,048	2,146	1,885	2,600
Beverage vending machines	4,152	3,624	4,344	3,772	3,505	3,817
Beverage and snack vending machines	1,592	1,502	1,956	1,642	1,380	2,166
Freshly brewed beverage vending machines	–	2,107	1,330	963	998	798
Others[(1)]	590	–[(2)]	–[(2)]	–[(2)]	–[(2)]	–[(2)]
Overall	**3,850**	**2,729**	**2,933**	**2,749**	**2,512**	**2,953**

Notes:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

(2) The average monthly GMV for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 of other machines under the partner model were nil because the machines were used for free distribution of samples products, mainly infant products.

Our POS partners' (excluding restaurant model partners) average monthly GMV per POS decreased in 2020 as compared to 2019 primarily due to the impact of COVID-19. During a partial recovery from COVID-19 in 2021, their average monthly GMV per POS increased in 2021. Our POS partners' (excluding restaurant model partners) average monthly GMV per POS was lower in 2022 as compared to 2021 primarily due to the regional resurgence of COVID-19 in mainland China in 2022 which affected consumer traffic and sales. Our POS partners' (excluding restaurant model partners) average monthly GMV per POS of pick-and-go cabinets was higher in 2022 as compared to 2021 primarily due to (i) the relatively higher GMV generated by the newly developed POSs of pick-and-go cabinets, and (ii) the optimization of the POSs of pick-and-go cabinets including the removal or relocation of some of such POSs that were heavily affected by the regional resurgence of COVID-19. Our POS partners' (excluding restaurant model partners) average monthly GMV per POS increased in the first half of 2023 as compared to the same period in 2022 primarily due to the recovery of consumer traffic and sales in the first half of 2023 following the relaxation of COVID-19 policies and our POS partners' strategic closure of some under-performing POSs.

The number of POS partners (excluding restaurant model partners) increased in 2021, 2022 and the six months ended June 30, 2023 primarily due to our focus on the partner model since 2020. The table below sets forth the movement in the number of our POS partners (excluding restaurant model partners) for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Number of POS partners						
At the beginning of the period	**222**	**993**	**1,089**	**1,684**	**1,684**	**1,875**
Joined during the period	803	379	817	651	405	115
Terminated during the period	(32)	(283)	(222)	(460)[1]	(344)	(68)
At the end of the period	**993**	**1,089**	**1,684**	**1,875**[2]	**1,745**	**1,922**

Notes:

(1) There was an increasing trend of the number of POS partners terminated during the Track Record Period primarily due to the reduction of such POS partners' revenue as a result of lockdowns, standstills and other restrictive measures adopted by PRC government authorities in containing COVID-19 since 2020. The number of POS partners terminated during 2022 was higher as compared to 2021 primarily because some of the POS partners did not renew the cooperation agreements with us upon expiry. For example, some of the POS partners were unable to renew their cooperation agreements with the site owners upon expiry primarily because the site owners changed their business plans and use of the premises or the POS partners lost their POSs to other successful bidders; some of them closed their unmanned retail business amid the resurgence of COVID-19; and some of them changed their business development plans. The termination of the 460 POS partners during 2022 did not materially nor adversely affect our business operations as there were only 1,436 POSs operated under such POS partners as of December 31, 2021.

(2) There was a decrease in the number of POSs under the partner model in 2022 despite the increase in the number of our POS partners (excluding restaurant model partners) in the same period primarily because the existing and new POS partners' development and maintenance of POSs was adversely affected by the resurgence of COVID-19, during which their expansion of POS network was limited and some of their POSs were closed.

Upon expiry or termination of the cooperation agreements with the POS partners where the occupancy agreements with site owners are entered into by the Group, we will typically evaluate the quality of the POSs under such POS partners and may (i) negotiate with other POS partners and transfer such POSs to them, (ii) operate such POSs temporarily under the direct operation model pending negotiation with other POS partners for the transfer of such POSs, (iii) convert such POSs to be operated under the direct operation model, or (iv) close such POSs upon expiry of the occupancy agreements.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we cooperated with nil, nil, 15,663, 1,620 and 908 restaurant model partners, respectively. The table below sets forth the movement in the number of our restaurant model partners for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of restaurant model partners						
At the beginning of the period	–	–	–	15,663	15,663	1,620
Joined during the period	–	–	15,663	666	1,210	29
Terminated during the period	–	–	–	(14,709)	(12,609)	(741)
At the end of the period	**–**	**–**	**15,663**	**1,620**	**4,264**	**908**

Note: The numbers of restaurant model partners do not include those restaurant model partners who had contracted with us to become our POS partners but had not yet deployed any vending machines on their premises.

The number of our restaurant model partners decreased in 2022 primarily because some of our restaurant model partners did not renew their cooperation agreements with us upon expiry in the fourth quarter of 2022 as their POSs in restaurants that were heavily affected by the resurgence of COVID-19 in 2022 were removed. The effect of the movement of restaurant model partners' POSs was insignificant as their transaction GMV only amounted to RMB9.1 million, RMB46.2 million and RMB10.3 million, representing 0.4%, 2.1% and 0.9% of the total transaction GMV, in 2021, 2022 and the six months ended June 30, 2023, respectively. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, there were nil, nil, 16,962, 2,238 and 1,349 POSs operated under the restaurant model partners, respectively. As of December 31, 2021, 2022 and June 30, 2023, approximately 99.5%, 98.1% and 96.6% of the POSs operated under the restaurant model partners were located in restaurants or public venues such as gyms and cinemas, respectively. Some of the POS partners who assist with the operation of POSs at venues other than restaurants are categorized as restaurant model partners primarily because they can set the selling prices for the merchandise at their premises and are entitled to keep the difference between the transaction GMV and a predetermined merchandise price agreed with us, which is different from our profit sharing and fees arrangement with other POS partners.

Our POS partners primarily consist of individuals and enterprises with previous experience and industry knowledge in vending machine business and some of them are our former employees. Their business scope covers a wide range of industries, including but not limited to operation of vending machines, vending machine sales and leases, merchandise wholesale and retail, software technology, environmental protection technology, information security technology development, computer system services, information technology consulting services, supply chain management services, warehousing services, operation of restaurants, etc. Considering the business opportunity of the unmanned retail industry given its high growth rate and low market penetration rate, our POS partners of different background are willing to cooperate with us to capitalize on their POS resources and local expertise to tap into the unmanned retail industry, while leveraging our outstanding operational capabilities. Generally, our POS partners, including our former employees who typically had long service time in the Group with strong management skills and good performance records, have established business and social network in the local areas through their existing businesses, job positions and/or recommendations from acquaintances, which allow them to have access to more potential site owners and source more suitable POSs. For example, an information technology service provider providing software and hardware support to corporate customers typically has access to information of these customers, such as their office addresses, office settings and operation scale such as number of employees. The service provider is well-positioned to explore the possibility of placing vending machines at the office premises of its customers. Through cooperating with us under the partner model and becoming our POS partner, the service provider can strengthen its business relationship with its existing customers and further diversify its sources of income without substantial capital investment. We also have a number of individual POS partners who are able to locate potential POS sites leveraging their resources. For example, a staff member in school or hospital can also make use of his/her personal connection within his/her work place to source suitable locations and develop POSs inside or in the vicinity of his/her work place. A person who is acquainted with staff members working at locations with high consumer traffic can also get in touch with the relevant site owners through their acquaintances to consider the feasibility of setting up POSs at the premises. Our partner model allows such individuals to earn additional income with their existing connection and resources through becoming our POS partners.

The table below sets forth the respective total number of our POS partners (excluding restaurant model partners) who were individuals, sole proprietorships and corporate entities as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Individuals	708	635	1,029	969	1,042	923
Sole proprietorships	42	231	343	460	347	522
Corporate entities	243	223	312	446	356	477
Total	**993**	**1,089**	**1,684**	**1,875**	**1,745**	**1,922**

The table below sets forth the respective total number of our restaurant model partners who were individuals, sole proprietorships and corporate entities as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Individuals	–	–	15,570	1,560	4,186	870
Sole proprietorships	–	–	38	6	10	3
Corporate entities	–	–	55	54	68	35
Total	**–**	**–**	**15,663**	**1,620**	**4,264**	**908**

During the Track Record Period, 198 POS partners were our former employees. Since 2020, we have invited our then employees to become POS partners with the aim of instilling a sense of ownership among the then employees through allowing them to assist with the management of and share the transaction GMV of our POSs. The majority of the former employees who became POS partners were former executive staff from the Group's sales and marketing department with long working experience in the industry. The transition provided our former employees with stronger incentives to source and develop more and better POSs. It also optimized our management structure and reduced our staff costs, especially in light of the impact of COVID-19. There was no sharing of resources between our Group and our former employees during the operation and management of the relevant POSs. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the POSs that we operated with the assistance of such POS partners who were our former employees contributed to nil, RMB595.4 million, RMB1,199.2 million, RMB1,070.6 million and RMB528.6 million (or nil, 38.9%, 56.2%, 49.5% and 47.4%) of our transaction GMV*(Note 1)* generated from our unmanned retail business, respectively, and such GMV corresponded to, after deducting value-added tax, nil, RMB526.9 million, RMB1,061.2 million, RMB947.4 million and RMB467.8 million (or nil, 39.4%, 55.4%, 48.0% and 47.4%) of our revenue in the corresponding periods generated from our unmanned retail business, respectively. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, these POS partners assisted with the management of nil, 30,753, 33,777, 30,877 and 29,352 POSs, representing nil, 52.6%, 49.5%, 48.2% and 48.5% of our Ubox POSs*(Note 1)*, respectively. The proportions of these POS partners' transaction GMV and revenue contribution in 2020 were significantly lower than the proportion of their number of POSs as of December 31, 2020 primarily because most of our then employees had become our POS partners since mid-2020 and their POSs did not contribute to our transaction GMV and revenue for the whole year. In 2021 and 2022, the increased proportions of these POS partners' transaction GMV and revenue contribution were consistent with the proportion of their number of POSs as of December 31, 2021 and 2022, respectively. We do not expect the number of POS partners who were our former employees to increase in the future. To the best knowledge of our Directors, all of our POS partners, including our former employees, were Independent Third Parties as of the Latest Practicable Date*(Note 2)*.

Notes:

1. Excluding POSs of restaurant model partners, who have become our POS partners gradually since August 2021.

2. As of the Latest Practicable Date, among our over 2,800 POS partners, six of them were relatives of the directors, supervisors or chief executives of our insignificant subsidiaries. These POS partners do not constitute connected persons of our Company, and our transactions with them will not constitute continuing connected transactions under Chapter 14A of the Listing Rules. POSs managed by these individuals amounted to 367 as of the Latest Practicable Date, representing 0.6% of our Ubox POSs as of June 30, 2023, and contributed to nil, 0.5%, 0.8%, 0.6% and 0.6% of our transaction GMV in 2019, 2020, 2021, 2022 and June 30, 2023, respectively.

Other than the POS partners who were our former employees, we generally recruit POS partners through presentations and sharing sessions in industry exhibitions and conferences, where we can be acquainted with individuals and companies in the payment services sector and local retail markets and explore opportunities of cooperation with them. For example, during the Track Record Period, we hosted the Ubox Open Day Salon (友寶開放日沙龍活動) in 2019 and attended the 2020 INCLUSION — Bund Conference & Alipay Partner Summit (2020 INCLUSION — 外灘大會暨支付寶合作夥伴峰會) in 2020, the 2021 CCLE China Education Logistics Exhibition forum (2021 CCLE 中國教育後勤展暨論壇活動), the Alipay Jiangxi Ecological Partner Development Conference (支付寶江西生態合作夥伴發展大會), and the Alipay IoT Service Provider Conference (支付寶IoT服務商大會) in 2021. Our sales and marketing team also sources POS partners through referrals. We have formed a comprehensive set of methods for sourcing suitable POS partners in the long run and engaged 115 new POS partners in the six months ended June 30, 2023 through such measures. See "Financial Information — Business Sustainability — Further Expanding Our POS Network." To ensure the high quality of our POS partners, we have in place formalized and detailed selection criteria, which mainly include among others, value compatibility, industrial knowledge, marketing resources and credit status. We serve and manage our POS partners in various aspects including machine trainings and supports and brand management. In order to maintain the existing POS partners in the long run, we typically assist and encourage our existing POS partners to fully utilize their POS resources and expand their POS network through the provision of case studies and experience sharing. We also support the POS partners in the continuous adjustment and optimization of their POS network through the provision of machine relocation and installation services. We facilitate communication between the Group and the existing POS partners by assigning personnel in each geographical region as the contact points.

During the Track Record Period, for POS partners who were our former employees, we entered into cooperation agreements directly with site owners with respect to their initial POSs. We typically prohibit POS partners who were our former employees from cooperating with our competitors, and require them to maintain a certain number of POS sites. Save for the above, we implemented the same management measures over all of our POS partners and did not grant any preferential terms to any POS partners that were our former employees. Salient terms of our agreements with POS partners are as follows:

- *Scope of cooperation.* POS partners are primarily responsible for sourcing, establishing and bearing the costs in relation to POSs. They may help us secure sites for machines we operate and are responsible for costs for development of POSs, occupancy fees and utility costs. POS partners typically enter into cooperation agreement directly with site owners, or procure the site owners to enter into cooperation agreements with us. For POS partners who are restaurant model partners, they are generally the site owners and we enter into cooperation agreement with them directly. See "— Sourcing and Establishing Ubox POSs."

- *Term.* The agreements we enter into with the POS partners typically have a term of one year to three years.

- *Fees.* Regardless of whether we or POS partners enter into the cooperation agreement with site owners, POS partners are responsible for the occupancy fees and utility costs. We also generally charge POS partners a monthly rental for deploying each machine to POSs secured by them, one-off installation fee for each machine deployed and transaction fees charged by third-party payment service providers for purchases on each machine. These fees and costs are deducted from their share of transaction GMV.

- *Settlement.* We settle payments by bank transfer on a monthly basis.

- *Termination.* We have the right to unilaterally terminate the agreement when the POS partner is in material breach of the agreement, such as using the machines as debt security, and altering the system software or the machines' payment collection settings.

- *Profit sharing and settlement.* For our unmanned retail business, POS partners, other than restaurant model partners, are typically entitled to a share of approximately 20% to 30% of the transaction GMV, depending on the type and number of machines installed and the monthly transaction GMV, subject to deductions of their responsible costs and expenses, which typically include, among others, rent for vending machines determined with reference to the types and depreciation of the relevant vending machines and the actual amounts of occupancy fees paid by the Group (if any) and third-party payment service providers' charges. Based on our experience in the operation of the Ubox POSs under direct operation model, we estimate that, in the absence of the impact of external factors such as regional resurgence of COVID-19 and pandemic control measures taken by local governments, the POS partners' costs of maintaining POSs, including their staff costs, occupancy fees (save for POSs in locations with relatively higher occupancy fees such as transportation hubs) and utility costs, would generally account for less than approximately 20% of the transaction GMV. As such, we consider that a share of 20% to 30% of the transaction GMV is generally sufficient for the POS partners to retain some profit and cover their costs.

  For POS partners who are restaurant model partners, they only deploy pick-and-go cabinets in their premises and are generally entitled to keep the difference between the transaction GMV and the predetermined merchandise price they agreed with us. The profit sharing and fees arrangement with the restaurant model partners is different than the other POS partners, as the retail price for beverages in the restaurant scenario is much higher than in other scenarios. While we provide merchandise with competitive supply price along with restocking and other services, the restaurant model partners share profit for difference between the price set by them at their premises and the supply price charged by us. This arrangement is attractive for restaurant model partners primarily because (i) we generally offer a competitive supply price as we usually purchase in bulk from merchandise suppliers and distributors and (ii) our pick-and-go cabinets allow consumers to directly purchase and pick up beverages without any assistance from restaurant staff which further reduces the restaurant model partners' staff costs. The deployment of our machines does not compete with the restaurant model partners' business as they are entitled to the entire profit generated from the machines. Such arrangement is also favorable to the expansion of our POS network.

- *Marketing activities and discounts of merchandise prices*. POS partners may provide discounts for merchandise sold at their POSs in marketing events co-organized with the site owners or in their marketing campaign. For example, one of our POS partners cooperated with a site owner, which is a large-scale internet company, to provide discounted merchandise at the POSs located in the premises of the internet company as part of the company's employee welfare activities. Upon the POS partners' requests, the prices of merchandise at the POSs can be adjusted. The discounted amounts are borne by the POS partners and are deducted from their share of GMV.

- *Subsidies*. We provide subsidies to POS partners for, among others, POSs at transportation hubs and scenic spots where the occupancy fees are relatively higher and POSs at schools with reduced consumer traffic and sales activities amid the COVID-19 pandemic. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we provided subsidies in the amount of nil, RMB14.2 million, RMB14.3 million, RMB10.3 million, RMB4.7 million and RMB4.7 million to our POS partners, respectively.

For POS partners using their own vending machines, we provide merchandise procurement and restocking services and share transaction GMV with them while they develop and maintain their POS resources. Despite their experience and ability to operate their own vending machines, such POS partners have relatively small scale of operation and operation capabilities as compared to our Group. Through cooperating with us and integrating their POSs into our operation system, such POS partners can take advantage of our digitalization and operation capabilities and reduce their operation costs. It is also more favorable for such POS partners to focus on the improvement of their POS resources and business network.

Non-Ubox POS Operators

Our Non-Ubox POS operators primarily consist of individuals and SMEs which operate vending machines that are connected to our operation system. Their business scope includes vending machine sales and leases, merchandise sales, software development services, technology consulting services, computer software and hardware manufacturing, etc. All the vending machines operated by the Non-Ubox POS operators are operated under our operation system. Not all the vending machines operated by the Non-Ubox POS operators bear our brand name, depending on the ownership of the vending machines and site owners' requirements. In general, for the vending machines that are owned by us, the Non-Ubox POS operators are not allowed to make any changes to our brand name or logo on the vending machines, while for the vending machines that are owned by the Non-Ubox POS operators, they are not required to keep or display our brand name or logo on the vending machines. In addition, our brand name or logo on vending machines may be covered subject to specific requirements of the site owners. Non-Ubox POS operators may choose to purchase or rent our vending machines, or use their own vending machines to sell the merchandise. Since the Non-Ubox POS operators are the operators of these vending machines, they are entitled to the revenue generated in these POSs. Such model is commonly used in the vending machine industry in mainland China, according to Frost & Sullivan. By collaborating with Non-Ubox POS operators, we can leverage their resources to expand our POS network and establish our market presence.

As of June 30, 2023, we had 1,153 Non-Ubox POS operators and we had 17,554 Non-Ubox POSs connected to our operation system. The table below sets forth the movement of the Non-Ubox POSs for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of Non-Ubox POSs at the beginning of the period (A)	20,038	17,410	17,159	17,600	17,600	17,272
Number of Non-Ubox POSs opened during the period (B1)	4,584	2,917	2,240	2,680	2,155	1,278
Number of Non-Ubox POSs closed during the period (B2)	(4,021)	(2,997)	(1,934)	(3,340)	(1,760)	(1,350)
Net increase/(decrease) in the number of Non-Ubox POSs during the period (B1+B2)	563	(80)	306	(660)	395	(72)
Net increase/(decrease) in the number of Non-Ubox POSs due to change in operation model (C)	(3,191)	(171)	135	332	15	354
Number of Non-Ubox POSs at the end of the period (A+B1+B2+C)	17,410	17,159	17,600	17,272	18,010	17,554

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

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Non-Ubox POS by city tier												
Tier one cities	1,715	9.9	1,462	8.5	1,418	8.0	1,386	8.0	1,372	7.6	1,404	8.0
New tier one cities	3,661	21.0	3,525	20.5	3,593	20.4	3,575	20.7	3,773	20.9	3,740	21.3
Tier two cities	4,232	24.3	4,105	23.9	4,220	24.0	4,359	25.2	4,530	25.2	4,559	26.0
Tier three cities	4,168	23.9	4,367	25.5	4,501	25.6	4,128	23.9	4,472	24.8	4,090	23.3
Others	3,634	20.9	3,700	21.6	3,868	22.0	3,824	22.1	3,863	21.4	3,761	21.4
Total	**17,410**	**100.0**	**17,159**	**100.0**	**17,600**	**100.0**	**17,272**	**100.0**	**18,010**	**100.0**	**17,554**	**100.0**

The table below sets forth the number of Non-Ubox POSs by consumption scenario as of the dates indicated:

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Non-Ubox POS by consumption scenario												
Schools	5,013	28.8	4,965	28.9	5,208	29.6	5,152	29.8	5,311	29.5	5,469	31.2
Factories	6,676	38.3	6,602	38.5	6,369	36.2	6,164	35.7	6,473	35.9	6,063	34.5
Office premises	373	2.1	609	3.5	1,098	6.2	1,149	6.7	1,149	6.4	1,232	7.0
Public venues(1)	3,292	18.9	3,130	18.2	3,014	17.1	2,986	17.3	3,169	17.6	3,050	17.4
Transportation hubs	777	4.5	742	4.3	679	3.9	711	4.1	630	3.5	671	3.8
Restaurants	37	0.2	32	0.2	34	0.2	29	0.2	43	0.2	34	0.2
Others(2)	1,242	7.1	1,079	6.3	1,198	6.8	1,081	6.3	1,235	6.9	1,035	5.9
Total	17,410	100.0	17,159	100.0	17,600	100.0	17,272	100.0	18,010	100.0	17,554	100.0

Notes:

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

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

The table below sets forth the number of Non-Ubox POSs by type of vending machines for the periods indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Number of Non-Ubox POSs by type of vending machines						
Pick-and-go cabinets	17	112	1,526	2,331	2,328	3,071
Beverage vending machines	14,167	14,000	13,112	12,094	12,778	11,798
Beverage and snack vending machines	2,421	2,536	2,472	2,248	2,332	2,092
Others[1]	805	511	490	599	572	593
Total	**17,410**	**17,159**	**17,600**	**17,272**	**18,010**	**17,554**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

During the Track Record Period, the total number of our Non-Ubox POSs remained stable with an increasing proportion of pick-and-go cabinets. Our Non-Ubox POS operators prioritized launching of POSs of pick-and-go cabinets primarily due to the relatively low purchase and setting up costs of pick-and-go cabinets and the flexible compartment of pick-and-go cabinets which can accommodate a wide range of merchandise of different dimensions.

The table below sets forth the movement in the number of our Non-Ubox POS operators that had entered into cooperation agreements with us for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of Non-Ubox POS operators						
At the beginning of the period	**1,470**	**2,046**	**2,049**	**1,665**	**1,665**	**1,292**
Joined during the period	746	335	247	445	176	161
Expired or terminated during the period	(170)	(332)	(631)	(818)	(416)	(300)
At the end of the period	**2,046**	**2,049**	**1,665**	**1,292**	**1,425**	**1,153**

During the Track Record Period, there was an increasing trend of the reduction in the number of Non-Ubox POS operators especially since 2021, which were primarily due to the shift of our business strategy from collaborating with Non-Ubox POS operators to engaging POS partners. With the strategic shift of our business focus, we did not take the initiative to renew the existing cooperation agreements with Non-Ubox POS operators upon expiry or pursue new Non-Ubox POS operators except for merchandise wholesale customers. In order to ensure a smooth transition, generally, we did not actively terminate our existing cooperation agreements with Non-Ubox POS operators during the Track Record Period. In addition, some of our Non-Ubox POS operators had small scales of operation with less than five vending machines connected to our operation system. Those small-scale operations were much impacted by the prolonged COVID-19 pandemic when schools, transportation hubs and office premises were temporarily closed. Therefore, some small-scale Non-Ubox POS operators did not renew their cooperation agreements with us upon expiry and the number of our Non-Ubox POS operators significantly decreased in 2021 and 2022. The number of newly joined Non-Ubox POS operators increased in 2022 primarily because some of our merchandise wholesale customers using our shared warehouses entered into cooperation agreements with us to become our Non-Ubox POS operators. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, there were 4, 3, 3, 174 and 70 merchandise wholesale customers that had become our Non-Ubox POS operators, respectively. The number of merchandise wholesale customers increased in 2022 primarily because we actively expanded our shared warehouse business and some of these merchandise wholesale customers would like to use our operating system, which could potentially help them save operation costs and improve operational efficiency, and became our Non-Ubox POS operators during the same period.

The table below sets forth the respective total number of our Non-Ubox POS operators who were individuals, sole proprietorships and corporate entities as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Individuals	1,293	1,361	1,127	834	934	746
Sole proprietorships	86	80	62	52	57	57
Corporate entities	667	608	476	406	434	350
Total	**2,046**	**2,049**	**1,665**	**1,292**	**1,425**	**1,153**

The table below sets forth our Non-Ubox POS operators' average monthly GMV per POS of each type of our vending machines for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Non-Ubox POS operators' average monthly GMV per POS by type of vending machines						
Pick-and-go cabinets	695	1,563	1,410	1,371	1,261	1,617
Beverage vending machines	4,141	2,870	3,349	2,524	2,460	2,427
Beverage and snack vending machines	2,643	2,225	2,570	1,844	1,930	1,890
Others[(1)]	312	115	72	20	19	17
Overall	**3,786**	**2,671**	**3,087**	**2,212**	**2,177**	**2,152**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

Our Non-Ubox POS operators' average monthly GMV per POS decreased in 2020 as compared to 2019 primarily due to the impact of COVID-19 in 2020. During a partial recovery from COVID-19 in 2021, their average monthly GMV per POS increased in 2021. Our Non-Ubox POS operators' average monthly GMV per POS was lower in 2022 as compared to 2021 primarily due to the regional resurgence of COVID-19 in mainland China in 2022 which affected consumer traffic and sales.

The table below sets forth the revenue and cost/expenses recognition (in relation to the respective revenue generation) for Non-Ubox POSs with respect to our different business segments:

	Type of services	Revenue recognition	Cost/expenses recognition
Non-Ubox POSs	Vending machine sales and leases and/or hardware support services (optional)	Vending machine sales and leases	Cost of sales
	Merchandise wholesale (optional)	Merchandise wholesale	Cost of sales
	Operation system support	Advertising and system support services	Sales and marketing expenses, general and administrative expenses

The principal terms of the cooperation agreements are summarized as follows:

Term of agreement	:	One year to five years in general.
Renewal of agreement	:	Automatic renewal upon expiration unless either party objects in general.
Ownership of vending machines	:	Non-Ubox POS operators may choose to buy or lease vending machines from us or use their own machines. For machines sales and leases from us, see "— Our Product and Service Offerings — Vending Machine Sales and Leases."
Services provided by us	:	We provide hardware support services and operation system support to Non-Ubox POS operators per their requests. For revenue generated from advertising and system support services, such as merchandise displayed on machine racks, advertising on machine screen, we do not share such revenue with Non-Ubox POS operators. See "— Our Product and Service Offerings — Vending Machine Sales and Leases" and "— Our Product and Service Offerings — Advertising and System Support Services — Operation System Support."
Non-Ubox POS operators' responsibilities	:	Operation of vending machines, participating in our marketing campaigns during their operation.
Supply of merchandise	:	Non-Ubox POS operators may choose to: (i) purchase merchandise from us (as our buyers rather than agents) at favorable prices for selling in vending machines; or (ii) source and sell merchandise from third parties, including beverages and food manufacturers or their distributors.

Restrictions on SKUs sold in vending machines	:	Non-Ubox POS operators may be required to undertake that for the vending machines they purchased or rented from us, (i) a proportion of machine racks will be used to sell designated SKUs which shall be displayed in the manner we require; (ii) a proportion of machine racks will be used to sell SKUs as listed in our internally recommended product catalogue; and (iii) the remaining machine racks can be used to place self-selected products determined by Non-Ubox POS operators. The Non-Ubox POS operators are not required to purchase the designated or recommended SKUs from us under the cooperation agreements but we offer competitive merchandise wholesale prices.
Sales target and minimum purchase amount	:	If they choose to procure merchandise from us, Non-Ubox POS operators are required to purchase a minimum amount of merchandise from us on a monthly basis. If the actual purchase amount falls below the minimum purchase amount, the relevant Non-Ubox POS operators shall pay us certain percentage of the shortfall as service fees.
Termination	:	The agreement with Non-Ubox POS operators shall be terminated in the following manner: (i) If they rent or have outstanding installments for machines they purchased, the Non-Ubox POS operators shall notify us in writing 30 days in advance, and shall return our vending machines and settle all payments including transportation fees and maintenance fees; (ii) We have the right to unilaterally terminate the agreement when any Non-Ubox POS operator is in material breach of the agreement; and (iii) The agreement may be terminated upon mutual agreement.

Management of Our Non-Ubox POS Operators

During the Track Record Period, all of our Non-Ubox POS operators were Independent Third Parties, and most of them purchased or rented vending machines from us.

To ensure sufficient control over our Non-Ubox POS operators which purchase or rent our vending machines, we have introduced the following measures:

- *Selection of Non-Ubox POS operators*. We carefully select our Non-Ubox POS operators considering, among others, the following factors: (i) availability of suitable sites; (ii) financial conditions; (iii) commitment to our corporate culture and brand concept; and (iv) local knowledge and resources.

- *Training*. We provide guidelines and training in respect of the operation of vending machines to our Non-Ubox POS operators.

- *Vending machine operation*. The Non-Ubox POS operators should follow our operating standards and their vending machines should be connected to our operation system. We do not provide recommended prices, nor do we accept merchandise return or refund from our Non-Ubox POS operators.

- *Marketing*. Pursuant to our agreements with Non-Ubox POS operators, they are obliged to participate in our promotional activities to ensure consistent implementation of our marketing strategies.

- *Non-competition*. We only cooperate with a limited number of Non-Ubox POS operators in a geographical area to avoid cannibalization.

- *Ongoing supervision*. We closely supervise our Non-Ubox POS operators via our operation system and conduct spot checks on the quality of products sold through their vending machines regularly.

The table below sets forth a comparison of our arrangements with restaurant model partners and Non-Ubox POS operators:

	Restaurant model partners	**Non-Ubox POS operators**
Ownership of the vending machines	The vending machines, placed at the POSs of the restaurant model partners, are properties that belong to the Group.	Non-Ubox POS operators may choose to purchase or rent our vending machines, or use their own vending machines to sell the merchandise.
Scope of cooperation	The POSs are operated by the Group, including maintenance of the machines, restocking of merchandise and providing customer services. The restaurant model partners, as the site owners, are responsible for providing spaces for the deposition of vending machines and bearing utility costs.	The Non-Ubox POS operators operate their POSs that are connected to our operation system, which (i) allows them to monitor their machines' operating status in real time, (ii) generates restocking alerts and (iii) recommends restocking schedules and routing plans.
Profit sharing arrangements	The restaurant model partners keep the difference between the price set by them at their premises and the supply price charged by the Group as profit.	The Non-Ubox POS operators are entitled to all the revenue generated by their POSs and recognize the purchase prices of merchandise supplied by the Group, if any, as costs.
Type(s) of merchandise sold by the machines	Beverages only.	To be determined by the Non-Ubox POS operators and may include a wide range of merchandise, such as food, snacks and beverages.
Sourcing and restocking of merchandise	The Group procures the beverages, manages the inventory level and is responsible for restocking the POSs.	The Non-Ubox POS operators are responsible for procurement of merchandise and restocking of their POSs. They can procure merchandise from the Group or any other suppliers.

Our revenue generated from the arrangement with restaurant model partners is recorded under our unmanned retail business instead of merchandise wholesale primarily because (i) such revenue is generated from our direct sales of the merchandise to the consumers who purchase the merchandise from our pick-and-go cabinets, which does not involve sales to the restaurant model partners for the purpose of reselling to the consumers, (ii) we control the merchandise and undertake the inventory risk before the merchandise is transferred to the consumers, (iii) we are primarily responsible for fulfilling the obligation to provide the merchandise to the consumers through the vending machines, collect the payment from the consumers, and pay the differences between the merchandise prices and our supply prices to the restaurant model partners subsequently, and (iv) the supply prices of our merchandise sold to the restaurant model partners are generally higher than those to the Non-Ubox POS operators and we can control and monitor the restaurant model partners' share of profit by adjusting our supply prices.

OUR PRODUCT AND SERVICE OFFERINGS

Unmanned Retail Business

Our unmanned retail business comprises sales of FMCG through vending machines at Ubox POSs. It is based on our vast network of Ubox POSs across mainland China, supported by our data-driven operation system. By installing our vending machines at each of our Ubox POSs, we offer consumers swift and convenient access to a broad selection of FMCG, including bottled beverages, snacks and freshly brewed coffee and other beverages. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our unmanned retail business accounted for 56.5%, 70.3%, 71.6%, 78.4%, 79.9% and 78.8% of our revenue, respectively.

Machines installed at each of our Ubox POSs serve as our touch points with consumers, and are integral to our nation-wide retail platform. To facilitate our nation-wide expansion, commencing from 2020, we have actively enhanced the use of POS partners to assist us with sourcing and establishing POSs. We have since started to adopt the partner model in addition to the direct operation model as we believe this allows more flexible and efficient network expansion. See "— Our POS Network — Our POS Partners" for details of our cooperation with POS partners. We generally adopt a direct operation model for POSs at strategically important sites, such as schools and premises of KAs, which tend to have a large number of potential POS locations at a single site. See "— Our POS Network — Sourcing and Establishing Ubox POSs" for details of factors we take into consideration in deciding whether to operate a POS under the direct operation model or partner model. As of June 30, 2023, we had entered into strategic cooperation with various leading internet companies, logistics service providers, automobile manufacturers and companies from other industries, including Deppon Logistics and Xiaomi, to deploy over 6,100 POSs to their premises nationally. Under our cooperation agreements with the companies for deploying POSs to their premises, we generally set out the numbers and types of vending machines to be deployed, with the companies being responsible for providing spaces for the deposition of vending machines and bearing utility costs, and we being responsible for operating the vending machines, including maintenance of the machines, restocking of merchandise and providing customer services. The companies are generally entitled to a fixed occupancy fee or a share of the transaction GMV of the vending machines pursuant to the cooperation agreements. At other locations, we generally adopt a partner model, where we engage POS partners to assist us with sourcing and establishing POSs. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we had over 63,400, 58,400, 85,100, 66,200 and 61,800 Ubox POSs across mainland China, respectively, of which approximately 17.2%, 68.5%, 84.0%, 81.2% and 81.9% were operated under the partner model, respectively.

Our operation system is the backbone of our retail platform. Equipped with advanced telecommunication technology, each of the machines in our network is connected to our centralized operation system over the cloud operated by third-party cloud service providers, which enables our machines to instantly transmit data across our retail platform, and allows operators to constantly monitor its operating status in real time. Our operation system and vending machines have formed an inter-connected network that is able to operate without manual intervention or reconciliation of transaction data in certain material aspects, such as monitoring and evaluating the performance of existing vending machines, identifying the optimal sites for Ubox POSs, recommending the most popular and profitable merchandise at each machine in real time, constantly adjusting the merchandise mix recommendation, monitoring machine inventory level, generating restocking alerts, formulating restocking schedules and routing plans, and generating maintenance requests to our operation staff. See "— Our Technology-based Retail Platform — Our Technologies" for details.

Our data-driven operation network, comprising our suppliers, storage facilities and operation team, is closely knitted with our operation. With real-time update on the machine and inventory status, restocking and delivery route recommendation, our operation network is able to maintain a sufficient and efficient supply flow. See "— Logistics and Inventory Management."

Our Vending Machines

We install vending machines at each of our Ubox POSs across mainland China. The table below sets forth the breakdown of our Ubox POSs by city tier as of the dates indicated:

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POSs by city tier												
Tier one cities	16,625	26.2	15,836	27.1	21,572	25.3	19,929	30.1	20,281	28.0	19,611	31.7
New tier one cities	21,462	33.8	17,725	30.3	30,580	35.9	23,077	34.8	24,335	33.6	21,365	34.5
Tier two cities	15,838	25.0	15,228	26.0	22,097	26.0	14,405	21.7	18,052	25.0	13,031	21.1
Tier three cities	6,420	10.1	5,718	9.8	7,042	8.3	5,820	8.8	6,419	8.9	5,177	8.4
Others	3,106	4.9	3,960	6.8	3,848	4.5	3,001	4.6	3,232	4.5	2,704	4.3
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

The following table sets forth the GMV of vending machines at our Ubox POSs by city tier for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
GMV of vending machines by city tier												
Tier one cities	522,209	30.3	417,198	27.3	589,227	27.5	611,496	27.7	265,081	26.0	343,470	30.5
New tier one cities	528,202	30.6	489,341	32.0	695,158	32.5	815,417	36.9	384,091	37.6	397,514	35.3
Tier two cities	406,841	23.6	391,448	25.6	522,134	24.4	493,713	22.3	224,277	22.0	232,436	20.6
Tier three cities	181,903	10.6	166,219	10.9	216,450	10.1	193,836	8.8	98,610	9.7	94,258	8.4
Others	84,419	4.9	64,982	4.2	118,852	5.5	96,010	4.3	48,186	4.7	58,231	5.2
Total	**1,723,574**	**100.0**	**1,529,188**	**100.0**	**2,141,821**	**100.0**	**2,210,473**	**100.0**	**1,020,245**	**100.0**	**1,125,909**	**100.0**

Based on the specific needs of different scenarios, we design and develop, and engage third-party manufacturers to produce, a range of vending machines. During the Track Record Period, we acquired machines mainly through direct purchases, and to a lesser extent, through finance lease arrangements, with third-party manufacturers. Our major vending machines include pick-and-go cabinets, beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines. The table below sets forth the number of Ubox POSs by type of vending machines as of the dates indicated:

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		*%*		*%*		*%*		*%*		*%*
Vending machines by type												
Pick-and-go cabinets	28,443	44.8	29,841	51.1	51,933	61.0	37,660	56.9	41,080	56.8	35,381	57.2
Beverage vending machines	29,892	47.1	24,694	42.2	28,758	33.8	23,760	35.9	26,809	37.1	20,375	32.9
Beverage and snack vending machines	2,399	3.8	1,701	2.9	1,946	2.3	2,056	3.1	1,864	2.6	3,313	5.4
Freshly brewed beverage vending machines	2,201	3.5	1,831	3.1	2,054	2.4	2,353	3.6	2,134	3.0	2,421	3.9
Others[(1)]	516	0.8	400	0.7	448	0.5	403	0.6	432	0.6	398	0.6
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

The number of our vending machines increased from 2019 to 2021, which was generally in line with growth of our POS network. Both the number and percentage of pick-and-go cabinets rapidly increased from 2019 to 2021, primarily as a result of its advantages in terms of cost and versatility, rendering them suitable for a wide range of scenarios. The total number of our vending machines decreased in 2022 primarily due to the regional resurgence of COVID-19 in mainland China in the same period that affected consumer traffic in certain consumption scenarios, including restaurants. The proportion of Ubox POSs of pick-and-go cabinets slightly decreased in 2022 primarily because some of the POSs of pick-and-go cabinets located in restaurants that were heavily affected by the regional resurgence of COVID-19 were removed. The number of our Ubox POSs of pick-and-go cabinets excluding POSs of restaurant model partners increased from 34,971 as of December 31, 2021 to 35,422 as of December 31, 2022. Despite that most travel restrictions and quarantine requirements were lifted in December 2022 which has led to the overall recovery of consumer traffic and business activities in the first half of 2023, the number of our Ubox POSs slightly decreased during the same period. This was mainly because the Company, POS partners and some other business partners such as site owners adopted a prudent approach towards the pace of recovery in the macro-environment under the prolonged impact of the pandemic and slowed down the expansion of the POS network in the same period.

The table below sets forth average monthly GMV of each type of our vending machines at Ubox POSs, excluding POSs of POS partners who are restaurant model partners, for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	(RMB per machine per month)					
Monthly GMV by type of vending machines						
Pick-and-go cabinets	1,382	1,383	2,062	2,192	1,933	2,628
Beverage vending machines	4,246	3,076	4,150	3,608	3,308	3,841
Beverage and snack vending machines	2,720	2,812	3,720	2,365	2,026	3,036
Freshly brewed beverage vending machines	903	885	1,381	934	873	928
Others[(1)]	1,222	72	29	12	19	2
Overall	**3,382**	**2,180**	**2,926**	**2,700**	**2,449**	**2,992**

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

The average monthly GMV of our pick-and-go cabinets, beverage and snack vending machines and freshly brewed beverage vending machines generally increased from 2019 to 2021. The overall average monthly GMV of all our vending machines decreased during the same period primarily due to the increase in the number of pick-and-go cabinets, which individually has lower average monthly GMV in general as compared to beverage vending machines and beverage and snack vending machines. The average monthly GMV of our vending machines was generally lower in 2022 as compared to 2021 primarily due to the regional resurgence of COVID-19 in mainland China in 2022 which affected consumer traffic and sales. The average monthly GMV of our vending machines at Ubox POSs was higher in the first half of 2023 as compared to the same period in 2022 primarily due to the recovery of consumer traffic and sales in the first half of 2023 following the relaxation of COVID-19 policies and the strategic closure of some under-performing POSs.

The table below sets forth the number of Ubox POSs by consumption scenario as of the dates indicated:

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POS by consumption scenario												
Schools	14,611	23.0	18,195	31.1	19,738	23.2	18,706	28.2	19,372	26.8	17,572	28.4
Factories	16,197	25.5	13,528	23.1	17,695	20.8	16,998	25.7	17,401	24.1	16,493	26.6
Office premises	12,797	20.2	11,059	18.9	14,113	16.6	13,876	21.0	14,453	20.0	13,342	21.6
Public venues[1]	11,321	17.8	9,063	15.5	9,877	11.6	8,751	13.2	9,818	13.6	8,122	13.1
Transportation hubs	3,884	6.1	3,773	6.5	3,587	4.2	2,265	3.4	3,099	4.3	2,281	3.7
Restaurants[2]	183	0.3	129	0.2	16,490	19.4	1,636	2.5	4,308	6.0	829	1.3
Others[3]	4,458	7.0	2,720	4.7	3,639	4.3	4,000	6.0	3,868	5.3	3,249	5.2
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

Notes:

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

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

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

We continuously monitor and evaluate the performance of Ubox POSs. We define POS "pending optimization" as Ubox POSs with monthly average GMV in the respective year falling below the monthly average cost of sales and operating expenses during the same year. The concept of "pending optimization" was originated from the Group's point of view for reference of making operation and management decisions, based on the Group's estimate of operation cost of a typical POS. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, approximately 25.6%, 15.2%, 13.5%, 8.2% and 8.6% of Ubox POSs were classified as pending optimization, respectively. The table below sets out the number of Ubox POSs that were pending optimization as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Ubox POSs pending optimization						
Direct operation model	15,196	6,508	3,224	3,179	5,018	2,679
Partner model(1)	1,053	2,368	8,241	2,249	6,462	2,631
Total	16,249	8,876	11,465	5,428	11,480	5,310

Note:

(1) The number of POSs pending optimization under the partner model increased in 2021 primarily due to the expansion of POSs placed at restaurants under the partner model in the second half of 2021, which generated relatively lower monthly average GMV per POS as a result of the restrictive measures taken by local governments amid the resurgence of COVID-19 which significantly reduced opening hours and consumer traffic of restaurants.

POSs are categorized as "pending optimization" primarily due to their revenue falling short of expectation caused by the changes of surrounding business environment that affect consumer traffic in the particular locations, such as the regional development of the COVID-19 pandemic, restrictive measures taken by local governments and relocation of local businesses. POSs in their early stage of development may also record less revenue than expected and fall within the categorization of "pending optimization." For the POSs pending optimization under the direct operation model, we would consider such POS to be loss-making from the management perspective. For the POSs under the partner model, we only take into account the portion of GMV that the Group is entitled to when we determine whether such POSs should be categorized as "pending optimization." We generally consider the POSs pending optimization under partner model to have the tendency of loss-making from the Group's perspective, primarily because we have limited access to the financial information or cost structures of the POS partners and we do not share their loss (if any).

For Ubox POSs that require optimization, we will consider the need for improving or redeploying them, and accordingly formulate optimization plans by taking into account a range of factors. These factors include, among others, changes in foot traffic due to local circumstances and the expected duration of impact, the level of competition in the locations, availability of POS sites, and relationship with site owners. We will then directly, or through POS partners, implement the optimization plans. If a POS partner suffers loss in its POSs where the aggregate of its costs for development of POSs, occupancy fees and utility costs is higher than its share of the monthly GMV, it will typically take the initiative to negotiate with the site owners for better locations to place the vending machines, which will also facilitate the optimization of our POS network and the sustainability of the partner model. During the COVID-19 pandemic, some of our POS partners successfully negotiated with the site owners for reduction of occupancy fees and/or relocations of POSs.

The table below sets out the key specifications of our vending machines:

	Pick-and-go cabinet	**Beverage vending machine**	**Beverage and snack vending machine**	**Freshly brewed beverage vending machine**
Major consumption scenarios	Schools, restaurants, and office premises	Schools, factories, public venues, and transportation hubs	Schools, factories, public venues, and transportation hubs	Schools and office premises
Type of merchandise	Beverages, casual snacks and others	Bottled beverages	Beverages, casual snacks	Freshly brewed beverages
Maximum number of SKUs per machine(1)	N/A(2)	23	60	18
Capacity (maximum)	398 liters(2)	360 units	300 units	198 cups
Floor space occupied (sq.m)	0.43	0.90	1.10	0.50
Support advertising and system support services	Yes	Yes	Yes	Yes

Notes:

(1) Maximum number of SKUs means the maximum number of merchandise that can be displayed and sold in the particular type of machine.

(2) Pick-and-go cabinet has flexible compartments and can accommodate a wide range of merchandise of different dimensions. Therefore, it does not have a maximum number of SKUs, and its capacity is measured by liter.

The major categories of our vending machines are as follows:

Pick-and-go Cabinet (即選即取貨櫃)

Pick-and-go cabinet is our latest vending machine model. Equipped with the latest hardware technologies, structural design and lighting, and the combined use of biometric authentication, credit assessment algorithm and IoT technologies, pick-and-go cabinets poise to revolutionize unmanned retail by allowing consumers to open the door with facial recognition or scanning the on-screen QR code with electronic payment applications on their mobile phones and simply pick up merchandise and leave, leaving authentication and payment to technology. In contrast to traditional vending machines, which require a consumer to pay before picking up merchandise, the pick-and-go cabinet allows a biometrically authenticated consumer to open the cabinet door to directly pick up multiple merchandise in a single transaction. The pick-and-go cabinet automatically detects merchandise removed from it and check out when the consumer closes the door, simplifying the transaction process and creating a new, hassle-free consumption experience. The built-in biometric authentication device in our pick-and-go cabinet allows it to interact with the consumers' electronic wallets which support biometric authentication. Payment for merchandise is made through the consumer's electronic wallet after the door of pick-and-go cabinet is closed. Since our pick-and-go cabinet is featured by its application of electronic payment and biometric authentication, which are widely used in mainland China, cash payment is not supported in this model of vending machine. Coupled with IoT technologies, our pick-and-go cabinets can connect and exchange data with other machines and our system, which can automatically monitor their performance and machine inventory level. The inter-connection among machines allows us to monitor and manage multiple machines at the same time.

Pick-and-go cabinet has numerous advantages over traditional vending machines. The production cost of a pick-and-go cabinet is only approximately one-third that of a traditional vending machine primarily because the internal design of a pick-and-go cabinet is relatively simple and reduces the use of mechanic parts and components. In contrast to traditional vending machines, pick-and-go cabinets do not require complex internal mechanical systems, such as structures of motors and movable components, that pick up or push the selected merchandise towards the dispenser. See "Industry Overview — Cost Analysis." It is also significantly smaller in size, rendering it suitable for a wide range of indoor scenarios. Further, with flexible compartment, it can accommodate a wider range of merchandise, thereby adaptable to a broader range of scenarios. Below are pictures of our pick-and-go cabinet:

Pick-and-go Cabinet

Beverage Vending Machine (飲料售貨機)

Our beverage vending machine is seamlessly connected to our operation system. Equipped with a touch screen and biometric authentication device, it is designed to offer consumers an optimal experience in purchasing canned and bottled beverages. Consumers can authenticate their identities and make payment with their electronic wallets at our beverage vending machines through facial recognition. The built-in biometric authentication device in our beverage vending machine allows it to interact with the consumers' electronic wallets which support biometric authentication. It supports operation and automatic malfunctioning alert, thereby significantly enhancing the automation and digitalization of machine management. It also has a dynamic energy saving system that is capable of heating and cooling the merchandise, which allows operators to adjust the category of merchandise based on seasonal needs. For each transaction, the consumer selects and pays for a merchandise at the interactive display screen, and collects the merchandise at the dispenser. In addition to electronic payment such as Alipay and WeChat Pay, as of June 30, 2023, approximately 5.8% of our POSs of beverage vending machine support cash payment. Below are pictures of our beverage vending machine:

Beverage Vending Machine

Beverage and snack Vending Machine (飲料及零食售貨機)

Our beverage and snack vending machine suits various consumption scenarios. With expandable inner cabinet volume, the beverage and snack vending machine can accommodate a broad range of merchandise, including fragile items and merchandise with irregular packaging. With adjustable shelf and rack spaces, and the capability of cooling the merchandise, it has the versatility to adapt to a wide range of scenarios, allowing operators to adjust the category of merchandise based on a range of factors, including seasonal needs. For each transaction, a consumer selects and pays for a merchandise at the interactive display screen, and collects the merchandise at the dispenser. In addition to electronic payment such as Alipay and WeChat Pay, as of June 30, 2023, approximately 0.1% of our POSs of beverage and snack vending machine support cash payment. Below are pictures of our beverage and snack vending machine:

Beverage and Snack Vending Machine

Freshly brewed Beverage Vending Machine (現製飲料售貨機)

With the growing health consciousness in mainland China, there has been an increasing demand for healthy beverages and food. We have therefore developed the freshly brewed beverage vending machine, which can serve consumers with a wide selection of freshly brewed beverages on demand. This includes freshly ground and capsule coffee, tea, juice, chocolate and other special drinks such as milk tea and Chinese sweet soup. Since October 2022, we have been authorized by a well-known international capsule coffee brand to be its first capsule coffee agent for self-service coffee machines in mainland China to brew and sell its coffee capsules in our freshly brewed beverage vending machines. For each transaction, a consumer selects and pays for a beverage at the interactive display screen, and the freshly brewed beverage vending machine will automatically prepare the selected beverage with the integrated beverage maker. Our freshly brewed beverage vending machine only accepts electronic payment such as Alipay and WeChat Pay. Below are pictures of our freshly brewed beverage vending machine:

Freshly Brewed Beverage Vending Machine

Others

We also have a small number of other types of machines, such as orange juice machines and coconut juice machines. They are currently not the focus of our business and we do not expect to increase the use of such machines in the future.

Our Merchandise

The table below sets forth the major categories of products offered at our Ubox POSs as of June 30, 2023:

Product Category	Description	Price Range *(RMB)*
Beverages	Include bottled and canned water, tea, functional beverages, carbonated beverages and juice	2.5 to 8.0
Freshly brewed beverages	Include freshly brewed coffee and tea	5.0 to 13.0
Snacks	Include pastries, instant food, casual snacks, and puffed and crispy snacks	3.0 to 10.0

We seek to continuously expand and optimize the category of merchandise offered at Ubox POSs, while maintaining cost efficiency. We source our merchandise from selected suppliers across mainland China, who are generally sizable and are typically able to offer a wide range of merchandise. See "— Our Suppliers."

Pricing

Prices of our merchandise typically follow suppliers' recommended retail prices and are generally in line with prices of similar merchandise sold at their vicinity, but we are allowed to determine retail prices based on the actual circumstances. We adopt location-based tiered pricing for our merchandise, and adjust prices according to factors including cost of merchandise, competition, consumption power of consumers and inventory turnover at a particular site. With reference to these factors, during the Track Record Period, we had made both upward and downward price adjustments on the suppliers' recommended retail prices of our merchandise. We leverage our scale and data-driven inventory and operation system to lower the procurement costs of our merchandise. See "— Logistics and Inventory Management" for details.

Advertising and System Support Services

Leveraging our expansive network of POSs and our deep understanding of consumer behaviours, we offer (i) digital advertising services to advertisers, such as brand owners and merchandise suppliers and (ii) operation system support to Non-Ubox POS operators. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, advertising and system support services contributed 19.8%, 11.5%, 9.1%, 7.7%, 8.8% and 4.5% of our total revenue, respectively.

Digital Advertising Services

We leverage our technology and data analytics capabilities, as well as the sheer volume of non-personal transaction data we collect in our course of operation to enhance advertising results. For example, we use a data tagging technique to segment transaction data of each of our vending machines, thereby depicting the profiles of consumers that make purchases at that particular machine, with attributes including each consumer's spending power, purchasing frequency and preferences. We also provide data analytics reports to advertisers to aid their advertisement placement decisions.

Our retail platform allows us to provide advertisers with extensive reach across the country. With our platform's ability to physically interact with consumers, it allows advertisers to deliver engaging advertising experience to consumers. It is further complemented by our ability to precisely push advertising content to consumers' mobile devices to provide optimal marketing results. As of June 30, 2023, we had 90 digital advertising service customers.

Our digital advertising platform consists primarily of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. We offer them as stand-alone services or as customized solution packages to customers, who bear the production costs of their advertisements. During the Track Record Period, we also received service fees from Alipay China for the advertising and promotion of its payment service products. For details, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Advertising Cooperation Framework Agreement." Save for the above, during the Track Record Period, all of our digital advertising services customers were Independent Third Parties.

Display screen advertising services

The touch screens of our vending machines allow advertisers to place customized interactive or still advertising content, including posters and videos. Placed usually at area with high traffic, our display screen advertising services allow advertisers to reach and interact with specific sub-segment of the community, thereby enhancing engagement and provide consumers with unique advertising experience. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the proportions of new customers to the total number of customers of our display screen advertising services were 37.5%, nil, 33.3%, 50.0%, 50.0% and nil, respectively. We do not incur substantial costs in displaying advertisements and changing advertising content on the screens of our vending machines. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for this service line, which only comprises taxes and surcharges, amounted to approximately RMB0.2 million, RMB3,000, RMB0.02 million, RMB9,000 and RMB300, respectively. The pictures below illustrate examples of our display screen advertising services:

Interactive media advertisement

Static poster advertisement

After-payment advertising services

Each time a consumer completes a mobile payment transaction, we have the opportunity to push advertising content to their mobile devices through third-party payment applications such as Alipay and WeChat Pay. Leveraging such opportunity, we enable advertisers to effectively reach and engage their targeted consumers. For instance, in completion messages we deliver to consumers through third-party payment applications upon successful payment, we allow advertisers to build in customized advertising contents, which may, among others, include links that redirect consumers to advertisers' designated portals. We do not have any profit sharing arrangement with third-party payment service providers in relation to our after-payment advertising services. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the proportions of new customers to the total number of customers of our after-payment advertising services were 43.3%, 16.2%, 7.7%, 27.9%, 40.0% and 37.5%, respectively.

We may from time to time engage advertisement agencies as our subcontractors in the provision of our after-payment advertising services where some advertisers target to generate new consumers/users of their products/services. We cooperated with a wide range of advertisement agencies during the Track Record Period. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we cooperated with 102, 59, 19, 52, 38 and 13 advertisement agencies for the provision of our after-payment advertising services, respectively. Leveraging their abundant advertising resources including access to media channels and potential consumers, such as through mobile applications, WeChat groups and offline digital screens, such subcontractors enhance the exposure of our advertisements and help generate new customers for our advertisers. We typically pay such subcontractors based on advertising performance. The expenses paid to such subcontractors are recorded as subcontractor cost of advertising resources. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for our after-payment advertising services, which only comprises subcontractor cost of advertising resources, taxes and surcharges, amounted to approximately RMB50.8 million, RMB0.5 million, RMB57.9 million, RMB33.6 million and RMB0.5 million, respectively.

Merchandise display advertising services

The racks of our vending machines present an effective and direct medium for advertising. Increasing the units of a certain item of merchandise on display in a machine increases its exposure to, and chances of being purchased by, consumers. Our merchandise display advertising services allow advertisers to purchase additional rack spaces for key or newly introduced products. In determining the rack spaces of a particular vending machine for merchandise display advertising services, we take into account factors including the expected impact on the overall sales as well as the sales of other merchandise in the same vending machine. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the average fees we charged to each advertiser for the provision of our merchandise display advertising services were RMB1.1 million, RMB0.8 million, RMB0.7 million, RMB0.8 million, RMB0.7 million and RMB0.5 million, respectively. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the proportions of new customers to the total number of customers of our merchandise display advertising services were 9.4%, 17.4%, 32.5%, 1.5%, 7.4% and 6.0%, respectively. We do not incur substantial costs in displaying merchandise on the racks of our vending machines. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for this service line, which only comprises taxes and surcharges, amounted to approximately RMB0.6 million, RMB0.1 million, RMB0.2 million, RMB0.3 million and RMB0.2 million, respectively. The picture below illustrates an example of our merchandise display advertisement:

Machine body advertising services

The bodies of our wide range of machines represent effective medium which can be custom-designed according to advertisers’ specific requirements. Furthermore, both sides of the body of the machines, tags of the merchandise display position and merchandise dispensers are media that allow advertisers to appeal to consumers. Pop-up extensions can also be added to increase the prominence of appearance. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the average fees we charged to each advertiser for the provision of our machine body advertising services were RMB2.2 million, RMB1.1 million, RMB1.7 million, RMB0.3 million, RMB0.2 million and nil, respectively. Our average fees for the provision of our machine body advertising services decreased in 2022 and we did not provide any machine body advertising services in the first half of 2023 primarily due to the resurgence of COVID-19, which reduced consumer traffic and market demand of advertising services. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the proportions of new customers to the total number of customers of our machine body advertising services were 58.3%, 17.6%, 44.4%, 40.0%, 66.7% and nil, respectively. We do not incur substantial costs in displaying merchandise on the bodies of our vending machines. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for this service line, which only comprises taxes and surcharges, amounted to approximately RMB0.1 million, RMB0.02 million, RMB0.04 million, RMB4,000 and nil, respectively. The picture below illustrates an example of our machine body advertisements:

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2022 and 2023, approximately 11.0%, 4.2%, 2.0%, 3.6%, 2.5% and 0.5% of our Ubox POSs are used for the provision of machine body advertising services, respectively. The utilization rate of our Ubox POSs for the provision of machine body advertising services decreased during the Track Record Period primarily due to the outbreak of COVID-19 and control measures such as travel restrictions and lockdowns during the same period, which had a temporary adverse impact on consumer traffic and market demand of advertising services.

Key terms of agreements and pricing policy. Our advertising service agreements with advertisers typically have terms of less than one year. The agreements typically specify the type of advertising service, and the number and region of the machines to be deployed. We are primarily responsible for distributing advertising content of advertisers through a designated quantity of agreed medium, and the advertisers are required to, among others, ensure that the advertisement content does not breach any applicable laws and regulations. We charge advertisers unit rates for digital advertising services based on the location and type of advertising medium. In particular, we typically charge advertisers for the provision of our after-payment advertising services on a CPM, or cost per mille, basis, where advertisers are charged on the basis of the number of impressions of their advertisements (expressed in thousands) viewed by end-consumers. For key terms of our agreement with Alipay China for the advertising and promotion of its payment service products, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Advertising Cooperation Framework Agreement."

Operation System Support

We provide operation system support to Non-Ubox POS operators by allowing them to connect their machines to our operation system. By connecting their machines to our operation system, our customers can access a range of functionalities, including monitoring their machines' operating status in real time. Our system provides restocking alerts, and restocking routes and schedule recommendations to guide the operation of the Non-Ubox POS operators. Minimal costs, which primarily comprise taxes and surcharges, are allocated to this service line primarily because we do not incur substantial costs in allowing Non-Ubox POS operators to connect their machines to our operation system. Costs that are directly related to Non-Ubox POS operators to the Group's operating system were recorded as cost of revenue. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for this service line amounted to RMB0.1million, RMB0.02 million, RMB0.4 million. RMB0.1 million and RMB0.03 million, respectively, which were not material to the Group.

Pricing policy and settlement. We charge fees in relation to monthly system access and service for each machine based on the relevant costs. These fees are recognized when the related services are rendered. System access and service fees are typically settled on a monthly basis.

Merchandise Wholesale

In addition to selling directly to consumers through our retail platform, we also sell merchandise to customers (who are typically vending machine operators) on a wholesale basis as our buyers rather than agents. Some of these merchandise wholesale customers are also our Non-Ubox POS operators, who operate vending machines that are connected to our operation system. See "— Our POS Network — Non-Ubox POS Operators."

Our data-driven operation network is valuable to our merchandise wholesale customers due to our procurement cost advantage resulting from bulk purchase, and availability of storage facilities. Additionally, due to their relatively small scale of operation, it is not cost-efficient for our merchandise wholesale customers to establish and maintain their own operation network. Our wholesale merchandise primarily comprise beverages and snacks. Ownership of wholesale merchandise is transferred to our merchandise wholesale customers upon collection or delivery. Customers are typically responsible for collecting the ordered merchandise from our storage facilities.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we had 1,188, 811, 335, 496 and 730 merchandise wholesale customers, respectively. We do not restrict the appointment of, nor do we mandate selling price to, sub-wholesale customers, provided that the merchandise may only be sold in vending machines. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, 755, 600, 163, 216 and 193 of our merchandise wholesale customers were also our Non-Ubox POS operators, respectively. See "— Our POS Network — Non-Ubox POS Operators" for details. Our other merchandise wholesale customers are primarily small vending machine operators that purchase merchandise from us on a wholesale basis. We generally only allow our merchandise wholesale customers to purchase the quantity of merchandise needed to restock their vending machines for each order, thereby preventing them from selling the merchandise to consumers other than in vending machines. According to Frost & Sullivan, the arrangement between merchandise wholesale customers and us is in line with the industry norm in mainland China. During the Track Record Period, all of our merchandise wholesale customers were Independent Third Parties.

The table below sets forth the movement of our merchandise wholesale customers for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of merchandise wholesale customers						
At the beginning of the period	1,759	1,188	811	335	335	496
Increase during the period	430	185	174	286	115	384
Decrease during the period	(1,001)	(562)	(650)	(125)	(132)	(150)
At the end of the period	1,188	811	335	496	318	730

The number of our merchandise wholesale customers decreased from 2019 to 2021 primarily due to (i) business transformation or closure of some of the merchandise wholesale customers and (ii) our strategic shift of focus to unmanned retail business and the partner model with an aim to reduce our management costs in respect of merchandise wholesale customers and alleviate the impact of interruption caused by the COVID-19 pandemic in the same period. In the process of our strategic shift to unmanned retail business and the partner model, while we terminated cooperation with some merchandise wholesale customers, we launched the shared warehouse initiative, which, on top of merchandise wholesale, introduced more comprehensive services offered by us, such as warehousing, operation system management, and hardware and software support services, to the merchandise wholesale customers with a view to gradually converting them into our POS partners. Using the shared warehouse initiative as a starting point to introduce our capabilities and services to the merchandise wholesale customers, we target to deepen the business cooperation with our merchandise wholesale customers and extend the scope of our services provided to them. For example, we may assist with the operation of their POSs, provide hardware upgrades to their vending machines and replace their existing vending machines with our vending machines. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, merchandise wholesale contributed 10.9%, 6.1%, 1.5%, 5.2%, 4.7% and 8.8% of our total revenue, respectively. The increase in revenue contribution in 2022 was in line with the increase in the number of our merchandise wholesale customers in the same period. We will further promote our partner model and encourage our merchandise wholesale customers to become our POS partners through the implementation of the shared warehouse initiative and provision of our comprehensive services on top of the original merchandise wholesale business model. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, there were 166, 16, 34, 73 and 4 merchandise wholesale customers that had become our POS partners, respectively.

The principal terms of our agreements with merchandise wholesale customers are as follows:

Terms of agreement	:	Three months to one year in general.
Merchandise wholesale customers' responsibilities	:	Merchandise wholesale customers may only sell the merchandise at vending machines in general, and typically need to follow merchandise suppliers' recommended retail price. We do not prohibit merchandise wholesale customers from sourcing from other suppliers.

Return policy	:	The merchandise wholesale customers are required to inspect the quantity, appearance, shelf life and quality of the merchandise upon delivery of the merchandise. We do not accept return of merchandise after they are accepted by the merchandise wholesale customers, upon which the risk of damage and loss of merchandise is transferred to the merchandise wholesale customers.
Sales target and minimum purchase amount	:	There is no sales target or minimum purchase amount.
Termination	:	The agreement with merchandise wholesale customers may generally be terminated in the following manner: (i) unilateral termination where such merchandise wholesale customer is in material breach of the relevant agreement including selling the merchandise to consumers directly other than in vending machines; (ii) by notice; or (iii) upon mutual agreement.

Pricing Policy and Payment Terms

We typically charge a premium to our procurement costs. For Non-Ubox POS operators, full payment is typically required before delivery, and typically no credit period is granted for sale of merchandise. For other merchandise wholesale customers, we typically grant credit based on the scale of their vending machine retail sales, and the payments are settled on a monthly basis. We recognize revenue upon the transfer of control over the merchandise.

Vending Machine Sales and Leases

We sell, lease and/or provide hardware support services for vending machines to our Non-Ubox POS operator. We provide hardware support services including machine installation and maintenance services. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, vending machine sales and leases, and/or provision of hardware support services contributed 3.4%, 2.5%, 1.7%, 1.3%, 1.4% and 0.9% of our total revenue, respectively.

Non-Ubox POS operators which purchase the machines are required to pay in full or by installment. Ownership of machines will be transferred to customers upon delivery, followed by a seven-day acceptance period and a twelve-month warranty period from the delivery date. For customers who rent our vending machines, ownership of vending machines will not be transferred. Customers are responsible for machine delivery, while we provide them with the relevant hardware support services.

Pricing Policy and Payment Terms

For each machine, we typically charge our customers a one-off selling price, or monthly rental. We determine the price and rent of our machines mainly on a cost-plus basis. For machine sales, we take into account factors such as procurement costs and the level of customization required. In addition, we also consider the type of vending machines, purchase amount and year of manufacture when setting the selling prices of vending machines. For machine leasing, we take into account factors including the monthly depreciation amount. The sales consideration is recognized when the control of the machine is transferred, and the rental income is recognized over the rental period. We also charge a one-off installation fee for each machine sold, and monthly maintenance service fees for each machine. The service fees for installation and maintenance services are recognized when the related services are rendered.

Customers who purchased our machines are required to (i) pay in full, by lump-sum payment within five days after the date of the relevant agreements or (ii) pay by installments, with a portion of the total purchase price paid within five days after the date of the relevant agreements plus monthly instalments for the remaining sum for a period of one year to five years. Customers who rented our vending machine are required to pay (i) upfront rental deposits and (ii) monthly or quarterly rentals. One-off delivery service fees and deposits upon delivery of machines and maintenance service fees are settled on a monthly basis.

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the average selling price of vending machines sold was RMB12,071, RMB9,739, RMB7,749, RMB7,130 and RMB5,286, respectively. The average selling price of vending machines in 2020 was lower as compared to 2019 primarily because the beverage vending machines and the beverage and snack vending machines sold in 2020 were mainly old version machines with discounted prices. The average selling price of vending machines in 2021 was lower as compared to 2020 primarily because (i) the proportion of pick-and-go cabinets with relatively lower selling prices among the vending machines sold increased in 2021, and (ii) the beverage vending machines sold in 2021 were mainly old version machines with discounted prices. The average selling price of vending machines sold was relatively lower in 2022 primarily because the vending machines sold in the same period were mainly old version machines with discounted prices. The average selling price of vending machines sold further decreased in the first half of 2023 primarily because (i) the proportion of pick-and-go cabinets with relatively lower selling prices among the vending machines sold increased in the same period, and (ii) the vending machines sold in the same period were mainly old version machines with discounted prices.

Others

During the Track Record Period, we also offered other services, which mainly comprised mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support. These are currently not the focus of our business, and we do not expect significant growth in these business segments.

Mobile Device Distribution Services

Leveraging our digitalization capabilities and our extensive experience in vending machine operations, we enter into non-exclusive distribution arrangement with mobile phone manufacturers and offer unmanned mobile phones and accessories retail solutions to authorized resellers of major mobile phone manufacturers. We digitalize the delivery of mobile phones and accessories from mobile device resellers to consumers with our customized mobile device cabinets, namely (i) U-Buy Cloud Cabinet (優寶雲店), which is designed for the sales of mobile phones and accessories, and (ii) U-Buy Cloud Warehouse (優寶雲倉), which is designed for storage of mobile phones and accessories. Our U-Buy Cloud Cabinet and U-Buy Cloud Warehouse are customised mobile device cabinets and are not categorized under any type of vending machines under our unmanned retail business. Our mobile device distribution services were launched in 2018. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, mobile device distribution services contributed 2.2%, 7.3%, 14.5%, 6.4%, 4.0% and 5.6% of our total revenue, respectively. The decrease in revenue contribution of our mobile device distribution services in 2022 as compared to 2021 was primarily because the downstream mobile device market in mainland China was negatively affected by macro market conditions and consumer demands.

U-Buy Cloud Cabinet

U-Buy Cloud Warehouse

The U-Buy Cloud Cabinets and U-Buy Cloud Warehouses are mainly located in offline stores operated by authorized resellers of major mobile phone manufacturers. Our U-Buy Cloud Cabinets and U-Buy Cloud Warehouses are equipped with 24-hour video surveillance and visual identification technologies to avoid damage or loss of merchandise. As of June 30, 2023, we had launched three U-Buy Cloud Cabinets and 628 U-Buy Cloud Warehouses in 507 offline stores operated by authorized resellers of major mobile phone manufacturers across mainland China. Our U-Buy Cloud Cabinets with adjustable shelf and rack spaces, interactive display screen and built-in payment system are designed for retail of mobile devices to consumers, whereas our U-Buy Cloud Warehouses with built-in QR code scanner, storage cabinets and doors are designed as a means of delivery for sale of mobile devices to resellers. Mobile device resellers place orders with us instead of sourcing devices directly from manufacturers primarily because (i) we usually purchase in bulk from manufacturers, which leads to competitive pricing in general, and (ii) our strong logistics network provides hassle free delivery and warehousing services to mobile device resellers and effectively reduces their inventory risk as they can keep a lower level of stock. In the traditional sales model of mobile devices, mobile device resellers are required to order mobile devices from manufacturers' reselling agents in the respective provinces, which typically require mobile device resellers to pay in full when they place orders. Using our U-Buy Cloud Cabinets and U-Buy Cloud Warehouses, mobile device resellers can order mobile devices from us instead of manufacturers' reselling agents with a 20% deposit at the time of ordering, with the remaining amount payable upon delivery. Mobile device resellers do not have to order mobile devices through the Group in order to use the U-Buy Cloud Cabinets and U-Buy Cloud Warehouses.

Upon receiving orders from mobile device resellers, we purchase mobile phones or accessories from mobile phone manufacturers, and then sell them to the resellers. Revenue from mobile device distribution service is recognized upon transfer of control. The mobile devices sold to the resellers may be placed in our U-Buy Cloud Cabinets, which allow consumers to purchase and pick up the mobile devices on the spot when the product ownership and control are transferred to the consumers for recognizing revenue from mobile device distribution services. Apart from the U-Buy Cloud Cabinets, we deliver the products in different ways:

- *Self pick-up*. The mobile devices purchased by the resellers may be placed in our U-Buy Cloud Warehouses or in other designated third-party warehouses. After end consumers have ordered and purchased the products from the resellers, they may authorize end-consumers to pick up the products in our U-Buy Cloud Warehouses with automatically generated pick-up code or in other designated warehouses. The product ownership is transferred to the resellers once they sign on the receipt confirmations upon delivery of the mobile devices to the U-Buy Cloud Warehouses or designated third-party warehouses. Control is transferred and revenue is recognized from mobile device distribution services when the resellers or their authorized personnel, including their employees and the end-customers, pick up the mobile devices at the U-Buy Cloud Warehouses or designated third-party warehouses. Mobile devices delivered through this model contributed 97.5%, 100%, 99.8%, 99.9% and 100% of the total revenue of our mobile device distribution services in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively;

- *Door-to-door logistics*. We deliver products to the consignee at the location designated by resellers. Mobile devices delivered through this model do not use the Group's vending machines. The product ownership and control is transferred to the resellers for recognising revenue from mobile device distribution services once the mobile devices are dispatched from our warehouses. Such mobile devices did not generate material revenue during the Track Record Period;

- *Drop shipping*. We send the products by courier to the consignee on behalf of the resellers who resell the products through online retail platforms. Mobile devices delivered through this model do not use the Group's vending machines. The product ownership and control is transferred to the resellers for recognising revenue from mobile device distribution services once the mobile devices are dispatched from our warehouses. Such mobile devices did not generate material revenue during the Track Record Period.

Key terms of agreements. We enter into framework agreements with authorized resellers, pursuant to which the authorized resellers, acting as our buyers rather than agents, purchase mobile phones or accessories from us while we deliver the products. Our purchase and sales framework agreements with authorized resellers typically have terms of one year, automatically renewable unless either party objects. We do not accept merchandise return or refund from resellers, nor do we require minimum purchase amounts, minimum sales targets or mandatory reselling prices from resellers. In addition, we do not prohibit authorized resellers from sourcing from other suppliers. Agreements with authorized reseller are generally terminable by (i) unilateral termination, where the authorized reseller is in material breach of the relevant agreement; (ii) notice; and (iii) mutual agreement. Resellers may only sell the mobile phones or accessories at designated areas in mainland China.

Pricing policy and payment terms. We typically charge a premium to our procurement costs. Resellers are required to make lump-sum payments or pay by instalments. We require resellers to pay a 20% deposit at the time of ordering, with the remaining sum payable upon delivery. We typically grant a credit period of 15 to 30 days to resellers. We had not experienced any delays or defaults in payments by the mobile device resellers during the Track Record Period.

The table below sets forth the revenue, gross profit and gross profit margin attributable to mobile device distribution services during the Track Record Period.

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	(RMB in thousands, except percentages)					
Revenue	60,556	139,472	388,045	160,867	45,446	69,808
Gross profit	227	1,313	2,165	1,309	344	615
Gross profit margin	0.4%	0.9%	0.6%	0.8%	0.8%	0.9%

During the Track Record Period, the gross profit margin of our mobile device distribution services slightly fluctuated due to the changes in market price of the mobile devices. The revenue of our mobile device distribution services decreased in 2022 as compared to 2021 primarily because the downstream mobile device market in mainland China was negatively affected by macro market conditions and consumer demands.

In respect of mobile devices sold under our mobile device distribution services, we do not accept return of products from mobile device resellers. In the event that the mobile devices are defective in quality, the mobile device resellers shall send the defective products to the after-sales service centers or authorized repair centers designated by the mobile devices manufacturers.

The following table sets forth movement in the number of resellers during the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of resellers:						
At the beginning of the period	–	8	7	12	12	19
Increase during the period	8	7	8	13	3	2
Decrease during the period	–	8	3	6	8	12
Net increase/(decrease) during the period	8	(1)	5	7	(5)	(10)
At the end of the period	8	7	12	19	7	9

Note: Based on the number of resellers who entered into agreements with us for sale and purchase of mobile phones during the relevant period.

Our Directors confirmed that, as of the Latest Practicable Date, all resellers we cooperated with were Independent Third Parties. Our mobile device distribution services enable us to diversify our revenue streams and improve resellers' operational efficiency, thus achieving mutual benefits for both parties. According to Frost & Sullivan, the arrangement between resellers and us in the distribution of mobile phones and accessories is in line with the industry norm in mainland China.

Karaoke Booth Services

Our karaoke booth is a small, soundproof and air-conditioned booth where a maximum of two patrons can sing along to music from our extensive collection. We have three charging plans for our karaoke session. Patrons may choose to pay (i) by the song, (ii) purchase an all-you-can-sing session of 15, 30 or 60 minutes, or (iii) for karaoke booths outside Beijing and Shanghai, purchase a monthly pass for up to 30 minutes' daily access to the karaoke booths for one month. Below is picture of our M-Bar self-service karaoke booth:

M-Bar self-service karaoke booth

Leveraging our outstanding operational capabilities, we have established an extensive network of karaoke booths. As of June 30, 2023, we had a total of 1,706 karaoke booths under the direct operation model and 1,650 karaoke booths under franchising model, situated in 278 cities in mainland China. The following table sets forth the distribution of all karaoke booths operated by us and franchisees by type of sites as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Coverage by type of sites						
Shopping centers	2,884	1,787	1,648	1,399	1,492	1,300
Cinemas	1,496	1,195	1,087	983	1,052	914
Bathhouses	492	412	346	290	325	267
Amusement parks	383	279	301	297	279	285
Others[1]	1,155	875	715	623	670	590
Total	6,410	4,548	4,097	3,592	3,818	3,356

Note:

1. Others include karaoke lounges, office premises, factories, airports, hotels, local communities and schools.

As of June 30, 2023, our music library consisted of more than 28,000 songs in different categories. We enter into copyright licensing agreements with the China Audio-video Copyright Association, the designated association approved by the National Copyright Administration for the management of the intellectual property rights in video and audio works in mainland China, whereby we are licensed to play the video and audio works from its library in our karaoke booth for a fixed annual fee.

Operation Models

Our karaoke booths are operated either through a direct operation model or a franchising model. Under the direct operation model, we enter into cooperation agreement with the site owner. The site owner will place our karaoke booth in a designated location for (i) monthly occupancy fee together with utility cost, or (ii) a share of its monthly transaction GMV (typically 50%). In each case we will be responsible for the installation and maintenance of the karaoke booth. The terms of our agreements with site owners are typically one year. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the direct operation model contributed 94.9%, 86.7%, 94.7%, 93.2%, 93.1% and 98.5% of our revenue from our karaoke booth services, respectively.

Under the franchising model, our karaoke booths were operated by two types of franchisees during the Track Record Period, namely revenue-sharing franchisees and franchisees which purchase or rent our karaoke booths. We believe that engaging franchisees has the following benefits: (i) faster penetration into new and prime regions and locations; (ii) effective utilization of the franchisees' resources, local expertise and business network; and (iii) reducing our cost and operation risk. According to Frost & Sullivan, it is an industry norm to engage franchisees in the operation of karaoke booths in mainland China. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, revenue-sharing franchisees contributed 5.1%, 13.3%, 5.3%, 6.8%, 6.9% and 1.5% of our revenue from our karaoke booth services, respectively.

Principal terms of the two types of franchise arrangements are summarized as follows:

- *Revenue-sharing franchisees*. Under the revenue-sharing model, we enter into cooperation agreement with the franchisee. The franchisee (as our buyers rather than agents) may place our karaoke booths in any site owned or managed by it. The franchisee shall pay us a deposit and the installation and delivery fees for the karaoke booths. We are responsible for the operation and maintenance of the karaoke booths. The franchisee is generally entitled to 80% of the karaoke booths' revenue, depending on the monthly sales. Our revenue is recognized when the services are rendered.

- *Franchisees which purchase or rent our karaoke booths*. Under this model, we only sell or rent our karaoke booths to franchisees and provide the related hardware support services. The franchisee is entitled to all the revenue generated from the karaoke booths, and is responsible for the installation, operation and maintenance of the karaoke booths. We charge the franchisee (i) purchase price or rental for our machines and (ii) a monthly service fee for using our operation system support. The revenue from sales and leases of our karaoke booths is recorded under machine sales and leases, and/or provision of hardware support services. See "— Our Product and Service Offerings — Others — Karaoke Booth Sales and Leases" and "— Our Product and Service Offerings — Others — Karaoke Booth Operation System Support."

The following table sets out the number of karaoke booths operated under each model as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Karaoke booths by operation model						
Direct operation model	4,719	2,862	2,333	1,943	2,063	1,706
Franchising model where franchisees	1,691	1,686	1,764	1,649	1,755	1,650
– share part of the operating revenue	298	144	109	–	102	–
– purchase our karaoke booths	1,390	1,460	1,605	1,649	1,610	1,650
– rent our karaoke booths	3	82	50	–	43	–
Total	6,410	4,548	4,097	3,592	3,818	3,356

The following table sets out the movement in the number of our franchisees and franchised karaoke booths for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Number of franchisees:						
At the beginning of the period	808	751	728	699	699	595
Increase during the period	137	104	46	32	22	8
Decrease during the period	(194)	(127)	(75)	(136)	(42)	(12)
Net increase/(decrease)	(57)	(23)	(29)	(104)	(20)	(4)
At the end of the period	751	728	699	595	679	591
Number of franchised karaoke booths:						
At the beginning of the period	1,678	1,691	1,686	1,764	1,764	1,649
Newly opened during the period	384	329	271	174	76	60
Closed during the period	(371)	(334)	(193)	(289)	(85)	(59)
Net increase/(decrease)	13	(5)	78	(115)	(9)	1
At the end of the period	1,691	1,686	1,764	1,649	1,755	1,650

The number of karaoke booths and karaoke booth franchisees decreased during the Track Record Period primarily due to the impact of the COVID-19 pandemic. Currently, with the decrease in popularity of karaoke booths amid the COVID-19 pandemic, we plan to refocus resources to our other business segments. As a result, we do not expect the number of our karaoke booths or the number of our karaoke booth franchisees to significantly increase in the near future.

To the best knowledge of our Directors, each franchisee we engaged during the Track Record Period was an Independent Third Party.

To maintain the quality of our karaoke booths services across franchisees, we have established comprehensive policies for managing our franchisees:

- *Non-competition*. To avoid cannibalization, the franchisees are typically assigned a geographical area where they are allowed to *exclusively* deal with site owners to place our karaoke booths.

- *No minimum number of karaoke booths to be established.* We do not set requirements for minimum number of karaoke booths to be established, or minimum investment amount in our franchise arrangements.

- *Quality control.* Franchisees are required to adhere to our operating standards and practices. We assess their performance on a regular basis against our key performance indicators, such as revenue achieved and record of customer complaints. Should any franchisee consistently fall below our performance standards, we may terminate our cooperation with that franchisee. During the Track Record Period, no franchise arrangements was terminated for such reason.

Karaoke Booth Sales and Leases

We sell, lease and/or provide hardware support services for karaoke booths to karaoke booth franchisees. We provide hardware support services including machine installation and maintenance services. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, karaoke booth sales and leases, and/or provision of hardware support services for karaoke booths contributed 0.3%, 0.2%, 0.3%, 0.1%, 0.1% and 0.5% of our total revenue, respectively.

Pricing Policy and Payment Terms

For each karaoke booth, we typically charge our karaoke booth franchisees a one-off selling price, or monthly rental. We determine the price and rent of our machines mainly on a cost-plus basis. For machine sales, we take into account factors such as procurement costs and the level of customization required. In addition, we also consider the type of karaoke booths, purchase amount and year of manufacture when setting the selling prices of karaoke booths. For karaoke booth leasing, we take into account factors including the monthly depreciation amount. Karaoke booth franchisees are responsible for machine delivery, while we provide them with the relevant hardware support services. The sales consideration is recognized when the control of the machine is transferred, and the rental income is recognized over the rental period. We also charge a one-off installation fee for each machine sold, and monthly maintenance service fees for each machine. The service fees for installation and maintenance services are recognized when the related services are rendered.

Karaoke booth franchisees who purchased our machines are required to (i) pay in full, by lump-sum payment within five days after the date of the relevant agreements or (ii) pay by installments, with a portion of the total purchase price paid within five days after the date of the relevant agreements plus monthly instalments for the remaining sum for a period of one year to five years. Ownership of machines will be transferred to the karaoke booth franchisees upon delivery, followed by a seven-day acceptance period and a twelve-month warranty period from the delivery date. Karaoke booth franchisees who rented our vending machine are required to pay (i) upfront rental deposits and (ii) monthly or quarterly rentals. One-off delivery service fees and deposits upon delivery of machines and maintenance service fees are settled on a monthly basis. For karaoke booth franchisees who rent karaoke booths, ownership of the machines will not be transferred.

Karaoke Booth Operation System Support

We provide operation system support to karaoke booth franchisees by allowing them to connect their machines to our operation system. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, karaoke booth operation system support contributed 0.3%, 0.2%, 0.2%, 0.1%, 0.1% and 0.1% of our total revenue, respectively.

The karaoke booth franchisers can access our music library over the cloud operated by third-party cloud service providers and entertainment system that supports interactive functions such as ordering songs and scoring. Minimal costs, which primarily comprise taxes and surcharges, are allocated to this service line primarily because we do not incur substantial costs in allowing karaoke booth franchisees to connect their machines to our operation system. Costs that are directly related to karaoke booth franchisees to the Group's operating system were recorded as cost of revenue. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, the total cost for this service line amounted to RMB0.03 million, RMB0.01 million, RMB0.01 million, RMB0.01 million and RMB4,000, respectively, which were not material to the Group.

Pricing policy and settlement

We charge fees in relation to monthly system access and service for each machine based on the relevant costs. These fees are recognized when the related services are rendered. System access and service fees are typically settled on a monthly basis.

OUR CUSTOMERS

Customers for our unmanned retail business consist of consumers who purchase merchandise from our Ubox vending machines. Customers for our advertising and system support services mainly comprise advertisers, such as brand owners and merchandise suppliers which engage our advertising services, and Non-Ubox POS operators that connect their machines to our operation system. Customers for our merchandise wholesale and vending machine sales and leases mainly consist of merchandise wholesale customers and Non-Ubox POS operators. Customers for mobile device distribution services mainly consist of mobile device resellers. Customers for our karaoke booth services, karaoke booths sales and leases and karaoke booth operation system support mainly consist of patrons of karaoke booths under our direct operation and karaoke booth franchisees.

Major Customers

We have cultivated solid relationships with our major customers. As of June 30, 2023, we had an average of over 2 years of business relationship with our top five customers in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, all of whom were customers of our advertising and system support services, merchandise wholesale and/or mobile device distribution services categorized under others. Our top five customers in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 are primarily online payment services providers, beverages and food manufacturers and digital product sellers in mainland China. In each of 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our five largest customers in each year/period generated RMB288.8 million, RMB163.2 million, RMB408.4 million, RMB153.7 million and RMB68.0 million of revenue, accounting for 10.6%, 8.6%, 15.3%, 6.1% and 5.4% of our total revenue for the same periods, respectively. For the same periods, our largest customer in each year/period generated RMB159.2 million, RMB80.4 million, RMB120.2 million, RMB47.3 million and RMB27.1 million of revenue, respectively, accounting for 5.8%, 4.2%, 4.5%, 1.9% and 2.2% of our total revenue, respectively.

The information of our top five customers in each year during the Track Record Period is set forth below:

For the Year Ended December 31, 2019

Ranking	Customer	Products/ services provided by us	Principal business	Commencement of business relationship	Sales amount	Percentage of total revenue	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Customer A	Advertising and system support services	Online payment	2018	159,199	5.9	Pay monthly, prepayment of 70% after issuance of billing, the rest of 30% will be paid after issuance of invoice	Bank Transfer	With a registered capital of RMB1.5 billion
2	Customer B	Advertising and system support services	Brand marketing	2017	38,733	1.4	Prepayment of 10% within 90 days after signing purchase order, full amount must be paid before June 9, 2020	Bank Transfer	With a registered capital of RMB10.0 million
3	Customer C	Advertising and system support services	Internet information services	2015	31,351	1.2	Monthly payment within 15 days after receiving invoice	Bank Transfer	With a registered capital of RMB1.0 billion
4	Customer D	Mobile device distribution services categorized under others	Digital product sales	2019	31,164	1.1	No credit term	Bank Transfer	With a registered capital of RMB10.0 million
5	Customer E	Advertising and system support services	Food wholesale	2018	28,332	1.0	30 days	Bank Transfer	With a registered capital of USD8.2 million

For the Year Ended December 31, 2020

Ranking	Customer	Products/ services provided by us	Principal business	Commencement of business relationship	Sales amount	Percentage of total revenue	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Customer F	Mobile device distribution services categorized under others	Digital product sales	2020	80,378	4.2	No credit term	Bank Transfer	With a registered capital of RMB10.0 million
2	Customer A	Advertising and system support services	Online payment	2018	30,288	1.6	Pay monthly, prepayment of 70% after issuance of billing, the rest of 30% will be paid after issuance of invoice	Bank Transfer	With a registered capital of RMB1.5 billion
3	Customer G	Mobile device distribution services categorized under others	Digital product sales	2020	18,234	1.0	No credit term	Bank Transfer	N/A
4	Customer H	Advertising and system support services	Food production and sales	2016	17,497	0.9	Payment in three instalments within one year	Bank Transfer	With a registered capital of RMB550.0 million
5	Customer I	Advertising and system support services	Food production and sales	2016	16,764	0.9	Semi-annually Payment	Bank Transfer	With a registered capital of RMB650.0 million

For the Year Ended December 31, 2021

Ranking	Customer	Products/ services provided by us	Principal business	Commencement of business relationship	Sales amount	Percentage of total revenue	Credit terms	Settlement method	Business scale
					RMB'000	%			
1	Customer J	Mobile device distribution services categorized under others	Digital product sales	2020	120,234	4.5	No credit term	Bank Transfer	With a registered capital of RMB10.0 million
2	Customer K	Mobile device distribution services categorized under others	Digital product sales	2021	98,407	3.7	No credit term or 15 days if agreed by the Group	Bank Transfer	With a registered capital of RMB2.0 million
3	Customer L	Mobile device distribution services categorized under others	Digital product sales	2021	91,059	3.4	No credit term	Bank Transfer	With a registered capital of RMB5.0 million
4	Customer M	Advertising and system support services	Advertising design and agency	2019	63,744	2.4	Monthly payment	Bank Transfer	With a registered capital of RMB10.0 million
5	Customer N	Mobile device distribution services categorized under others	Digital product sales	2020	34,969	1.3	No credit term	Bank Transfer	With a registered capital of RMB5.0 million

For the Year Ended December 31, 2022

Ranking	Customer	Products/ services provided by us	Principal business	Commencement of business relationship	Sales amount	Percentage of total revenue	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Customer K	Mobile device distribution services categorized under others	Digital product sales	2021	47,290	1.9	No credit term or 15 days if agreed by the Group	Bank Transfer	With a registered capital of RMB2.0 million
2	Customer L	Mobile device Distribution services categorized under others	Digital product sales	2021	31,560	1.3	No credit term	Bank Transfer	With a registered capital of RMB10.0 million
3	Customer A	Advertising and system support services	Online payment	2018	29,930	1.2	Pay monthly, prepayment of 70% after issuance of billing, the rest of 30% will be paid after issuance of invoice	Bank Transfer	With a registered capital of RMB1.5 billion
4	Customer O	Advertising and system support services	Advertising design and agency	2022	22,696	0.9	Monthly payment	Bank Transfer	With a registered capital of RMB2.0 million
5	Customer P	Mobile device Distribution services categorized under others	Digital product sales	2022	22,226	0.9	30 days after shipment	Bank Transfer	N/A

For the Six Months Ended June 30, 2023

Ranking	Customer	Products/ services provided by us	Principal business	Commencement of business relationship	Sales amount	Percentage of total revenue	Credit terms	Settlement method	Business scale
					RMB'000	%			
1	Customer K	Mobile device distribution services categorized under others	Digital product sales	2021	27,144	2.2	1 day after delivery	Bank Transfer	With a registered capital of RMB2.0 million
2	Customer L	Mobile device distribution services categorized under others	Digital product sales	2021	18,703	1.5	3 days after delivery	Bank Transfer	With a registered capital of RMB10.0 million
3	Customer Q	Advertising and system support services	Food sales	2014	9,309	0.7	No credit term	Bank Transfer	With a registered capital of USD10.0 million
4	Customer R	Mobile device distribution services categorized under others	Digital product sales	2023	6,523	0.5	1 day after delivery	Bank Transfer	With a registered capital of RMB1.0 million
5	Customer S	Merchandise wholesale	Food sales	2021	6,331	0.5	Monthly payment within 30 days	Bank Transfer	With a registered capital of RMB19.1 million

In 2019, 2020 and 2022, Alipay China was one of our five largest customers, from whom we received service fees for the advertising and promotion of its payment service products. For details, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Advertising Cooperation Framework Agreement." During the Track Record Period, we also procured payment services through Alipay China's payment channels so as to enable our customers to conduct online transactions via our vending machines. However, such payment services were not considered as our cost of sales but our expenses, and Alipay China was accordingly not regarded as our supplier. For details, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Payment Services Framework Agreement." As of the Latest Practicable Date, save for Alipay China, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our top five customers. To the best knowledge of our Directors, save for Alipay China, each of our top five customers during the Track Record Period was an Independent Third Party.

Customer Service

We strive to optimize our customers' experience by offering high-quality customer services. We have invested significant management, financial and human resources to offer our customers personalized services across our various lines of business. We have a dedicated customer service department to handle customer queries and complaint, and provide comprehensive training to our customer service representatives to ensure consistent and high-quality service.

We maintain a 24/7 hotline, WeChat public account and Alipay mini-program to answer questions and complaints from our customers. Upon receiving feedbacks from a customer, our system will assign a customer service representative to follow up until the issue is resolved. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint from our customers.

SALES AND MARKETING

We have dedicated marketing teams for each of our business segments. Our marketing team is primarily responsible for acquiring, developing and maintaining our existing and prospective customers. With respect to unmanned retail business, we primarily expand through our direct force and POS partners.

Our direct force is mainly responsible for the development of POS partners and securing new sites for machines under the direct operation model primarily in tier one, new tier one and tier two cities. As of June 30, 2023, Ubox POS under the direct operation model covered 86 cities and 28 provincial-level administrative regions across mainland China. As of June 30, 2023, our direct force consisted of 123 employees with in-depth industrial knowledge and professional experience, who are deployed to each region based on the needs of different geographic area to maximize efficiency of POS partner development and site acquisition.

Commencing from 2020, we started to shift our marketing efforts to our partner model. We believe this model would better accommodate the nature of our business operations, as it facilitates site acquisitions and enhances our efficiency with simplified business process. See "— Our POS Network."

OUR SUPPLIERS

Our major suppliers are primarily beverages and food manufacturers, distributors and machine manufacturers in mainland China. Purchases from our top five suppliers in each year/period accounted for 22.5%, 27.7%, 32.5%, 24.5% and 27.2% of our total purchases in each of 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, and purchases from our largest supplier in each year/period accounted for 6.3%, 7.9%, 7.7%, 9.7% and 9.4% of our total purchases in the same periods, respectively. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, we had 558, 588, 539, 531 and 458 suppliers, respectively. The number of our suppliers decreased in 2022 primarily due to our termination of cooperation with some suppliers with smaller procurements to increase the level of centralized procurement with larger suppliers. The table below sets forth the details of our top five suppliers in each year during the Track Record Period:

For the Year Ended December 31, 2019

Ranking	Supplier	Products/ services purchased	Principal business	Commencement of business relationship	Purchase amount	Percentage of total purchase	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Supplier A	Machines	R&D and sales of machines	2017	109,121	6.3	Payment within one year	Bank Transfer	With a registered capital of RMB13.0 million
2	Supplier B	Beverages and food	Food production and sales	2014	94,342	5.4	Monthly payment within 60 days	Bank Transfer	With a registered capital of USD52.0 million
3	Supplier C	Beverages and food	Food production and sales	2015	72,493	4.2	Monthly payment within 65 days	Bank Transfer	With a registered capital of RMB1.5 billion
4	Supplier D	Machines	R&D, production and sales of cold chain storage and transportation equipment	2018	66,240	3.8	Monthly payment within 30 days	Bank Transfer	With a registered capital of RMB483.9 million
5	Supplier E	Beverages and food	Food production and sales	2014	48,088	2.8	Monthly payment within 60 days	Bank Transfer	With a registered capital of RMB510.7 million

For the Year Ended December 31, 2020

Ranking	Supplier	Products/ services purchased	Principal business	Commencement of business relationship	Purchase amount	Percentage of total purchase	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Supplier F	Beverages and food	Food sales	2014	94,729	7.9	No credit term	Bank Transfer	With a registered capital of USD10.0 million
2	Supplier B	Beverages and food	Food production and sales	2014	76,730	6.4	Monthly payment within 60 days	Bank Transfer	With a registered capital of USD52.0 million
3	Supplier G	Mobile devices	Technical development and sales of communication equipment	2020	74,038	6.1	Payment within one or two days	Bank Transfer	With a registered capital of RMB500.0 million
4	Supplier C	Beverages and food	Food production and sales	2015	53,760	4.5	Monthly payment within 65 days	Bank Transfer	With a registered capital of RMB1.5 billion
5	Supplier A	Machines	R&D and sales of machines	2017	34,888	2.9	Payment within one year	Bank Transfer	With a registered capital of RMB13.0 million

For the Year Ended December 31, 2021

Ranking	Supplier	Products/ services purchased	Principal business	Commencement of business relationship	Purchase amount	Percentage of total purchase	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Supplier A	Machines and food	R&D, production and sales of machines	2017	139,873	7.7	Payment within one year	Bank Transfer	With a registered capital of RMB13.0 million
2	Supplier F	Beverages and food	Food sales	2014	136,006	7.5	No credit term	Bank Transfer	With a registered capital of USD10.0 million
3	Supplier H	Mobile devices	Digital product sales	2021	126,121	6.9	Payment within one or two days	Bank Transfer	With a registered capital of RMB5.0 million
4	Supplier I	Mobile devices	Technical development and sales of communication equipment	2021	99,867	5.5	No credit term	Bank Transfer	With a registered capital of USD320.0 million
5	Supplier B	Beverages and food	Food production and sales	2014	89,202	4.9	Monthly payment within 60 days	Bank Transfer	With a registered capital of USD52.0 million

For the Year Ended December 31, 2022

Ranking	Supplier	Products/ services purchased	Principal business	Commencement of business relationship	Purchase amount	Percentage of total purchase	Credit terms	Settlement method	Business scale
					RMB'000	*%*			
1	Supplier F	Beverages and food	Food sales	2014	137,862	9.7	No credit term	Bank Transfer	With a registered capital of USD10.0 million
2	Supplier B	Beverages and food	Food production and sales	2014	81,531	5.8	Monthly payment within 60 days	Bank Transfer	With a registered capital of USD52.0 million
3	Supplier C	Beverages and food	Food production and sales	2015	48,763	3.4	Monthly payment within 65 days	Bank Transfer	With a registered capital of RMB1.5 billion
4	Supplier I	Mobile devices	Technical development and sales of communication equipment	2021	40,468	2.9	No credit term	Bank Transfer	With a registered capital of USD320.0 million
5	Supplier J	Beverages and food	Beverage production and sales	2016	39,312	2.8	Monthly payment within 45 days	Bank Transfer	With a registered capital of RMB8.0 million

For the Six Months Ended June 30, 2023

Ranking	Supplier	Products/ services purchased	Principal business	Commencement of business relationship	Purchase amount	Percentage of total purchase	Credit terms	Settlement method	Business scale
					RMB'000	%			
1	Supplier F	Beverages and food	Food sales	2014	68,456	9.4	No credit term	Bank Transfer	With a registered capital of USD10.0 million
2	Supplier B	Beverages and food	Food production and sales	2014	42,800	5.9	Monthly payment within 60 days	Bank Transfer	With a registered capital of USD52.0 million
3	Supplier K	Beverages and food	Food sales	2020	31,714	4.4	Monthly payment within 30 days	Bank Transfer	With a registered capital of RMB5.0 million
4	Supplier C	Beverages and food	Food production and sales	2015	28,241	3.9	Monthly payment within 65 days	Bank Transfer	With a registered capital of RMB1.5 billion
5	Supplier I	Mobile devices	Technical development and sales of communication equipment	2021	26,872	3.7	No credit term	Bank Transfer	With a registered capital of USD320.0 million

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our top five suppliers. To the best knowledge of our Directors, each of our top five suppliers during the Track Record Period was an Independent Third Party.

Manufacturers and Distributors of Beverages, Food and Other Merchandise

We have adopted a series of measures to effectively control our procurement costs, including among others, entering into framework agreements with merchandise suppliers to ensure stable prices for our merchandise. We also typically procure merchandise at a discount to the recommended prices set by merchandise suppliers. Therefore, we believe we are not prone to fluctuations in procurement costs. See "Financial Information — Major Factors Affecting Our Results of Operations — Our Ability to Establish and Maintain Relationships with Our Merchandise Suppliers and Enhance Our Bargaining Power."

We have formulated a comprehensive set of criteria for selecting beverages and food manufacturers, and distributors, including their brand popularity, order service, delivery service, after-sale service, and credit terms. As of June 30, 2023, we had entered into strategic cooperation with 13 well-known international FMCG brands. Taking into account the comprehensive capabilities of these FMCG brands in terms of, among other things, their brand recognition, product quality, competitive prices, delivery time and financial status, the cooperation with these FMCG brands are strategically important to our business. Our cooperation agreements with FMCG brands typically have terms of one year and cover the supply of merchandise across mainland China. The agreements typically specify description, brand names, packaging, prices and shelf life of the merchandise to be supplied. In general, the FMCG brands would guarantee the merchandise prices are the most competitive among similar supply channels. The cooperation agreements with FMCG brands are generally terminable by (i) unilateral termination, where the FMCG brand is in material breach of the relevant agreement; (ii) notice; and (iii) mutual agreement. The terms in respect of suppliers' qualifications, placing orders, delivery of merchandise, product return policies and payment terms are similar to our agreements with other merchandise suppliers. Our merchandise suppliers are required to possess necessary qualifications for the provision of the relevant merchandise and/or services. Our agreements with merchandise suppliers typically require them to (i) deliver ordered merchandise in accordance with the specification set out in the agreements within a specified time and compensate us for failure to deliver to specified destination on schedule; and (ii) accept return of obsolete, slow-moving, out-of-season and defective merchandise. We typically settle the payment by bank transfer on a monthly basis.

Machine Manufacturers

We engage machine manufacturers to produce customized machines to our specifications. For example, apart from the type and size of machines, we may also specify the design of their internal compartments, payment modules, display screen, based on the intended application scenarios. We select machine manufacturers based on a range of factors, including product quality, price, after-sale services, and payment terms. During the Track Record Period, we acquired machines mainly through direct purchases, and to a lesser extent, through finance lease arrangements with machine manufacturers.

Under our agreements with machine manufacturers, they are typically required to (i) deliver ordered machines within a specified time and take mitigation measures if they fail to deliver to specified destination on schedule; (ii) conduct full inspection before delivery according to our inspection standards; (iii) accept return of machines that do not meet our quality standards; (iv) compensate for our losses incurred due to seriously defective machines, and (v) provide after-sale services, typically with a three-year warranty period. Under direct purchase arrangement, we are typically required to pay the purchase price within 30 days upon delivery. Under finance lease arrangement, we are typically required to pay monthly rental for a term of 36 months. We typically enter into confidentiality agreements with machine manufacturers at the outset of our cooperation and rely on confidentiality provision in our procurement agreements with machine suppliers to protect our intellectual properties.

Overlapping of Major Customers and Suppliers

During the Track Record Period, ten of our major customers were also our suppliers, or vice versa. All of them were our merchandise suppliers who also procured advertising and system support services from us. According to Frost & Sullivan, it is common in the vending machine retail industry that merchandise suppliers engage vending machine operators to advertise their products.

The table below sets out our total sales to and purchases from these merchandise suppliers for the periods indicated:

	Products/ services procured from us as our customer	Products/ services to us as our supplier	For the year ended December 31,								For the six months ended June 30,	
			2019		2020		2021		2022		2023	
			Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Customer E	Advertising and system support services	Beverages and food	28,332	46,989	–	27,244	770	27,753	486	19,580	–	7,129
Customer H	Advertising and system support services	Beverages and food	12,365	25,620	17,497	28,123	1,543	1,022	–	–	–	–
Customer I	Advertising and system support services	Beverages and food	20,816	28,001	16,764	11,801	16,428	11,650	2,690	6,743	2,500	6,783
Supplier B	Advertising and system support services	Beverages and food	4,593	94,342	6,568	76,730	7,980	89,202	4,256	81,531	5,081	42,800
Supplier C	Advertising and system support services	Beverages and food	1,138	72,493	399	53,760	–	57,545	291	48,797	–	28,241
Supplier E	Advertising and system support services	Beverages and food	1,384	48,088	1,807	34,466	1,627	32,282	1,465	32,189	1,217	14,592
Supplier F	Advertising and system support services	Beverages and food	1,677	47,725	4,843	94,729	8,060	136,006	16,035	137,862	9,309	68,456
Supplier J	Advertising and system support services	Beverage and food	1,412	2,794	10,851	32,399	2,205	47,314	17,406	39,312	5,660	19,350
Customer S	Advertising and system support services	Beverage and food	–	–	–	–	–	–	849	15,217	4	13,475
Supplier K	Advertising and system support services	Beverage and food	–	–	–	1,143	–	9,782	1,548	28,200	1,377	31,714
			71,717	366,052	58,729	360,395	38,613	412,556	45,026	409,431	25,148	232,540

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, revenue from the provision of advertising and system support services to these merchandise suppliers contributed approximately 2.6%, 3.1%, 1.4%, 1.8% and 2.0% of our total revenue, respectively, and purchases from them contributed approximately 21.1%, 29.9%, 22.7%, 28.9% and 32.0% of our total purchase, respectively. During the Track Record Period, our sales and purchases with the overlapping customers and suppliers were not inter-conditional with each other.

Our Directors have confirmed that all of our sales to and purchases from these merchandise suppliers were conducted in the ordinary course of business under normal commercial terms. The terms of our agreements with these merchandise suppliers are substantially the same as those with our other merchandise suppliers and advertising and system support services customers. As of the Latest Practicable Date, to the best information and knowledge of our Directors, all of these merchandise suppliers were Independent Third Parties.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

As of June 30, 2023, our fleet had 372 operational vehicles and approximately 900 operation personnel, among whom approximately 190 were our employees and 710 were third-party contractors. Our third-party contractors are primarily responsible for delivery of merchandise, restocking and conducting regular check on the physical condition of the vending machines and merchandise. As of June 30, 2023, we operated 106 warehouses and 212 sorting centers across 121 cities and 28 provincial-level administrative regions in mainland China. Our nation-wide logistics and warehousing network helps us minimize transportation costs as it consolidates the delivery of merchandise for logistics routes in proximity and gives more room to logistics routes optimization. Our algorithms calculate optimal logistics routes based on factors such as stock level, road traffic, type of merchandise and delivery capacity, and timely adjust the logistics routes to enable centralized restocking scheduling and route planning. For further details of formulation of logistics routes, see "— Our Technology-based Retail Platform."

Inventory Management

Through our operation system, we are able to monitor information such as inventory level, movement of our SKUs and stock description on a real time basis. We place orders with our suppliers based on the results generated from our operation system. We continuously monitor our inventory levels to ensure that our inventories are optimized by adopting sales-based procurement policy for all our merchandise. In practice, we maintain data for merchandise, procurement and inventory in our centralized operation system, based on which we get daily average sales and inventory level of each SKU in each warehouse. Then we calculate the number of days of stock available for sale and determine whether to proceed to the next round of procurement, with reference to safety stock quantity and procurement-in-transit quantity. We manage the inventory level and arrange the restocking for our Ubox POSs, but not for Non-Ubox POSs. For Non-Ubox POSs connected to our centralized operation system, the operation system constantly monitors machine inventory level and generates restocking alerts to the Non-Ubox POS operators. Particularly, we pay close attention to food products. Our system will automatically alert us when the remaining shelf life is less than a third. Merchandise with shelf life of less than that as prescribed by relevant laws and regulations will be disposed of promptly. It generally takes one to five days to execute orders, from the point of placing the order to delivery. We conduct monthly and semi-annual audit to ensure the accuracy and safety of our inventory. During the Track Record Period, our inventory shrinkage rate, being the percentage of inventory lost between the point when it was received and sold, was less than 0.3%. We strive to keep our inventory turnover days for all products to an optimal level.

Operation and Maintenance Support

As of June 30, 2023, we had a team of 145 maintenance engineers nation-wide, who are responsible for ensuring the smooth operation of our POSs. We are devoted to continuously enhance our operation and maintenance support by, among others, optimizing management, providing operational skill training and incentivizing of talents. In addition, our centralized operation system sends notification to the responsible operation staff upon identification of any malfunction, which ensures timely repair of any malfunctional vending machines.

QUALITY CONTROL

We place great emphasis on the quality of the merchandise provided through our machines. Led by experienced procurement team, when evaluating our suppliers, we have established stringent screening procedures for potential suppliers. We take into account factors including industry reputation, product quality, production scale and price. We also verify all required licenses and permits before we enter into supply agreements and continuously monitor the validity of such licenses and permits of suppliers.

To ensure the high quality and safety of products offered by us, all products we procured must strictly comply with applicable standards in all respects. In the event we receive complaints from consumers or become aware of product quality issues, we will conduct a thorough inspection of various stages along the supply chain to identify issues impacting product quality and food safety. We will perform immediate risk analysis, formulating relevant measures and stringently oversee their implementation.

As a result of our stringent quality control procedures, we did not experience any material product liability or other legal claims during the Track Record Period. See "Risk Factors — Risks Relating to Our Business and Industry — Our reputation, performance and financial condition could be adversely affected by any failure to maintain effective quality control mechanism and food safety monitoring system."

RESEARCH AND DEVELOPMENT

Our retail platform hinges on two of our proprietary technologies – the mechanical structure of our vending machines and the method of communication between our vending machines and operation system. Therefore, continuous research and development to improve our core technologies is critical to our future growth and our ability to remain competitive. As of the Latest Practicable Date, we had 204 registered patents and led the technological developments of the industry in areas such as structural designs and components of vending machines, and communication technologies between vending machines and operation system.

As of June 30, 2023, we had a dedicated team of 75 personnel in our research and development team, the majority of whom had joined our Group for more than three years and held a bachelor's degree or above. Our research and development team are responsible for the design, development, maintenance and optimization of our proprietary technologies and infrastructure, including our operation system and our enterprise resource planning system. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our research and development expenses amounted to RMB57.3 million, RMB41.5 million, RMB36.8 million, RMB31.6 million, RMB17.7 million and RMB15.1 million, respectively, accounting for 2.1%, 2.2%, 1.4%, 1.3%, 1.5% and 1.2% of our total revenue in the same periods.

We have sought to collaborate with leading technology companies to explore industry application of technologies. For example, in 2018, we collaborated with Ant Group to enhance the development of our service offerings. According to our cooperation agreement with Ant Group, the research and development focus was centered around biometric authentication and merchandise recognition technologies for our pick-and-go cabinets. The technology developed was based on Ant Group's biometric authentication and merchandise recognition solutions. Currently, we are allowed to use the solutions for free, and there is no cost/profit/loss sharing arrangement between Ant Group and us. However, the terms of cooperation may be subject to changes in the future. While ownership of intellectual property rights relating to the abovementioned solutions remained with the Ant Group, we are entitled to ownership of patents with respect to the application of these underlying technologies in the context of vending machine retail.

Going forward, we will focus our research and development efforts on improving services related technologies through enhancing the capabilities of our data platform, optimizing and acquiring algorithms and expanding data applications. We will develop and introduce AI recognition technology and algorithms related to the services provided by vending machines to improve customer experience and expand business scope. We may also recruit technological talents with a view to optimize our operation system for business partners, consumers and internal control, and improve overall operating efficiency through simultaneous hardware and software upgrades.

DATA PRIVACY

In order to better serve our unmanned retail business customers, we collect transaction data including purchase orders and payment results. In the ordinary course of our business, we collect, process and store different types of data concerning our customers (primarily include consumers of merchandise sold at our POSs and end-users of our karaoke booths), business partners and employees. In particular, when end-consumers purchase merchandise at our POSs with Alipay or WeChat Pay, we collect their (i) Alipay or WeChat Pay encrypted user identification number generated by the payment applications and (ii) transaction information, such as transaction time, location of the POS, the merchandise purchased and the purchase amount. Such information collected is primarily used for our internal reconciliation and analysis of transaction data to facilitate merchandise mix optimization and procurement decision-making. To a lesser extent, where a consumer uses our customer services on our WeChat public account and Alipay mini-program, we will collect his/her mobile phone number, avatar, nickname, gender and region. Such information collected is primarily used for providing follow-up customer services. For our business partners and employees, we mainly collect their mobile phone number, location, corporate registration information and bank account number for business cooperation and employment purposes.

We have in place a comprehensive data protection policy to ensure our compliance with the applicable laws and regulations. Internally, we have formulated and adopted, among others, a Data Security Management Policy, a Data Classification and Management Policy, an Information Security Training Policy and a Network and Information System Incident Response Plan. Our internal policy provides, among others, that (i) all employees who may have access to any personal information through our systems or networks are required to observe and follow (a) our Information System Account and Authority Management Policy, which stipulates, among other things, user account registration and approval procedures for our employees to access our internal network and information system and (b) our Data Security Management Policy in handling customers information, including non-disclosure of the information to any other person other than for necessary work purposes and through proper and designated work communication channels; (ii) any customer information collected by us shall be organized and stored in accordance with our policies and guidelines that prevent unintended leakage, damage or theft; (iii) we have designated personnel to handle any data-related concern or complaints and monitor and address data security protection issues internally to safeguard the security of customer information and to ensure that we comply with the relevant PRC laws and regulations relating to data privacy; and (iv) we delete data in accordance with our established policies regarding the deletion and destruction of data. We require all of our employees and business partners to strictly adhere to our internal policies governing data privacy and security. We only collect information as necessary for our operation. In addition, we communicate with our users in an easy-to-understand manner to help them understand their rights under applicable laws and regulations. Our policies on cybersecurity and data privacy cover data protection for data transmitted on our centralized operation system over the cloud operated by third-party cloud service providers. Our third-party cloud service providers are equipped with firewall to protect against attacks or unauthorized access of our data, and they monitor the visits of the data regularly and generate reports on any suspicious or unauthorized access or attacks to us and we regularly monitor our server operations. Once we discover security issues with the server systems, we will promptly upgrade such systems to ensure the security of our server systems and applications. We also stipulate our data privacy and security requirements in the service agreements entered into with such service providers. In addition, we generally include the relevant clause in our contracts to require our contractual counterparties to comply with our policies and relevant laws and regulations on data protection and privacy.

We have put in place a comprehensive auditing mechanism across our business, to keep track of the data privacy and data security actions taken throughout the lifecycle of our products and services. To ensure the security and integrity of our data, we have adopted technical solutions such as data encryption, data backup, access control, system intrusion monitoring, and storing data under the protection of firewall to prevent unauthorized access and malicious attacks. Additionally, we update our firewall and other security systems from time to time.

With regards to the organizational and technical safeguards in place, we provide employees with trainings for data-related matters and privacy practice on a regular basis. We also have clear and strict authorization and authentication procedures for data decryption and access. Employees are required to obtain authorization for access of data, which would only be granted for data that are directly relevant and necessary to the employee's job responsibilities. Account identifications and passwords are required for our employees to sign into the data system and such account identifications and passwords are required to be updated periodically. We maintain system records for employees' access to sensitive data and our systems generate alerts for abnormal behaviors. Limited authorization is also provided to our employees holding specific positions at specific levels to access and process customer data on a need-to-know basis, who shall use such data strictly for the purposes of performing their work duty. In addition, employees are generally required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work and customers without our consent. We have adopted policies relating to administration of customer data, such as Alipay and WeChat Pay user identities, phone numbers and location, and personal information for employees with such access to comply with and conduct regular review to ensure compliance.

In addition, we utilize a complete set of data privacy and data security management systems that allow us to continuously review and improve our data protection control and procedures.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data in mainland China or any overseas market. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable data privacy laws and regulations in mainland China in all material respects, including the China Personal Information Protection Law. See "Risk Factors — Any failure to protect our customer data, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business" and "Regulatory Overview — Regulations Relating to Information Security and Privacy Protection."

INTELLECTUAL PROPERTY

As our service offerings are based on technology, intellectual property rights are essential to protect our business operations. As of the Latest Practicable Date, we held 204 patents, which covered key aspects of our operation, including structural designs and components of vending machines, and communication technologies between vending machines and operation system. As of the Latest Practicable Date, we also had 337 trademarks, 138 software copyrights, 18 domain names, 22 pending patent applications and 1 pending trademark applications in mainland China. For details about our material intellectual property rights, see "Statutory and General Information — B. Further Information about our Business — 2. Our Material Intellectual Property Rights" in Appendix IV to this document. We also entered into non-competition and confidentiality agreement with our key employees in the research and development team to protect the outcome of our research and development efforts. We have formulated operation guidelines for different stages of intellectual property application, including patent proposal, patent application, patent examination and settlement, among others, which have standardized our intellectual property application process and management of our intellectual properties. Our legal department is primarily responsible for the application, management and monitoring of our intellectual property rights.

We actively defend our material intellectual property rights where possible. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any occasion of unauthorized use of our intellectual property rights by third parties which would have a material impact to our business or operation. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand and adversely affect our business" for details. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or pending legal proceedings or claims for infringement upon third parties' intellectual property rights.

SEASONALITY

Our business is subject to seasonal fluctuations depending on the location of our POSs and the relevant time of a year. In general, we experience weaker performance in the first quarter of each year due to lower level of consumer foot traffic and consumption from vending machines, especially outdoor ones, during winter. We typically record higher level of revenue from the second to fourth quarters of each year due to the warmer weather and relatively stronger demand for vending machine retail of beverages. We are also subject to seasonal fluctuation in demand from particular scenarios. For example, POSs at schools typically record lower level of revenue during summer and winter vacations. See "Financial Information — Seasonality."

COMPETITION

The vending machine retail industry in mainland China is fragmented and has witnessed rapid growth in the past few years. According to Frost & Sullivan, the size of the unmanned retail market in mainland China in terms of retail sales value contributed by vending machines increased from approximately RMB13.1 billion in 2017 to approximately RMB28.9 billion in 2022, representing a CAGR of approximately 17.1%. See "Industry Overview — Size of Mainland China's Vending Machine Retail Market."

Our major competitors include other vending machine operators, integrated logistics companies and beverage companies that are tapping into the vending machine retail industry. We believe we are competitively positioned because of our advantages in scale, digitalization and operation capabilities, multiple operation models, extensive POS network and R&D capabilities. See "— Our Strengths."

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks in our operations, see "Risk Factors — Risks Relating to Our Business and Industry." We have established and currently maintain a comprehensive risk management and internal control system comprising policies, procedures, and reporting mechanisms in essential aspects of our business operations to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. We also have dedicated risk control specialists in our securities department to handle our risk management and internal control affairs. We embed a culture of compliance in the daily work routine of our employees through compliance trainings, and set various expectations for our employees' work performances in terms of compliance.

Our Board is responsible for establishing and monitoring our risk management and internal control systems, while our senior management oversees the daily implementation of the procedures and measures of each department. We review our risk management and internal control systems on a regular basis to adapt to the changes in market conditions and the regulatory environment and their impact on our product and service offerings. To prevent oversight, our Board has established an audit committee to make recommendations to our Directors on the appointment and removal of external auditors, review the financial statements and render advice in respect of financial reporting and internal controls, and oversee our risk management and internal control systems and any significant risks. The audit committee comprises three members, namely Ms. Guo Wei, Mr. Wang Xiaochuan and Ms. An Yufang, our independent non-executive Directors, with Ms. Guo Wei (possessing the appropriate professional qualifications) as chair. For the professional qualifications and experiences of the members of our audit committee, see "Directors, Supervisors and Senior Management."

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. Firstly, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. Secondly, employees and parties outside our Company are encouraged to provide information and report violations of professional ethics by our employees or suspected corruption cases via email. Thirdly, we carefully evaluate risk events and conduct investigations when necessary. Fourthly, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Lastly, we conduct internal control inspections regularly. Employees are required to acknowledge and accept our internal code of conduct that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery and corruption. We impose on directors, senior management and employees penalties, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption.

Information System Risk Management

Our objectives for information system management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous, stable and compliant environment. We have implemented policies and procedures to (i) monitor the key operation indicators of our operation system and give an alarm if such indicators go beyond the security thresholds; (ii) manage the authorities of our employees to access certain functions of our operation system; (iii) manage the network and hard drive capacities; and (iv) categorize system malfunctions and accidents into four levels according to their seriousness and urgency, and implement different mechanisms to fix them.

We experienced a total of six incidents where our vending machines and operation systems were out of service during the Track Record Period. In each of 2019 and 2021, there were one instance where our vending machines and operation systems were temporarily out of service for approximately 15 minutes and 4 minutes, respectively, due to system failures of third-party payment platforms as a result of such platform's own technical glitch affecting a small portion of our vending machines equipped with that third-party payment platform only, and our loss arising from each incident was estimated to be approximately RMB0.1 million. In 2022, there was one similar instance due to system failure of third-party payment platform and our estimated loss was estimated to be approximately RMB0.05 million. There was also one instance in 2019 where our vending machines and operation systems were temporarily out of service during our system upgrade affecting restocking for all of our vending machines resulting in an estimated loss of approximately RMB0.03 million. In each of 2021 and 2022, there was one instance where our database for restocking of merchandise was temporarily out of service, for approximately 1.6 hours and 50 minutes with an estimated loss of approximately RMB0.03 million and RMB0.03 million, respectively. Save as disclosed above, we had not experienced any material system failure or malfunctioning of our operation systems or our vending machines during the Track Record Period and up to the Latest Practicable Date.

When the incidents occurred, the abnormal drop in transaction amount triggered our alarm system and the personnel on duty immediately reported the malfunction to our maintenance team, who then located the malfunction in our system and/or communicated with third-party payment platforms to resolve the problems in time. To prevent the recurrence of similar incidents, we have taken the following preventive measures:

- *Regular system inspection.* We regularly inspect, among others, (i) the operation status, storage space and memory utilization of our system and database; (ii) the operation status of network equipment, utilization rate and load of network resources; and (iii) the status of our application services and the execution of the application task to prevent and detect potential system faults in advance.

- *Real-time monitoring of operation parameters.* In order to ensure the stable operation of our system and vending machines, we monitor the key operation parameters in real time and set the corresponding alarm value for each group of parameters. When a certain parameter reaches the alarm value, the alarm system will immediately notify the personnel on duty, which allows the problems to be solved in a timely manner.

- *System failure response mechanism.* We have established a system failure response mechanism through issuing "Ubox Network and Information Emergency Plan" and "Ubox System Failure Reporting and Handling Mechanism" in order to streamline the system failure reporting and handling procedure as well as minimize the harm of system failure to our business. Our Ubox Network and Information Emergency Plan and Ubox System Failure Reporting and Handling Mechanism set out emergency response measures for, among others, telecommunication failures, computer viruses, interruptions in access to our platform, hacking or other attempts to harm our platform. We defined four levels of incidents according to their nature and severity and set out the corresponding reporting protocol. We established an emergency response group for handling network and information system security incidents. Security incidents are reported to the emergency response group, which will verify the incidents and report to the management of our Group. We carried out annual system failure response drill with the relevant personnel.

EMPLOYEES

As of June 30, 2023, we had 1,135 full-time employees, all located in mainland China. The following table sets forth the number of our employees by function:

Function	Number of Employees	% of Total
Customer service and operation	833	73.4
Sales and marketing	123	10.8
General and administration	75	6.6
Research and development	104	9.2
Total	1,135	100.0

We primarily recruit our employees through a third-party recruitment platform. After collecting and approving the recruitment plans from each department on our office administration system, we will submit our recruitment plans to the recruitment platform, which will then publish them through various recruitment channels. The portfolios of candidates will be screened and assessed by our human resources department and the relevant department heads.

Our success depends on our ability to attract, retain and motivate qualified employees. We offer our employees a competitive remuneration package which includes salary, benefits, bonus and incentives. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. As required by PRC Law, we have made contributions to the various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing provident funds, for or on behalf of our employees. In addition, we provide our employees with a diverse work environment and a wide range of career development opportunities. We also organize various training programs on a regular basis for our employees to enhance their professional knowledge, improve time management skills and communications skills, and strengthen their team spirit.

As of the Latest Practicable Date, other than Guangzhou Weiji and Shanghai Huilin, which had established labor unions for its employees, our employees were not represented by any labor union. We believe that we maintain good working relationship with our employees and we had not experienced any strikes or labor disputes that had any material adverse effect to our operations during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have any material non-compliance with statutory social security insurance fund and housing provident fund obligations under applicable laws. See "— Legal Proceedings and Compliance."

AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions during the Track Record Period and up to the Latest Practicable Date.

Award/Recognition	Issuing Entity	Time of Receipt
Beverage Creative Marketing Silver Award, Technical Marketing Silver Award and Media Creative Category Bronze Award, and Tiger Roar Awards (飲料創意營銷銀獎、技術營銷類銀獎及媒介創意類銅獎及虎嘯獎)	China Advertising Association of Commerce (中國商務廣告協會)	May 2019
2019 (Industry) Influential Brand Award (2019(行業)影響力品牌獎)	China Finance Summit (中國財經峰會)	July 2019
2019 Excellent Operator (2019年度優秀運營商)	Asia-Pacific Self-service Vending Industry Association (亞太自助售貨行業聯合會)	November 2019
ONE Payment Business Transformation Award (ONE支付商業轉型獎)	Alibaba Group (阿里巴巴集團)	December 2019
WISE 2020 King of New Economy – Most Influential Enterprise in the New Retail Field (新零售領域「2020年中國新經濟之王最具影響力企業」)	36Kr (36氪創投研究院)	December 2020
2021 Edge Awards – New Consumption Ecological Service Provider of the Year (2021全球創新評選「 年度新消費生態服務商」)	TMT Post (鈦媒體)	December 2021

INSURANCE

We maintain standard benefit plans required by PRC Law, including medical insurance, maternity insurance, pension insurance, unemployment insurance and work-related injury insurance. We obtain such insurance from reputable insurance carriers in accordance with commercially reasonable standards. In line with general market practice, we do not maintain business interruption insurance or key man life insurance, which are not mandatory under the applicable laws. For a discussion of risks relating to our insurance coverage, see "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, which could expose us to significant costs and business disruption."

Our Directors believe that our insurance coverage is adequate and in line with industry norm. We periodically review our insurance coverage to ensure that it remains to be sufficient.

PROPERTIES

We are headquartered in Beijing, China. As of the Latest Practicable Date, we did not own any properties, and we operated our business through 154 leased properties in mainland China. Our leased properties had a total GFA of approximately 87,261 sq.m., which were primarily used as office premises, warehouses and staff dormitories. The duration of these leases vary from one year to six years. Rents under our leases are generally in fixed sum.

Leased Properties Pending Building Ownership Certificates (房屋所有權證)

As of the Latest Practicable Date, with respect to 102 of our leased properties with an aggregate GFA of approximately 61,809 sq.m, representing approximately 70.8% of our total leased GFA, the lessors of such leased properties had not been able to obtain or provide us with sufficient and valid building ownership certificates that evidence their rights to lease the properties or proof of authorization from property owners to sublease the properties to us. Among the leased properties without sufficient and valid building ownership certificates, in respect of 41 of such leased properties with an aggregate GFA of approximately 26,639 sq.m representing approximately 30.5% of our total leased GFA, we had obtained confirmations for approval of use from the relevant government authorities, neighborhood committees, village committees, owners or lessors. Such leased properties are used for storage, office and residential purposes.

As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease or our land use rights. Pursuant to the applicable PRC Law, if the lessors do not have the requisite rights to lease these properties, the relevant lease agreements may be deemed invalid and we may be required to vacate these properties. However, in the event that we are unable to continue using such properties due to third parties' claims or challenges against the leases or our land use rights, based on the advice of our PRC Legal Advisor, we, as the tenant, will have the right to claim compensation from the lessors.

In view of the foregoing, our Directors are of the view that the abovementioned title defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our leases with respect to these defective leased properties had not been subject to claims or disputes in connection with rights to lease and use such leased properties during the Track Record Period and up to the Latest Practicable Date, (ii) we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so; and (iii) considering these defective leased properties are geographically dispersed across mainland China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to a significant number of these defective leased properties.

Leased Properties with Usage Defects

As of the Latest Practicable Date, the actual use of 7 of our leased properties with an aggregate GFA of 3,496 sq.m., representing approximately 4.0% of our total leased GFA, did not fit into the prescribed scope of usage shown on the relevant ownership certificates.

Our PRC Legal Advisor advised us that, administrative penalties may be imposed on the lessors if the properties are leased for the usage incompatible with the prescribed scope, and our usage of such leased properties with usage defects may be interrupted. As advised by our PRC Legal Advisor, if we are not able to continue to use the relevant leased properties because the lessors failed to lease the properties according to the stipulated uses, we have the right to claim compensation from the lessors in accordance with the applicable laws and regulations and/or the relevant lease agreements.

In view of the foregoing, our Directors are of the view that the abovementioned usage defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our leases with respect to these defective leased properties had not been subject to claims or disputes in connection with the actual use of such leased properties during the Track Record Period and up to the Latest Practicable Date and (ii) we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so.

Lack of Requisite Approval for Certain Leased Properties

As of the Latest Practicable Date, with respect to 10 of our leased properties built on collective land (集體用地) or allocated land (劃撥用地) with an aggregate GFA of 4,103 sq.m, representing approximately 4.7% of our total leased GFA, the lessors could not provide documents proving that the corresponding approval procedures for such properties leased to us had been completed.

As advised by our PRC Legal Advisor, properties on collective land or allocated land shall not be leased without authorization from relevant authorities. There is no guarantee that the lessors had obtained authorizations from the relevant collective economic organizations or land administration departments to lease the properties. If the lessors did not obtain the requisite approval for leasing such properties in accordance with the relevant laws and regulations, the validity of the relevant leasing contracts may be uncertain. In the event that we are not able to continue to use the leased properties, we consider that the leased properties can be replaced by other suitable properties on comparable commercial terms and at similar prices with immaterial relocation costs. In view of the foregoing, our Directors are of the view that such property defects do not have any material adverse impact on the operation of the Group.

Lease Registration

Pursuant to the applicable PRC Law, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 152 of our lease agreements with landlords were not registered with the relevant government authorities in mainland China. This was primarily due to the difficulty in procuring our lessors' cooperation in registering such leases.

Our PRC Legal Advisor advised us that, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in mainland China to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. The estimated total maximum penalty was RMB1.52 million as of the Latest Practicable Date. However, as of the Latest Practicable Date, we had not been ordered to register our lease agreements or fined by the relevant authorities in mainland China with respect to these lease agreements. In view of the foregoing, our Directors are of the view that non-registration of these lease agreements will not materially and adversely affect our business operations.

For further details on the risks associated with our leased properties, see "Risk Factors — Risks Relating to Legal, Compliance, and Regulatory Matters — Our leased property interests may be defective and our lease agreements may not be registered, our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business."

Internal Control Measures

To prevent recurrence of these potential defects in our leased properties, we have taken the following measures:

- Proactive approach and communication with our lessors. We designate our staff to proactively reach out to and communicate with lessors to obtain the relevant ownership certificates or proof of authorizations from property owners.

- Internal policies. We require all our lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them and we will not enter into lease agreements for properties with title defects. Moreover, as part of our enhanced internal policies, our lease agreements are required to be registered with relevant authorities. Upon expiry of lease agreements, we will assess the legal risks and will not renew a lease agreement if the risk is too high.

As of June 30, 2023, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets. Therefore, according to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group had been involved in any legal, arbitration or administrative proceedings, including bankruptcy or receivership proceedings, whether actual or threatened, that we believe would have a material adverse effect to our business, results of operations, financial condition or reputation. Also, our Directors had not been involved in any actual or threatened claims or litigations of material impact. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

As confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in all material respects, except as disclosed below.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

According to the relevant PRC Law, we are required to make contributions to social insurance and housing provident fund for the benefit of our employees in mainland China. During the Track Record Period and as of the Latest Practicable Date, some of our subsidiaries in mainland China did not make full contribution to the social insurance and housing provident funds for some of our employees in accordance with the relevant PRC Law. We estimate that the shortfall of social insurance payments in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 amounted to approximately RMB6.3 million, RMB2.0 million, RMB5.9 million, RMB2.6 million and RMB1.6 million, respectively, and the shortfall of housing provident fund contributions in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 amounted to approximately RMB0.5 million, RMB1.8 million, RMB1.6 million, RMB0.8 million and RMB0.4 million, respectively.

We were unable to make full social insurance and housing provident funds contributions for such employees primarily because (i) a certain number of our employees were not cooperative and refused to make full contributions to social insurance and/or housing provident funds mainly for personal reasons; and (ii) a certain number of our employees are migrant workers who were not willing to make full contributions to the social welfare schemes of the city where they temporarily reside as such contributions cannot be easily transferred among cities.

Potential Legal Consequences

As advised by our PRC Legal Advisor, pursuant to relevant PRC Law, (i) the under-contribution of social insurance within a prescribed period may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated period; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. An application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit. As advised by our PRC Legal Advisor, there is no expressed legal provision or regulation that imposes a penalty on the Group for such non-payment of housing provident fund contributions but we may be ordered to pay the outstanding amount of our housing provident fund within the prescribed period. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds, nor had we received any order or been informed to settle the deficit amount. The provisions we made on our financial statements in respect of contributions to the social insurance and housing provident funds were RMB4.3 million, RMB1.8 million, RMB4.0 million, RMB2.4 million and RMB1.4 million, respectively, in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023.

Remedial Measures

We have implemented our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC Law. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to pay in full the outstanding social insurance contributions and housing provident fund contributions for some of our employees due to their reluctance to participate in the relevant schemes. As soon as they agree that we make the relevant social security insurance and housing provident fund contributions for them, we will make such contributions for them accordingly from that point of time onwards. Moreover, we have taken the following rectification measures to mitigate future occurrence of such non-compliances:

- *Training and Advice*. Consult our PRC Legal Advisor for advice on relevant PRC Law, and strengthen legal compliance training to our personnel, including by engaging our PRC Legal Advisor to provide training to our personnel to keep us abreast of latest development of the relevant regulations;

- *Policy*. Enhance our human resources management policies, which explicitly requires social insurance and housing provident fund contributions to be made in full in accordance with applicable laws and regulations;

- *Review and record-keeping*. Designate our human resources staff to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis; and

- *Increasing awareness of developments in the law*. Regularly keep abreast of latest developments in PRC Law in relation to social insurance and housing provident funds.

We made provisions in the total amount of RMB4.3 million, RMB1.8 million, RMB4.0 million, RMB2.4 million and RMB1.4 million, respectively, on our financial statements in respect of such potential liabilities in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023. Our PRC Legal Advisor has advised us that, according to the interviews with the relevant regulatory authorities, the risk of being ordered by the government authorities on their own initiative to pay the outstanding amount of (1) the social insurance contributions for our Shenzhen, Wuhan and Hangzhou subsidiaries/branches and (2) the housing provident fund contributions for our Shenzhen, Shenyang and Quanzhou subsidiaries/branches is remote. Accordingly, we did not make provisions for contributions to the social insurance and housing provident funds for employees in the above cities. For employees of other subsidiaries/branches, provision has been made for the shortfall of social insurance and housing provident funds contributions. Taking into consideration the advice of our PRC Legal Advisor, our Directors are of the view that the provision is adequate and sufficient. We undertake to make timely payments for the deficient amount and overdue charges as soon as requested by the competent governmental authorities.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears without permission.

In view of the above, our Directors are of the view that such non-compliance did not and will not have a material adverse impact on our Group and our provisions for the shortfall related to social insurance and housing provident funds are adequate on the grounds that: (i) there were no material disputes between our employees and us regarding the social insurance or housing provident fund contributions during the Track Record Period; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities in mainland China requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; and (iv) as of the Latest Practicable Date, we had neither experienced any disagreement from relevant social insurance or housing provident fund authorities with respect to such contributions, nor received any enquiries from local tax authorities regarding social security tax payments in light of the reform plan recently promulgated in mainland China.

LICENSES, PERMITS AND REGULATORY APPROVALS

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant government authorities that are material to our business operations in mainland China. Such licenses, permits and approvals remained in full effect, and no circumstances existed that would render their revocation or cancelation.

The following table sets forth the material licenses and permits currently held by us:

No.	Licenses/Permits	Holder	Issuing Authority	Issuance Date	Expiry Date
1.	Food business license (食品經營許可證)	Guangzhou Weiji Trading Co., Ltd. (廣州偉吉貿易有限公司)	Guangzhou Haizhu District Market Supervision Administration (廣州市海珠區市場監督管理局)	June 8, 2021	June 7, 2026
2.	Food business license (食品經營許可證)	Beijing Taihe Ruitong Cloud Business Technology Co., Ltd. (北京泰和瑞通雲商科技有限公司)	Beijing Shunyi District Food and Drug Administration (北京市順義區食品藥品監督管理局)	January 7, 2022	January 6, 2027

RECENT REGULATORY DEVELOPMENT IN MAINLAND CHINA

Recent Development on Regulations Relating to Information Security and Privacy Protection

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

Having consulted with our PRC Legal Advisor, we believe that the Measures for Cybersecurity Review and Draft Cyber Data Security Regulations (if formally issued in the current form) would apply to us given that in the ordinary course of our business, we collect, process and store different types of data concerning our customers (primarily include consumers of merchandise sold at our POSs and end-users of our karaoke booths), business partners and employees, all of which would be considered as data processing activities under applicable PRC Law. In particular, when consumers purchase merchandise at our POSs with Alipay or WeChat Pay, we collect their (i) Alipay or WeChat Pay encrypted user identification number generated by the payment applications and (ii) transaction information, such as transaction time, location of the POS, the merchandise purchased and the purchase amount. Such information collected is primarily used for our internal reconciliation and analysis of transaction data to facilitate merchandise mix optimization and procurement decision-making. To a lesser extent, where a consumer uses our customer services on our WeChat public account and Alipay mini-program, we will collect his/her mobile phone number, avatar, nickname, gender and region. Such information collected is primarily used for providing follow-up customer services. We do not share any other data or information with Alipay and WeChat Pay. For our business partners and employees, we mainly collect their mobile phone number, location, corporate registration information and bank account number for business cooperation and employment purposes.

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

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

Our PRC Legal Advisor is of the view that we will be able to comply with the Measures for Cybersecurity Review and Draft Cyber Data Security Regulations (if formally issued in the current form) in all material aspects on the basis that (i) we only collect the personal information necessary for provision of the relevant services and have obtained customers' informed consent for processing such information, (ii) we have not been informed by any governmental authority in mainland China of any requirement on submission for cybersecurity review when we filed to CSRC for approval for this [**REDACTED**]; (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (iv) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on the Group's business operations; (v) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; (vi) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data; and (vii) we will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Cyber Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and adjust and enhance the Group's data protection measures as appropriate.

As of the Latest Practicable Date, we had not been involved in any product, service or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Measures for Cybersecurity Review and have not been inquired, investigated, warned or penalized by any authorities in mainland China in this respect. In particular, (1) the Group has not been designated by any regulatory authority as a critical information infrastructure operator ("**CIIO**") and does not provide network products and services to CIIO, thus the Group will not pose (i) any risk that the use of its products and services could bring about the illegal control of, interference with, or destruction of critical information infrastructure ("**CII**"), (ii) any risk to CII business continuity of product and service supply disruptions, (iii) any risk to security, openness, transparency, and diversity of sources of products and services used by any CIIO; or (iv) the reliability of supply channels of any CIIO, as well as the risk of supply disruptions due to political, diplomatic, and trade factors, and (2) the Group does not process any important data or core data, thus it will not pose any risk (i) that core data or important data are stolen, leaked, damaged, or illegally used or illegally exported, or (ii) risk existing that due to listing, CII, core data or important data are affected, controlled, or maliciously used by foreign governments, as well as cybersecurity risks.

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

On September 14, 2022, the CAC released the Notice of Public Consultation on the Decision on Amending the Cybersecurity Law of the People's Republic of China (Draft for Comments) (關於公開徵求《關於修改<中華人民共和國網絡安全法>的決定(徵求意見稿)》意見的通知), or the Draft Amendment of Cybersecurity Law. The Draft Amendment of Cybersecurity Law mainly increases the legal liability for violations under the current Cybersecurity Security Law, integrates and unifies the penalties for violation of network operation security protection obligations, violation of critical information infrastructure security protection obligations and violation of personal information protection obligations.

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

Recent Development on Regulations relating to Overseas Listing

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

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

According to the Guidelines for Application of Regulatory Rules – Overseas Offering and Listing No. 1, a domestic company seeking directly listing overseas shall formulate the company's articles of association referring to the Guidelines for the Articles of Association of Listed Companies latest amended on January 5, 2022 by the CSRC (the "**Guidelines for Articles of Association**").

As advised by the PRC legal advisor, the Company's Articles of Association has been approved by the general meeting of the Shareholders held on April 8, 2022 and the Board of Directors held on April 3, 2023, which shall become effective on the [**REDACTED**]. Furthermore, the contents of the Company's Articles of Association complies with the requirements under the PRC Company Law, the Trial Measures and the Guidelines for Articles of Association.

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

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. In respect of inventory management and logistics works, we have in place a comprehensive set of internal policies and guidance to ensure the safety of our operation team in the maintenance of warehouses and operation of vehicles. To comply with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, the Company was in compliance with the relevant environmental and occupational health and safety laws and regulations in mainland China in all material aspects.

Policy on Environmental, Social and Corporate Governance

We are committed to promoting corporate social responsibility and sustainable development, and integrating them into all major aspects of our business operations. Accordingly, our Board has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the "**ESG Policy**") in accordance with the Listing Rules, which sets forth, among others, (i) the appropriate risk governance on environmental, social and governance ("**ESG**") matters, including ESG-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; and (v) ESG risk management and monitoring.

Governance

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Our Directors have overall responsibility for our ESG strategy and reporting, ensuring that our ESG policies are duly implemented and have continuous updates for full compliance with the latest standards. Our Directors also support our commitment to fulfilling our environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Our Directors' principal duties and responsibilities in respect of ESG include: (i) keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, and keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates; (ii) identifying our key stakeholders based on our business operations and understanding such stakeholders' influences and dependence with respect to ESG matters; (iii) assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate changes, to ensure our responsibilities with respect to ESG matters are met; (iv) monitoring the effectiveness and ensuring the implementation of our ESG Policy; and (v) reporting to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report.

Impacts of ESG-related Risks

We have identified the following ESG-related risks which may have an impact on our business, strategy or financial performance:

(i) *Product quality and food safety*. Our quality control mechanisms, food safety monitoring system and procurement procedures, among others, may not be adequate. For more details on our quality control systems, see " — Quality Control." The quality of the merchandise provided by our suppliers are subject to factors beyond our control. We may be subject to risks of complaints or even food safety incidents as well, and our financial condition, performance and goodwill will therefore be seriously affected.

(ii) *Supply chain management*. Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. It is crucial for us, as an unmanned retail operator, to have the ability to manage our inventory and logistics for merchandise across the country. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be exposed to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

(iii) *Climate change adaption*. Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of merchandise, fluctuation in supply and physical damage to our machines, warehouses and offices, pose safety risks to our staff, among other consequences.

(iv) *Environmental compliance*. We are subject to relevant environmental laws and regulations, such as the Energy Conservation Law (《中華人民共和國節約能源法》). For example, energy-consuming entities shall strengthen energy conservation management, formulate and implement energy conservation plans and technical measures of energy conservation, and reduce energy consumption in accordance with the principle of rational energy utilisation. Regulators may impose more stringent environmental requirements and standards on us, which may increase our operating costs.

Identification, assessment, management and mitigation of ESG-related risks

Our Directors are responsible for identifying and evaluating ESG-related risks, and formulating and assessing strategic plans and mitigating measures. We have adopted the following measures to identify, assess, manage and mitigate ESG-related risks.

Product quality and food safety

We comply with relevant laws and regulations regarding food safety in all material respects and are prudent in the processes of procurement, storage, transportation and distribution of merchandise. For details of the food safety laws and regulations that apply to us, please see "Regulatory Overview — Regulations Relating to Food Sale and Safety." We deploy our procurement team to stringently evaluate our suppliers.

Supply chain management

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or food production and operation licenses. If the suppliers are not compliant with the applicable laws and regulations regarding food safety and quality or commit misconducts, we may terminate our contracts with them. We place great emphasis on supply chain sustainability and have been promoting a responsible and low-carbon paradigm along our value chain.

Climate change adaptation

We are committed to conserving energy and water and reducing our carbon footprint. We primarily consume electricity and petroleum in our operational activities, which are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy and water, we have adopted the following targets and measures:

A. Energy and Water Consumption at our Office Premises and Warehouses

Metrics and targets. We evaluate our energy consumption using the metric of average annual power usage per sq.m and water consumption using the metric of average annual water usage per sq.m at our office premises and warehouses. In 2021, 2022 and the six months ended June 30, 2023, our estimated average power usage per sq.m was 14.0 kWh, 13.4 kWh and 7.3 kWh and average water usage per sq.m was 139.9 liters, 131.2 liters and 68.4 liters, respectively. We will seek to reduce the level of our average annual energy and water consumption by 3% over the next three years.

Measures leading to the targets. We have taken various measures, including replacing high energy consuming equipment at offices and warehouses to reduce energy consumption. For instance, we continuously monitor the energy consumption at our office premises and warehouses and repair timely when malfunction of relevant facilities resulting in abnormal power consumptions. We have also taken various initiative to conserve water. Among others, we regularly inspect our water tanks to prevent water leakage. We also seek to raise energy and water consumption awareness among our employees.

B. Energy Consumption of our Vehicles

Metrics and targets. We seek to continuously reduce energy consumption of our self-owned vehicles. We evaluate the energy consumption of our self-owned vehicles using the metrics of average annual petroleum used per vehicle. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our estimated average petroleum used per vehicle was 2.67 tons, 2.62 tons, 2.57 tons, 2.57 tons and 0.99 tons, respectively. We will seek to reduce the level of our average annual petroleum used per vehicle by approximately 16% over the next three years.

Measures leading to the targets. We will gradually replace the existing vehicles that run on petroleum with electric vehicles. We will also continue to optimize our operation system to reduce the energy consumption. More efficient restocking schedule and route planning will reduce the energy consumption in the course of merchandise transportation.

C. Energy Consumption of our Machines

The table below sets out the energy consumption of our vending machines during the Track Record Period:

	Pick-and-go cabinet	Beverage vending machine	Beverage and snack vending machine	Freshly brewed beverage vending machine
Energy consumption (Wh per unit)	120 to 500	100 to 881	111 to 406	100 to 1,700

Metrics and targets. We endeavor to proactively conserve energy in response to the government's initiatives. We evaluate the level of energy consumption of our machines with the metric of average annual power usage per POS. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, our estimated average power usage per POS was 1,992 kWh, 1,960 kWh, 1,945 kWh, 1,936 kWh and 956 kWh, respectively. We will seek to reduce the level of our average annual power usage per machine by approximately 1.3% over the next two years.

Measures leading to the targets. We have continuously optimized our machine design to reduce energy consumption. Among others, we place our machines at indoor and shaded areas, and adjust the cabinet temperature in accordance with the change of seasons to reduce energy needed for cooling and/or heating of merchandise. The refrigeration units of our machines are regularly cleaned to remove the dusts and enhance energy efficiency. We also switch our machines to energy-saving mode during time with low consumer traffic to reduce energy consumption for lighting and cooling.

Resource Consumption

We endeavor to reduce negative impact on the environment by optimizing resources consumption across our operations. In relation to our procurement and warehouses management, we adopt a "just-in-time" procurement strategy to reduce overstocks and wastes. We also seek to source from suppliers with sustainable production and operation. Packaging materials of the merchandise and machines received from the manufacturers, such as used carton boxes will either be sent to recycling companies or factories upon unboxing or passed on to the site owners together with such merchandise and machines.

In relation to resource utilization management of our offices, among others, we adopt a document management system and a paper management system with the aim to reduce the amount of paper waste used for record keeping and avoid unnecessary printing. To reduce plastic wastes, we have also installed water dispenser at our offices.

Internal Control Measures

To achieve our targets, our legal department will execute the ESG-related policies and measures, and our management team will review the execution process on a regular basis. We also plan to implement the following internal control measures, including, among others, (a) encouraging staff to switch off unused office equipment, such as computers, lights, and air-conditioners; (b) imposing temperature controls for air conditioning and keeping indoor air-conditioning temperature at 26°C at all times; (c) reducing the use of paper documents and promoting printing on both sides and using recycled paper if necessary; (d) actively using online office and video conference technologies to reduce on-site meetings; (e) encouraging the use of online system for internal administrative procedures; (f) conducting waste classification training; (g) placing waste sorting bins at our venue; and (h) recycling the packaging materials.

Our in-house legal staff are responsible for keeping abreast of the regulatory development in relation to our business and operations. In addition, we also provide opportunities to our employees to attend forums, workshops and external trainings on these related topics.

Employees

We believe that employees are an important driver of our corporate development. As an equal employment opportunity employer, we also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. As of June 30, 2023, the gender distribution of our employees were approximately 70.7% male and 29.3% female. We recognize and embrace the benefits of having a diverse Board of Directors to enhance the quality of its performance. To this end, we have adopted a board diversity policy which requires all board appointments to be based on meritocracy, and candidates to be considered against objective criteria. See "Directors, Supervisors and Senior Management — Board Diversity."

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Pursuant to the Previous Deed of AIC entered into between Mr. Wang, the principal founder of our Group, our executive Director, chief executive officer and chairman of the Board, and Mr. Chen, our executive Director (together the "**Concerted Parties**") on July 20, 2015, which upon expiry was succeeded by the Deed of AIC entered into between Mr. Wang and Mr. Chen on July 18, 2019 with a term until July 17, 2023 (both such deeds together, the "**Deeds of AIC**"), (i) Mr. Wang and Mr. Chen had agreed to consult each other and reach a unanimous consensus between themselves on the subject matters of any shareholders' resolutions or board resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations during the period each party remains a shareholder of our Company, and (ii) where a consensus cannot be reached, the matter shall be decided by the individual who holds more Shares. For more details of the Deeds of AIC, see "History and Development — Information on Our Group — Our Company."

As at the Latest Practicable Date, the Concerted Parties collectively held and controlled the voting rights attached to approximately 21.99% of our Company's total number of issued Shares. Immediately after the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into account the Unlisted Shares which may be issued upon the exercise of the options which were granted under the Pre-[**REDACTED**] Incentive Scheme), the Concerted Parties will collectively hold and control the voting rights attached to approximately [**REDACTED**]% of our Company's total number of issued Shares. Accordingly, the Concerted Parties will be our Single Largest Group of Shareholders upon [**REDACTED**], and our Company will not have any controlling shareholder as defined under the Listing Rules upon [**REDACTED**].

For details of Mr. Wang and Mr. Chen, please refer to "Directors, Supervisors and Senior Management — Directors."

COMPETING INTERESTS

Each of our Single Largest Group of Shareholders and Directors confirms that he/she or his/her respective close associates do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

The day-to-day management of the business of our Group rested primarily with our Board and our senior management as of the Latest Practicable Date. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, and our Group has two senior management (who are not Directors). Although Mr. Wang is the chairman of the Board, our chief executive officer, executive Director and also a member of the Single Largest Group of Shareholders, and Mr. Chen is our executive Director and also a member of the Single Largest Group of Shareholders, our management and operational decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industries in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors, Supervisors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board and provide independent advice to our Board committees. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting. Any connected transactions between our Group and our Single Largest Group of Shareholders or their respective associates will be subject to the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (if applicable) for a connected transaction as appropriate. We have established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Despite that the Concerted Parties will continue to hold a substantial interest in our Company and will be our Single Largest Group of Shareholders after the [**REDACTED**], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Single Largest Group of Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, technology, equipment, accesses to customers and suppliers, and employees to operate our business independently from our Single Largest Group of Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. None of our company secretary, operational personnel or administrative personnel is under the employment of our Single Largest Group of Shareholders or their respective close associates. We have also established a set of internal control measures to facilitate the effective operation of our business. For details of our Group's risk management and internal control systems, please refer to "Business — Risk Management and Internal Control."

Our Directors do not expect that there will be any other significant transactions between our Group and our Single Largest Group of Shareholders upon or shortly after the [**REDACTED**].

Based on the above, our Directors are satisfied that we have been operating independently from our Single Largest Group of Shareholders and their close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions independently according to our own business needs. We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Single Largest Group of Shareholders or their close associates. In addition, our Group has sufficient capital and credit facilities to operate our business independently, and has adequate internal resources and credit profile to support our daily operations. We do not rely on our Single Largest Group of Shareholders and/or their close associates by virtue of their provision of financial assistance.

Our Directors confirm that all non-trade amounts due to or from, and loans or guarantees provided by our Single Largest Group of Shareholders and their respective close associates, will be fully repaid or released before the [**REDACTED**]. As at the Latest Practicable Date, the amount of total borrowings and lease liabilities of our Group which involved guarantees from our Single Largest Group of Shareholders was approximately RMB90.2 million. For further details of guarantees provided by our Single Largest Group of Shareholders during the Track Record Period, see Note 36 to the Accountant's Report as set out in Appendix I. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Single Largest Group of Shareholders.

With respect to any future financial assistance to be provided to, or received from, our connected persons, including our Single Largest Group of Shareholders, our Group shall comply with the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval as appropriate, and undertake to provide or receive such financial assistance on normal commercial terms or better.

Based on the above, our Directors believe that we have the ability to operate independently from our Single Largest Group of Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of the members of our Single Largest Group of Shareholders has confirmed that he fully comprehends his obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors";

(d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Single Largest Group of Shareholders and/or our Directors on the other hand, our Single Largest Group of Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements;

(e) pursuant to the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's expense; and

(f) we have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

OVERVIEW

We have entered into a number of continuing connected transactions with Alipay China (as defined below) in our ordinary and usual course of business. The transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon completion of the [**REDACTED**].

The historical amounts disclosed in 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023 in respect of the continuing connected transactions in this section constitute only a portion of the amounts disclosed in respect of our Group's related party transactions in 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023 as set out in Note 36(b) to the Accountant's Report set forth in Appendix I. The related party transactions which do not constitute continuing connected transactions requiring disclosure in this section include (i) the transaction entered into with Ant Future (Hainan) Information Technology Co., Ltd. (formerly known as Ant Financial Services (Hainan) Digital Technology Co., Ltd.) ("**Ant Hainan**"), a wholly-owned subsidiary of Ant Group, as detailed below; and (ii) transactions between our Group and our Group's associates and joint ventures and do not constitute connected transactions requiring disclosure in this section.

On December 9, 2021, as part of our continuous efforts to expand our unmanned retail business, our Group entered into a one-off sales agreement to purchase equipment parts from Ant Hainan that form part of the screen display components in our pick-and-go cabinet. The transaction between our Group and Ant Hainan amounted to approximately RMB12.4 million in 2021. Our Directors consider that the transaction was arrived at after arm's length negotiation and that the transaction was fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Company will comply with Chapter 14A and other applicable Listing Rules after the [**REDACTED**] when necessary.

RELATIONSHIP WITH ALIPAY CHINA

Name	**Connected relationship**
Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司) ("**Alipay China**")	Shanghai Yunxin, one of our Pre-[**REDACTED**] Investors, which is a wholly-owned subsidiary of Ant Group, will hold approximately [**REDACTED**]% of the issued Shares upon [**REDACTED**] and will therefore be a substantial Shareholder. Alipay China is a wholly-owned subsidiary of Ant Group and therefore a fellow subsidiary of Shanghai Yunxin. Alipay China is therefore an associate of Shanghai Yunxin and a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Set out below is a brief summary of our continuing connected transactions and the relevant waivers sought:

Transactions	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31,		
			2023	2024	2025
			(RMB in millions)		
Partially-exempt continuing connected transactions					
Payment Services Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	15.0	18.0	22.0
Advertising Cooperation Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	9.0	33.0	35.0

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the continuing connected transactions which are exempt from circular (including independent financial advice) and independent shareholders' approval requirements but subject to the annual reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Payment Services Framework Agreement

Description of the Transactions

On [●], 2023, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement with Alipay China, pursuant to which Alipay China agreed to provide us with payment services through its payment channels so as to enable our customers to conduct online transactions via our vending machines (the "**Payment Services Framework Agreement**"). We shall, in return, pay a payment service fee to Alipay China. The precise scope of service, service fee rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties.

Term

The term of the Payment Services Framework Agreement shall commence on the [**REDACTED**] Date and expire on December 31, 2025. The Payment Services Framework Agreement is automatically renewable upon expiry for additional three-year periods, unless terminated by written notice by either party. Our Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the Payment Services Framework Agreement is renewed.

Pricing Policy

The service fees will be determined on an arm's length basis based on the standard service fee rates multiplied by the transaction amount paid through Alipay via our Group's vending machines. The fee rates and calculation method shall be determined separately from time to time. In particular, Alipay China has prescribed for standard service fee rates depending on the industry of the using entity (the "**Service Fee Rate**"), all of which are published on the website operated by Alipay China. As of the Latest Practicable Date, the prevailing Service Fee Rate charged by Alipay China to our Group for Alipay is 0.6% of the transaction amount. During the Track Record Period and up to the Latest Practicable Date, the Service Fee Rate has remained at 0.6%.

Before entering into any payment agreement pursuant to the Payment Service Framework Agreement, we will take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment service providers; (ii) our consumers' preference among different online payment service providers; and (iii) the Service Fee Rate, and we will only enter into a payment service agreement with Alipay China if (a) the terms of the agreement and quality of the payment services provided by Alipay China are no less favorable than those from other independent third party online payment service providers; and (b) it is in the best interests of our Company and the Shareholders as a whole. Further, we shall solicit one to two other online payment service providers for comparable services to determine if the price and terms offered by Alipay China are fair and reasonable, and our independent non-executive Directors will review and assess the amounts of payment service fee payable by our Group to Alipay China on an annual basis.

Historical Amounts

In 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amounts of payment service fee payable by our Group to Alipay China were approximately RMB3.8 million, approximately RMB9.3 million, approximately RMB12.0 million, approximately RMB11.6 million and approximately RMB6.1 million, respectively.

Annual Caps and Basis of Annual Caps

For the years ending December 31, 2023, 2024 and 2025, the relevant annual caps are expected to be RMB15.0 million, RMB18.0 million and RMB22.0 million, respectively. The annual caps for the years ending December 31, 2023, 2024 and 2025 are derived with reference to (i) the historical amounts of payment service fee paid by our Group to Alipay China; (ii) given our continuous collaboration with Ant Group in the unmanned retail market, an expected upward adjustment in transaction amount with reference to an expected increase in the number of our Group's transactions; and (iii) the estimated Service Fee Rate to be charged by Alipay China with reference to the Service Fee Rate charged by Alipay China during the Track Record Period. Taking into account the stable Service Fee Rate charged by Alipay China during the Track Record Period, our Directors have assumed such Service Fee Rate to remain stable as compared to that charged during the Track Record Period in calculating the annual caps for the service fees under the Payment Services Framework Agreement. Our Directors therefore consider that the proposed annual caps are fair and reasonable.

Reasons for the Transactions

Our Directors consider that, given that (i) Alipay China is one of the leading players in the PRC online payment service industry and many of our customers use Alipay China's online payment services; and (ii) we have been continuously collaborating with Ant Group, such as enabling biometric authentication on our vending machines, and using Alipay China's online payment services would continue to enhance our development as an innovative technology-based retail platform and strengthen our position in the unmanned retail market, entering into the Payment Services Framework Agreement will enable us to provide our customers with the best available payment methods and therefore enhance our customers' satisfaction with our services.

Implications under the Listing Rules

Since the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Payment Services Framework Agreement is expected to exceed 0.1% but be less than 5%, the transactions will be exempt from the circular and independent Shareholders' approval requirements but subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

Advertising Cooperation Framework Agreement

Description of the Transactions

On [●], 2023, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement with Alipay China, pursuant to which our Group and Alipay China (for itself and on behalf of other members of Ant Group) agreed to cooperate on, including, but not limited to, advertising and promotion of payment service products of Alipay

China (for example, biometric authentication payment services and merchandise recognition services) on our vending machines (the "**Advertising Cooperation Framework Agreement**"). In return for these advertising and promotion efforts, Alipay China shall pay service fees to our Group. It is envisaged that from time to time and as required, members of our Group will enter into individual agreements with Alipay China which will set out specific terms and conditions such as the precise scope of service, service fee calculation, method of payment and other details of the service arrangement.

Term

The term of the Advertising Cooperation Framework Agreement shall commence on the [**REDACTED**] and expire on December 31, 2025. The Advertising Cooperation Framework Agreement is automatically renewable upon expiry for additional three-year periods, unless terminated by written notice by either party. Our Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the Advertising Cooperation Framework Agreement is renewed.

Pricing Policy

The service fees will be determined on an arm's length basis with reference to, among others, (i) the quantity of our vending machines with the relevant payment service products installed; and (ii) the number of transactions generated via the relevant payment service products on our vending machines. The fee rates and calculation method shall be determined separately from time to time. In particular, Alipay China has prescribed for standard calculation of service fees depending on the relevant payment service products and scope of service provided to them, all of which are published on the website operated by Alipay China.

Before entering into any individual agreement pursuant to the Advertising Cooperation Framework Agreement, we will take into account a number of factors, including but not limited to (i) the amount of service fees offered from Alipay China associated with installing the relevant payment service products on our vending machines (for example, biometric authentication payment services and merchandise motion sensing); (ii) the expected number of transactions generated from the relevant payment service products; and (iii) prevailing market rates from other independent third-party online payment service providers, when available, which requests for similar services. We will only enter into a service agreement with Alipay China if it is in the best interests of our Company and the Shareholders as a whole. Given that such cooperation model is not prevalent amongst other online payment service providers, we shall solicit other online payment service providers for comparable services when available to determine if the price and terms offered by Alipay China are fair and reasonable, and our independent non-executive Directors will review and assess the amounts of service fee payable by Alipay China to our Group on an annual basis.

Historical Amounts

In 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amounts of the service fees paid by Alipay China and its associates to our Group were approximately RMB159.2 million, approximately RMB30.3 million, approximately RMB35.0 million, approximately RMB30.7 million and approximately RMB0.47 million, respectively. After our Group collaborated with Ant Group to enhance the development of our service offerings in 2018, we began the mass installation of biometric authentication devices on our existing vending machines. The relatively high service fees recorded in 2019 was primarily due to the mass installation of biometric authentication devices on our existing vending machines, in which our Group received one-off service fees for transactions generated from such vending machines newly installed with biometric authentication devices. The service fees received in 2020, 2021, 2022 and the six months ended June 30, 2023 were considerably lower because our Group had lowered its pace of installing new vending machines with biometric authentication devices during the relevant period due to the then market conditions, resulting in lower one-off service fees received by our Group as mentioned above.

Annual Caps and Basis of Annual Caps

For the years ending December 31, 2023, 2024 and 2025, the relevant annual caps are expected to be RMB9.0 million, RMB33.0 million and RMB35.0 million, respectively. The annual caps for the years ending December 31, 2023, 2024 and 2025 are derived with reference to (i) the historical service fees paid by Alipay China to our Group; (ii) the expected increase in the number of vending machines of our Group which will install the relevant payment service products of Alipay China; and (iii) the standard calculation of service fees as offered by Alipay China. As we receive a one-off service fee whenever we install a new vending machine with the payment service products of Alipay China, the total service fees we receive from Alipay China and its associates during a given period is significantly dependent on the number of new vending machines installed. As the number of new vending machines installed during the six months ended June 30, 2023 was minimal, the service fees we received during such period, i.e. approximately RMB0.47 million, was also relatively low. However, we expect that with the gradual recovery of the economy from the negative impacts of COVID-19, market conditions will improve for the rest of the year up to 2025, and our Group will increase its pace of installing new vending machines. The significant increase in the relevant annual cap from RMB9.0 million for the year ending December 31, 2023 to RMB33.0 million for the year ending December 31, 2024 is mainly due to an expected significant increase in the number of new vending machines of our Group, from about 5,000 in 2023 to about 18,000 in 2024. Our Directors therefore consider that the proposed annual caps are fair and reasonable.

Reasons for the Transactions

We are a vending machine operator in China. The arrangements contemplated under the Advertising Cooperation Framework Agreement help facilitate our Group to continue to leverage Ant Group's expertise in internet technologies and digital infrastructure to further expand its retail channel and maximize the revenue of our Group. The continuous alliance with Alipay China will enable our Group's activities to benefit from Alipay China's digital ecosystem and further promote our Group as an innovative technology-based retail platform, thereby strengthening our position in the unmanned retail market.

Implications under the Listing Rules

Since the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Advertising Cooperation Framework Agreement is expected to exceed 0.1% but be less than 5%, the transactions will be exempt from the circular and independent Shareholders' approval requirements but subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

As we expect the transactions as contemplated under the Payment Services Framework Agreement to be carried out on a continuing basis and to extend over a period of time, our Directors therefore consider that strict compliance with the announcement requirement under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement under the Listing Rules relating to the transactions as contemplated under the Payment Services Framework Agreement, subject to the condition that the aggregate amounts of the transactions as contemplated under the Payment Services Framework Agreement for each financial year shall not exceed the relevant amounts set forth in the proposed annual caps.

Further, as we expect the transactions as contemplated under the Advertising Cooperation Framework Agreement to be carried out on a continuing basis and to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement under the Listing Rules relating to the transactions as contemplated under the Advertising Cooperation Framework Agreement, subject to the condition that the aggregate amounts of the transactions as contemplated under the Advertising Cooperation Framework Agreement for each financial year shall not exceed the relevant amounts set forth in the proposed annual caps.

We will comply at all times with the applicable requirements under the Listing Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) are of the view that the abovementioned continuing connected transactions have been and shall be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better to our Group, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps for the abovementioned continuing connected transactions as described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The conflicted Directors (if any) shall be required to abstain from participation and abstain from voting in the Board meetings at which resolutions in relation to the abovementioned continuing connected transactions are discussed.

THE JOINT SPONSORS' VIEW

The Joint Sponsors are of the view (i) that the continuing connected transactions described in "– Partially-exempt Continuing Connected Transactions" above in this section have been and shall be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better to our Group, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) that the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS

Our Board currently consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of our Board include convening general meetings, implementing the resolutions passed at general meetings, determining business and investment plans, formulating our annual financial budget and financial accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Wang Bin	58	Chairman of our Board, executive Director and chief executive officer	January 2011	March 2012	Formulating the overall development strategies and overseeing the operation of our Group	Acting in concert with Mr. Chen
Mr. Chen Kunrong	46	Executive Director and president	April 2011	May 2015	Overseeing the overall management and operation of our Group	Acting in concert with Mr. Wang
Mr. Yu Lizhi	56	Executive Director and vice president	November 2017	October 2020	Overseeing the development of POS partners	None
Ms. Cui Yan	42	Executive Director, deputy general manager and a joint company secretary	January 2011	June 2017	Managing the operation of the Board	None
Mr. Zhu Chao	43	Non-executive Director	May 2021	May 2021	Providing advice and making recommendations to our Board	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Ms. An Yufang	52	Non-executive Director	October 2017	October 2017	Providing advice and making recommendations to our Board	None
Mr. Wang Xiaochuan	44	Independent non-executive Director	May 2021	May 2021	Providing independent advice and judgment to our Board	None
Ms. Guo Wei	50	Independent non-executive Director	May 2021	May 2021	Providing independent advice and judgment to our Board	None
Mr. Zhang Chen	39	Independent non-executive Director	May 2021	May 2021	Providing independent advice and judgment to our Board	None

Executive Directors

Mr. Wang Bin (王濱), aged 58, was appointed as our Director in March 2012 and was redesignated as our executive Director in May 2021. He is also currently the chairman of our Board and the chief executive officer of our Company. He is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. Mr. Wang is a member of the Single Largest Group of Shareholders and founded our Group in 2011. As at the Latest Practicable Date, by virtue of the Deed of AIC, Mr. Wang and Mr. Chen collectively held and controlled 166,522,406 Shares, representing approximately 21.99% of our total number of issued Shares.

Mr. Wang has over 20 years of experience in the research and development of software and retail platform. Prior to establishing our Group, from April 2002 to July 2004, Mr. Wang was the general manager of Shenzhen Wangxing Science and Technology Co., Ltd. (深圳市網興科技有限公司), a company primarily engaged in the research and development of software, where he was primarily responsible for the overall management of the company. From July 2004 to February 2010, he served as a senior vice president of SINA.com Technology (China) Co., Ltd., a wholly-owned subsidiary of Sina Corporation, a company whose shares were previously listed on the Nasdaq Stock Market (delisted in March 2021, previous ticker symbol: SINA), where he was primarily responsible for the overall operation of the wireless business department of the company.

Mr. Wang graduated from Sichuan Police College (四川警察學院) in the PRC majoring in public security in July 1994.

Mr. Chen Kunrong (陳昆嶸), aged 46, was appointed as our Director in May 2015 and was redesignated as our executive Director in May 2021. He is primarily responsible for overseeing the overall management and operation of our Group. Mr. Chen is a member of the Single Largest Group of Shareholders. As at the Latest Practicable Date, by virtue of the Deed of AIC, Mr. Wang and Mr. Chen collectively held and controlled 166,522,406 Shares, representing approximately 21.99% of our total number of issued Shares.

Mr. Chen has over 23 years of experience in the telecommunication and retail services industry. Prior to joining our Group, from July 1999 to December 2010, Mr. Chen worked at China Mobile Communications Group Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 0941.hk) and the Shanghai Stock Exchange (stock code: 600941), with his last position being the assistant to the general manager of the Fuzhou branch of the group, primarily responsible for the management of each of the marketing, customer relationship and data business departments. He joined our Company in April 2011 as the general manager of Eastern China district. He was then promoted to chief operating officer in October 2014 and has been the president of our Company since May 2019.

Mr. Chen obtained his bachelor's degree in engineering from Shanghai Jiaotong University (上海交通大學) in the PRC in July 1998. He obtained his master's degree in business administration from the University at Buffalo, the State University of New York in May 2005. Mr. Chen was awarded as the 2020 Shenzhen Industry Development and Innovative Talents (2020年度深圳市產業發展及創新人才獎).

Mr. Yu Lizhi (余立志), aged 56, was appointed as our Director in October 2020 and was redesignated as our executive Director in May 2021. He is primarily responsible for overseeing the development of POS partners.

Mr. Yu has over 23 years of experience in the information technology industry. Prior to joining our Group, from May 2000 to October 2017, Mr. Yu worked at Chengdu Santai Electronic Industry Co., Ltd. (成都三泰電子實業股份有限公司, now known as Sichuan Development Lomon Co., Ltd. (四川發展龍蟒股份有限公司)), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002312), where he had served as the general manager of Shenzhen and Guangzhou branches of the company, a supervisor and a director of the company and various management positions within the group, where he was primarily responsible for managing financial IT self-service terminal system and the outsourcing of non-core banking services. He joined our Company in November 2017 as the vice president and the general manager of community development business department.

Mr. Yu obtained his associate degree in enterprise management from the Hunan University of Technology and Business (湖南工商大學, previously known as Hunan College of Business (湖南商學院) in the PRC in June 1988. He obtained his master's degree in business administration from the Hong Kong Baptist University in November 2009.

Ms. Cui Yan (崔艷), aged 42, was appointed as our Director in June 2017 and was redesignated as our executive Director in May 2021. She is primarily responsible for managing the operation of the Board. As at the Latest Practicable Date, Ms. Cui held 3,000,000 Shares, representing approximately 0.40% of our total number of issued Shares.

Ms. Cui has over 17 years of experience in financial and accounting. Prior to joining our Group, from July 2006 to September 2011, Ms. Cui served as a certified public accountant and asset appraiser of Grant Thornton International Ltd., an accounting firm, where she was primarily responsible for auditing, capital verification and other related matters. She joined our Company in January 2011 as a financial director, and has been the secretary of our Board and one of our deputy general managers since February 2016.

Ms. Cui obtained her bachelor's degree in accounting from the China University of Petroleum, Beijing (中國石油大學(北京), previously known as the University of Petroleum, Beijing (石油大學(北京))) in the PRC in June 2003. She obtained her master's degree in enterprise management from the China University of Petroleum, Beijing in July 2006. Ms. Cui has been a member of the Beijing Institute of Certified Public Accountants since October 2006.

Non-executive Directors

Mr. Zhu Chao (朱超), aged 43, was appointed as our non-executive Director in May 2021. He is primarily responsible for providing advice and making recommendation to our Board.

Mr. Zhu has over 17 years of experience in investment and corporate development. From July 2006 to April 2014, he worked at the investment banking department of China International Capital Corporation Limited, a company whose shares are listed on the Stock Exchange (stock code: 3908.hk) and the Shanghai Stock Exchange (stock code: 601995), with his last position being an executive general manager. Since April 2014, he has been a senior director of Ant Group, where he was primarily responsible for managing the investment and corporate development department of the company.

Mr. Zhu has been a director of Youon Technology Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603776), since October 2016, a director of Hundsun Technologies Inc., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600570), since April 2019, and a director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002044), since January 2022. From July 2018 to August 2021, he was a director of Jiangsu Hoperun Software Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300339). From August 2019 to June 2020, he was a director of 36Kr Holdings Inc., a company whose shares are listed on NASDAQ (ticker symbol: KRKR).

Mr. Zhu obtained his master's degree and bachelor's degree in global economics from Fudan University (復旦大學) in the PRC in June 2006 and July 2002, respectively.

Ms. An Yufang (安煜芳), aged 52, was appointed as our Director in October 2017 and was redesignated as our non-executive Director in May 2021. She is primarily responsible for providing advice and making recommendation to our Board.

Ms. An has over 13 years of experience in corporate management. From January 2008 to June 2013, she worked as a vice president of Beijing Taimei Activity Culture Communication Co., Ltd. (北京太美行動文化傳播有限公司), a company primarily engaged in organizing cultural exchange activities and corporate consulting. From August 2015 to June 2021, she worked as the vice chairman of the board of Shenzhen Congbi Qiushi Investment Management Co., Ltd. (深圳琮碧秋實投資管理有限公司), a company primarily engaged in investment management. Since July 2021, she has been the vice president of China Yintai Holding Co., Ltd. (中國銀泰投資有限公司), a company primarily engaged in asset management.

Ms. An obtained her bachelor's degree in accounting from Inner Mongolia University of Finance and Economics (內蒙古財經學院) in the PRC in July 1993.

Independent Non-executive Directors

Mr. Wang Xiaochuan (王小川), aged 44, was appointed as our independent non-executive Director in May 2021. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Wang Xiaochuan has over 20 years of experience in the internet and related services industry. From July 2003 to October 2012, Mr. Wang Xiaochuan worked at Sohu.com Limited, a company whose shares are listed on the Nasdaq Stock Market (ticker symbol: SOHU), with his last position being the chief technology officer of the company. From October 2010 to October 2021, Mr. Wang Xiaochuan was a director and the chief executive officer of Sogou Inc. a company whose shares were previously listed on the New York Stock Exchange (delisted in September 2021, previous stock code: SOGO). Mr. Wang Xiaochuan has been an independent director of Jiangsu Yitong High-tech Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300211) since February 2021, and an independent director of Navinfo Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002405) since October 2021. Mr. Wang Xiaochuan served as an independent director of the Sunlands Technology Group, a company whose shares are listed on the New York Stock Exchange (stock code: STG), from March 2018 to March 2021. From December 2020 to May 2021, he was also a supervisor of Beijing Airdoc Technology Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 2251.hk). In March 2023, he co-founded Beijing Baichuan Intelligent Technology Co., Ltd. (北京百川智能科技有限公司), a company engaged in the development of large language models, and has been its chief executive officer since its establishment.

Mr. Wang Xiaochuan obtained his bachelor's degree in computer science and technology in July 2000, his master's degree in computer science and technology in July 2003, and his master's degree in business administration in July 2011, all from Tsinghua University (清華大學) in the PRC.

In May 2019, Beijing Senior Professional Technology Review Committee (北京市高級專業技術評選委員會) recognized Mr. Wang Xiaochuan as a senior engineer (正高級工程師) in the specialty of computer science. Further, Mr. Wang Xiaochuan was awarded the First Prize of Qian Weichang Chinese Information Processing Science and Technology in 2020 (2020年度錢偉長中文信息處理科學技術一等獎), the First Prize of Science and Technology Progress Award of China Institute of Electronics in 2019 (2019年度中國電子學會科學技術獎科技進步獎一等獎), the Computer Entrepreneur Award of China Computer Society in 2017 (2017年度中國計算機學會計算機企業家獎) and the First Prize of Beijing Science and Technology Award in 2015 (2015年度北京市科學技術一等獎).

Ms. Guo Wei (郭萿), aged 50, was appointed as our independent non-executive Director in May 2021. She is primarily responsible for providing independent advice and judgment to our Board.

Ms. Guo has over 25 years of experience in accounting, auditing and finance management. From June 1996, to February 2001, she was an auditor of Beijing Huasong Accountant Firm Co., Ltd. (北京市華頌會計師事務所有限公司), where she was primarily responsible for accounting audit. From January 2001 to December 2010 and March 2012 to November 2015, she worked as an auditing manager and senior auditing manager, respectively, of Grant Thornton International Ltd. (致同會計師事務所(特殊普通合夥), formerly known as Jingdu Tianhua Accountant Firm (Special General Partnership) (京都天華會計師事務所(特殊普通合夥)), an accounting firm, where she was primarily responsible for auditing listed companies. She is currently the chief financial officer of Beijing Mygenostics Co., Ltd. (北京邁基諾基因科技股份有限公司), a company whose shares were formerly quoted on the NEEQ from December 2016 to July 2018 (stock code: 870103), which is engaged in research and development of capture DNA test, where she was primarily responsible for the accounting and finance management of the company.

Ms. Guo graduated from Central University of Finance and Economics (中央財經大學) in accounting in July 1996, and is currently a member of The Chinese Institute of Certified Public Accountants.

Mr. Zhang Chen (張辰), aged 39, was appointed as our independent non-executive Director in May 2021. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Zhang has over 9 years of experience in business management through the establishment and operation of his self-owned clinic, namely Zhang Chen Doctor Dental Clinic, since 2014. From June 2010 to 2014, he was a dental associate at Dental World Ltd.

Mr. Zhang obtained his master's degree in dental surgery in periodontology from The University of Hong Kong in Hong Kong in November 2012. He has been a registered dentist in Hong Kong since August 2008. Mr. Zhang is also currently a chairman or member of various committees under the Hong Kong Dental Association.

SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors. The following table sets forth certain information regarding our Supervisors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Ms. Qin Yi	52	Chairman of the Supervisory Committee	May 2021	May 2021	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None
Mr. Huang Ronghui	54	Supervisor	October 2011	September 2015	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None
Mr. Qi Rupeng	43	Employee representative Supervisor	May 2013	April 2020	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None

Ms. Qin Yi (秦禕), aged 52, was appointed as the chairman of our Supervisory Committee in May 2021. She is primarily responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company.

Ms. Qin has over 29 years of experience in corporate management and enterprise investment. From July 1992 to February 1994, Ms. Qin worked as a reporter, editor and host of Wuxi Radio and TV Station (無錫廣播電視局). From March 1994 to November 1998, Ms. Qin worked at Shenzhen Yitong Industrial Co. Ltd. (深圳億通實業有限公司), a company primarily engaged in telecommunication value-added service, with her last position being the general manager of business department, primarily responsible for the telecommunication value-added services and product technical operation of the company. From December 1998 to September 2001, Ms. Qin worked as the general manager of business department of Guangdong 95arthome Information Tech. Co., Ltd (廣東鴻聯九五信息產業有限公司), a company primarily engaged in telecommunication value-added service, where she was primarily responsible for the development of product technology of internet business and market operation of the company. From October 2001 to December 2006, Ms. Qin worked as a director and the general manager of Shenzhen Xintong Bada Network Technology Co., Ltd (深圳信通八達網絡科技有限公司, previously known as Shenzhen Honglian High-tech Technology Co., Ltd (深圳鴻聯高科技術有限公司)), a company primarily engaged in internet services, where she was primarily responsible for the business development and merger and acquisition of the company. From June 2007 to October 2014, Ms. Qin worked at Rock Mobile Group, a company primarily engaged in mobile internet service, with her last position being the executive president, primarily responsible for the overall business operation, investment, merger and acquisition and capital operation of the company. Since December 2015, Ms. Qin has been a partner of Guojin Capital, a company primarily engaged in private equity investment.

Ms. Qin obtained her master's degree in business administration from the City University of Hong Kong in Hong Kong in November 2003.

Mr. Huang Ronghui (黃榮輝), aged 54, was appointed as our Supervisor in September 2015. He is primarily responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company.

Mr. Huang has over 19 years of experience in machinery rental and operation. Prior to joining our Group, from August 1995 to May 1998, Mr. Huang worked at the office of academic affairs of Liaoning University of Traditional Chinese Medicine (遼寧中醫藥大學, previously known as Liaoning College of Traditional Chinese Medicine, (遼寧中醫學院). From March 2004 to June 2009, Mr. Huang served as the general manager at Shanghai Miyuan Beverage Co. Ltd. (上海米源飲料有限公司), a company primarily engaged in operating vending machine, where he was primarily responsible for formulating business strategy and overseeing the overall operation of the company. From June 2009 to June 2010, Mr. Huang worked as the general manager at Shanghai Jinheyuan Equipment Rental Co., Ltd (上海金和源設備租賃有限公司), a company primarily engaged in construction machinery rental, where he was primarily responsible for formulating business strategy and overseeing the overall operation of the company. From July 2010 to September 2011, Mr. Huang worked as the general manager of the operation management department of Dingding Technology Development Co., Ltd (頂頂科技發展有限公司), a company primarily engaged in operating vending machine, where he was primarily responsible for formulating business strategy and overseeing the overall operation of the company. He joined our Group in October 2011 and has successfully served as the general manager of operation management department, the director of product department and is currently the principal of our management office.

Mr. Huang obtained his master's degree in acupuncture from Liaoning University of Traditional Chinese Medicine (遼寧中醫藥大學, previously known as Liaoning College of Traditional Chinese Medicine (遼寧中醫學院)) in the PRC in July 1995.

Mr. Qi Rupeng (戚汝鵬), aged 43, was appointed as our employee representative Supervisor in April 2020. He is primarily responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company.

Mr. Qi has over 17 years of experience in software development. Prior to joining our Group, from July 2004 to September 2005, he was a java software engineer of AISINO CO. LTD. (航天信息股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600271), where he was responsible for the research and development of the MES system module. He became a senior software engineer of Access (Beijing) Co., Ltd. (愛可信(北京)技術有限公司), a company primarily engaged in the design, development and production of internet and telecommunication software, where he was responsible for the research and development of mobile music playing platform, from January 2007 to January 2009. Mr. Qi then worked as the director of technology of Link Motion (Beijing) Technology Co., Ltd. (凌動智行(北京)科技有限公司, formerly known as Wangqin (Beijing) Technology Co., Ltd. (網秦(北京)科技有限公司)), a company primarily engaged in research and development of computer software, where he was responsible for research and development of the cloud platform of the company, from January 2009 to April 2013. Mr. Qi joined our Group in May 2013 as the director of research and development, responsible for research and development and the technological support of our retail platforms.

Mr. Qi obtained his bachelor's degree in computer software engineering from Tsinghua University (清華大學) in the PRC in July 2004.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Mr. Wang, our executive Director, the chairman of our Board and chief executive officer, was a director or general manager of the following companies which were either incorporated in Hong Kong or established in the PRC prior to their deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shenzhen Lingxiu Clothing Co., Ltd. (深圳市領秀服飾有限公司)	Design and sales of clothes	Voluntarily deregistered	Termination of business operation	November 22, 2010
Shenzhen Xunlian Jingwei Network Technology Co., Ltd. (深圳市訊聯經緯網絡技術有限公司)	Software development	Voluntarily deregistered	Termination of business operation	November 13, 2015
Box Lease Limited (友邦利市有限公司)	Investment holding	Dissolved by deregistration	Not in operation	May 6, 2016
Tianjin Lianxianbao Technology Co., Ltd. (天津聯線寶科技有限公司)	Technology consulting	Voluntarily deregistered	Not in operation	December 16, 2016
Beijing Caibao Century Technology Co, Ltd. (北京彩寶世紀科技有限公司)	Technology promotional services	Voluntarily deregistered	Termination of business operation	August 23, 2017
OnlineBox Technology Company Limited (在線寶科技有限公司)	Investment holding	Dissolved by deregistration	Dissolved after the unwinding of our Group's offshore structure	October 6, 2017
Ubox (Hong Kong) Company Limited (友寶香港有限公司)	Investment holding	Dissolved by deregistration	Dissolved after the unwinding of our Group's offshore structure	December 29, 2017

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Hangzhou Youbaili City Trading Co., Ltd. (杭州友柏利市貿易有限公司)	Internet technology services	Voluntarily deregistered	Not in operation	January 11, 2018
Beijing Gaole Online Information Technology Co., Ltd. (北京高樂在線信息技術有限公司)	Technology promotional services	Voluntarily deregistered	Termination of business operation	April 9, 2019
Shenzhen Xunlian Weiye Network (深圳市訊聯偉業網絡有限公司)	Internet technology development	Voluntarily deregistered	Termination of business operation	April 30, 2019
Hangzhou Lianxianbao Technology Co., Ltd. (杭州聯線寶科技有限公司)	Internet technology development	Voluntarily deregistered	Termination of business operation	September 22, 2020

Mr. Wang confirmed that, to the best of his knowledge, (i) each of the deregistered companies above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Chen, our executive Director, was a director of the following company which was established in the PRC prior to its deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Hainan Green Coconut Food Co., Ltd. (海南青椰食品有限公司)	Food production	Voluntarily deregistered	Not in operation	July 11, 2019

Mr. Chen confirmed that, to the best of his knowledge, (i) the deregistered company above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Ms. Cui Yan, our executive Director, was a director or supervisor of the following companies which were established in the PRC prior to their deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shanghai Youshi Marketing Planning Co., Ltd. (上海友試市場營銷策劃有限公司)	Marketing services	Voluntarily deregistered	Not in operation	March 13, 2017
Beijing Caibao Century Technology Co., Ltd. (北京彩寶世紀科技有限公司)	Technology promotional services	Voluntarily deregistered	Termination of business operation	August 23, 2017
Shenzhen Shrimp Keqing Catering Management Co., Ltd. (深圳蝦客情餐飲管理有限公司)	Restaurant management services	Voluntarily deregistered	Termination of business operation	August 22, 2019

Ms. Cui Yan confirmed that, to the best of her knowledge, (i) each of the deregistered companies above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) she has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration.

Ms. An Yufang, our non-executive Director, was a director or general manager of the following companies which were established in the PRC prior to their deregistration or revocation of business license:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution or revocation	Date of dissolution or revocation
Nanchang Chinatown Catering and Entertainment Co., Ltd. (南昌唐人街餐飲娛樂有限公司)	Food and beverage	Business license revoked	The company was inactive with no substantial business operation	June 25, 2017
Beijing Zhengdao Tianhe Investment Consulting Co., Ltd. (北京正道天和投資諮詢有限責任公司)	Investment holding	Voluntarily deregistered	*Note*	March 4, 2019
Beijing Times Mingjia Culture Communication Co., Ltd. (北京時代茗家文化傳播有限公司)	Tea services	Voluntarily deregistered	*Note*	June 16, 2020

Note: The companies were deregistered as they were inactive with no substantial business operations. Prior to their respective deregistration, the business license of each company had been revoked as the companies had no substantial business operations and had omitted the requirement of annual inspection.

Ms. An Yufang confirmed that, to the best of her knowledge, (i) there was no wrongful act on her part leading to the revocation of business licenses; (ii) each of the above companies was solvent immediately prior to its revocation of business license or deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (iii) she has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the revocation of business license or deregistration; and (iv) she is not aware of any actual or potential claim which has been or will be made against her as a result of the revocation of business license or deregistration.

Mr. Zhu Chao, our non-executive Director, was a director of the following company which was established in the PRC prior to its deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Ganzhou Quxiaoyuan Technology Development Co., Ltd. (贛州趣校園科技發展有限公司)	Operates computer services, advisory and online merchandise services	Voluntary deregistered	Termination of business operation	August 24, 2021

Mr. Zhu Chao confirmed that, to the best of his knowledge, (i) the deregistered company above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) he is not aware of actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Wang Xiaochuan, our independent non-executive Director, was a director and general manager of the following companies which were established in the PRC prior to their deregistration or revocation of business license:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution or revocation	Date of dissolution or revocation
Beijing Qingtian Huayuan Information Technology Co., Ltd. (北京清田華源信息技術有限公司)	Investment holding	Business license revoked	The company was inactive with no substantial business operation	January 10, 2007

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution or revocation	Date of dissolution or revocation
Xintuxingtianxia Software (Beijing) Co., Ltd. (新圖行天下軟件(北京)有限公司)	Development of computer software and hardware	Voluntarily deregistered	Termination of business operation	May 21, 2015
Beijing Multiworld Technology Co., Ltd. (北京多世界科技有限公司)	Software and information technology services	Voluntarily deregistered	Termination of business operation	February 13, 2019

Mr. Wang Xiaochuan confirmed that, to the best of his knowledge, (i) there was no wrongful act on his part leading to the revocation of business license; (ii) each of the above companies was solvent immediately prior to its revocation of business license or deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (iii) he has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the revocation of business license or deregistration; and (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the revocation of business license or deregistration.

Ms. Qin Yi, one of our Supervisors, was a director or a general manager of the following companies which were established in the PRC prior to their deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Guangzhou Junzhi Computer Technology Co., Ltd. (廣州市君智計算機科技有限公司)	Provision of software and information technology services	Voluntarily deregistered	Termination of business operation	October 30, 2009
Guangzhou Majestic Qingcheng Network Technology Co., Ltd. (廣州磅礴青成網絡科技有限公司)	Software development	Voluntarily deregistered	Termination of business operation	August 2, 2018

Ms. Qin Yi confirmed that, to the best of her knowledge, (i) each of deregistered companies above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) she has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) she is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Mr. Huang Ronghui, one of our Supervisors, was a supervisor of the following company which was established in the PRC prior to its deregistration:

Name of the relevant company	Principal business activity	Status of company	Reason for dissolution	Date of dissolution
Shenzhen Youjiubao Technology Co., Ltd. (深圳友九寶科技有限公司)	Software development and technical services	Voluntarily deregistered	Not in operation	June 6, 2022

Mr. Huang Ronghui confirmed that, to the best of his knowledge, (i) the deregistered company above was solvent immediately prior to its deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (ii) he has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the deregistration; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration.

Save as disclosed above and in the section headed "Substantial Shareholders" in this document and "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix IV, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. For information concerning our executive Directors see "— Directors — Executive Directors." The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director/ senior management	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Wang Bin	58	Chairman of our Board, executive Director and chief executive officer	January 2011	March 2012	Formulating the overall development strategies and overseeing the operation of our Group	Acting in concert with Mr. Chen
Mr. Chen Kunrong	46	Executive Director and president	April 2011	May 2015	Overseeing the overall management and operation of our Group	Acting in concert with Mr. Wang
Ms. Cui Yan	42	Executive Director, deputy general manager and a joint company secretary	January 2011	June 2017	Managing the operation of the Board	None
Mr. Wang Ge	45	Chief financial officer	December 2016	December 2016	Managing the financial functions of the Company	None
Mr. Chao Hua	45	Deputy general manager	May 2017	October 2021	Formulating and implementing the information technology development strategy of the Company	None

Mr. Wang Bin (王濱), aged 58, is the chief executive officer of our Company. For further details, see "Directors — Executive Directors."

Mr. Chen Kunrong (陳昆嶸), aged 46, is the president of our Company. For further details, see "Directors — Executive Directors."

Ms. Cui Yan (崔艷), aged 42, is the deputy general manager of our Company. For further details, see "Directors — Executive Directors."

Mr. Wang Ge (王歌), aged 45, was appointed as our chief financial officer in September 2016. He is primarily responsible for managing the financial functions of the company. As at the Latest Practicable Date, Mr. Wang held 3,000,000 Shares, representing approximately 0.40% of our total number of issued Shares.

Mr. Wang Ge has over 11 years of experience in finance and corporate management. He joined our Company in December 2016 as the chief financial officer. Prior to joining our Group, from June 2011 to March 2013, Mr. Wang Ge worked at Maoye International Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 0848.hk), with his last position being the chief financial officer and a deputy general manager of the southern China district of the company, where he was primarily responsible for project development and managing the financial functions of the company. From March 2013 to June 2016, Mr. Wang Ge worked as the chief financial officer of ZJBC Information Technology Co. Ltd. (中嘉博創信息技術股份有限公司, previously known as Qinhuangdao Bohai Logistics Holdings Co. Ltd. (秦皇島渤海物流控股股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000889), where he was primarily responsible for managing the financial functions of the company. Since September 2016, Mr. Wang Ge has been the chief financial officer of our Company and is primarily responsible for the financial management, budget planning and banking and tax related matters of our Company.

He obtained his master's degree in business administration from Shanxi University of Finance and Economics (山西財經大學) in the PRC in June 2016.

Mr. Chao Hua (晁華), aged 45, was appointed as our deputy general manager in October 2021. He is primarily responsible for formulating and implementing the information technology development strategy of the Company.

Mr. Chao has over 22 years of experience in information technology development. From July 2000 to August 2001, he worked as a CAM supervisor at Broad Technology (Guangzhou) Inc. (廣大(廣州)科技有限公司), a company engaged in software development, where he was primarily responsible for managing the computer aided manufacturing function of the company. From August 2001 to September 2015, he worked at Maoye International Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 0848.hk), and its subsidiaries, where he was primarily responsible for the management and development of information technology system, with his last position as the general manager of information management center. From September 2015 to March 2016, he was the director of the information department of Heilongjiang Grand Shopping Center Co., Ltd. (黑龍江遠大購物中心有限公司), a company engaged in sales of daily necessities, where he was primarily responsible for the management and development of information technology system. From

March 2016 to May 2017, he was the general manager of Shenzhen Lianhe Zhiyun Technology Co., Ltd. (深圳市聯合智雲科技有限公司), a company engaged in computer technology development, where he was primarily responsible for the daily management of the company. Mr. Chao joined our Group in May 2017 as the general manager of internet product development center at Shenzhen Youbaokesi and is currently the chief technology officer of Shenzhen Youbaokesi.

Mr. Chao obtained his bachelor's degree in machinery production and equipment from Tiangong University (天津工業大學) in the PRC in July 2000.

JOINT COMPANY SECRETARIES

Ms. Cui Yan (崔艷) has been appointed as one of our joint company secretaries with effect from March 17, 2022. See "— Directors — Executive Directors" above for her information.

Ms. Hui Yin Shan (許燕珊) has been appointed as one of our joint company secretaries with effect from September 7, 2023. Ms. Hui is a senior manager of corporate services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Hui is currently the company secretary of OneForce Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1933), one of the joint company secretaries of Honliv Healthcare Management Group Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 9906), the company secretary of Shanghai MicroPort MedBot (Group) Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 2252), and the company secretary of MicroPort NeuroTech Limited, a company whose shares are listed on the Stock Exchange (stock code: 2172).

Ms. Hui obtained a bachelor's degree in applied mathematics from The Hong Kong Polytechnic University in Hong Kong in November 1994, a master's degree in finance from Curtin University of Technology in Australia in December 2002, and a bachelor's degree in law from University of London in the United Kingdom in August 2017. She has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute since September 2016.

BOARD COMMITTEES

In accordance with the relevant PRC Law, the Articles and the corporate governance practice prescribed in the Listing Rules, we have formed three board committees, namely, the audit committee of the Board (the "**Audit Committee**"), the remuneration committee of the Board (the "**Remuneration Committee**"), and the nomination committee of the Board (the "**Nomination Committee**").

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three members, namely Ms. Guo Wei, Mr. Wang Xiaochuan and Mr. Zhang Chen, our independent non-executive Directors. Ms. Guo Wei has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Wang Xiaochuan and Ms. Guo Wei, and one executive Director, namely Mr. Yu Lizhi. Mr. Wang Xiaochuan, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. The Nomination Committee consists of two independent non-executive Directors, namely Ms. Guo Wei and Mr. Wang Xiaochuan, and one executive Director, namely Mr. Wang, who is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

BOARD DIVERSITY

We have adopted our Board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. Our Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After [**REDACTED**], our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on annual basis.

Our Board comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Directors, with three females and six males, range from 39 years old to 58 years old and are able to bring a balance of diversity perspectives to our Board. We will take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in Relation to Management Presence in Hong Kong."

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in Relation to Joint Company Secretaries."

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the CG Code, except for the deviation from the code provision C.2.1 of the CG Code. Mr. Wang is the chairman of our Board and the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its foundation in 2011. Our Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of our Company in Mr. Wang is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed in this section, our Group is in compliance with all the code provisions of the CG Code.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate amount of remuneration our Directors and Supervisors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, share based compensation, allowances and other benefits in kind) for the four years ended December 31, 2022 and the six months ended June 30, 2023 was approximately RMB5.5 million, RMB162.9 million, RMB4.6 million, RMB4.2 million and RMB36.2 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, share based compensation, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, Supervisors and senior management, during the four years ended December 31, 2022 and the six months ended June 30, 2023 was approximately RMB5.3 million, RMB189.5 million, RMB4.9 million, RMB4.5 million and RMB43.0 million, respectively.

Under the arrangements currently in force, save as the options in relation to not more than 37,862,946 Unlisted Shares our Company expects to grant under the Pre-[**REDACTED**] Incentive Scheme, it is estimated that the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending December 31, 2023 to be approximately RMB4.5 million.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the four years ended December 31, 2022 and the six months ended June 30, 2023. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the four years ended December 31, 2022 and the six months ended June 30, 2023 by our Group to the Directors or Supervisors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [**REDACTED**], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and Supervisors and performance of our Group.

COMPLIANCE ADVISER

We have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser ("**Compliance Adviser**") upon [**REDACTED**] of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the [**REDACTED**] of our Company.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [**REDACTED**] and this appointment may be subject to extension by mutual agreement.

SHARE INCENTIVE SCHEME

We have adopted the 2020 Incentive Scheme and Pre-[**REDACTED**] Incentive Scheme. The principal terms of the Pre-[**REDACTED**] Incentive Scheme are summarized in "Statutory and General Information – D. Share Incentive Scheme" in Appendix IV.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Unlisted Shares into H Shares		
Name of shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares Held or Interested**	**Approximate Percentage of Shareholding in the Total Issued Share Capital(2)**	**Number of Shares Held or Interested**	**Approximate Percentage of Shareholding in the Relevant Class of Shares**	**Approximate Percentage of Shareholding in the Total Issued Share Capital(3)**
Mr. Wang[4, 7]	Beneficial owner and interests held jointly with another person	Unlisted Shares	187,522,406	24.76%	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner and interests held jointly with another person	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Chen[4, 7]	Beneficial owner and interests held jointly with another person	Unlisted Shares	187,522,406	24.76%	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner and interests held jointly with another person	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Wei Lin[4, 7]	Interest of spouse	Unlisted Shares	187,522,406	24.76%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yunxin[5]	Beneficial owner	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ant Group[5]	Interest held by controlled corporation	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

			As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Unlisted Shares into H Shares		
Name of shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Total Issued Share Capital(2)	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital(3)
Hangzhou Yunbo Investment Consulting Co, Ltd. (杭州雲鉑投資諮詢有限公司) ("**Hangzhou Yunbo**")5	Interest held by controlled corporation	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Ma Yun (馬雲)5	Interest held by controlled corporation	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Eric Xiandong Jing (井賢棟)5	A concert party to an agreement to buy shares described in s.317(1)(a)	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	A concert party to an agreement to buy shares described in s.317(1)(a)	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Fang Jiang (蔣芳)5	A concert party to an agreement to buy shares described in s.317(1)(a)	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	A concert party to an agreement to buy shares described in s.317(1)(a)	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

			As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Unlisted Shares into H Shares		
Name of shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Total Issued Share Capital(2)	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital(3)
Mr. Simon Xiaoming Hu (胡曉明)[5]	A concert party to an agreement to buy shares described in s.317(1)(a)	Unlisted Shares	126,315,789	16.68%	[REDACTED]	[REDACTED]	[REDACTED]
	A concert party to an agreement to buy shares described in s.317(1)(a)	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Shen	Beneficial owner	Unlisted Shares	49,356,900	6.52%	[REDACTED]	[REDACTED]	[REDACTED]
Chunhua Rongshun[6]	Beneficial owner	Unlisted Shares	42,104,884	5.56%	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Chunhua Qiushi (Tianjin) Equity Investment Management Co., Ltd. (春華秋實(天津)資產投資管理有限公司) ("**Chunhua Qiushi**")[6]	Interest held by controlled corporation	Unlisted Shares	42,104,884	5.56%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Chunhua Xingkang (Tianjin) Investment Centre (Limited Partnership) (春華興康(天津)投資中心(有限合夥)) ("**Chunhua Xingkang**")[6]	Interest held by controlled corporation	Unlisted Shares	42,104,884	5.56%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

			As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Unlisted Shares into H Shares		
Name of shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Total Issued Share Capital(2)	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital(3)
Mr. Hu Yuanman (胡元滿)6	Interest held by controlled corporation	Unlisted Shares	42,104,884	5.56%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held by controlled corporation	H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xu Ge (許戈)	Beneficial owner	Unlisted Shares	35,647,744	4.71%	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of [757,258,933] Shares in issue as at the Latest Practicable Date.

3. The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme.

4. Pursuant to the Deed of AIC, Mr. Wang and Mr. Chen are parties acting in concert. Ms. Wei Lin is spouse of Mr. Chen and is therefore deemed to be interested in the Shares held by Mr. Chen.

5. Shanghai Yunxin is a company established under the PRC Law, which is wholly-owned by Ant Group. Ant Group was owned as to approximately 22% by Hangzhou Junao Equity Investment Partnership (Limited Partnership) and approximately 31% by Hangzhou Junhan Equity Investment Partnership (Limited Partnership), which were controlled by Hangzhou Yunbo as the general partners in the form of partnership, which is owned by Mr. Ma Yun (馬雲), Mr. Eric Xiandong Jing (井賢棟), Mr. Simon Xiaoming Hu (胡曉明) and Ms. Fang Jiang (蔣芳). Mr. Ma Yun (馬雲), Mr. Eric Xiandong Jing (井賢棟), Ms. Fang Jiang (蔣芳) and Mr. Simon Xiaoming Hu (胡曉明) entered into an agreement which governs, among others, the exercise of voting rights and the disposal of equity interests in Hangzhou Yunbo. Therefore, each of Ant Group, Hangzhou Yunbo, Mr. Ma Yun (馬雲), Mr. Eric Xiandong Jing (井賢棟), Ms. Fang Jiang (蔣芳) and Mr. Simon Xiaoming Hu (胡曉明) is deemed to be interested in the Shares held by Shanghai Yunxin.

   Pursuant to certain agreements entered into by Mr. Ma Yun, Hangzhou Yunbo and others on January 7, 2023, subject to certain conditions (including obtaining regulatory approvals) being satisfied, among other things, the concert party agreement among shareholders of Hangzhou Yunbo will be terminated, Hangzhou Yunbo will cease to be Hangzhou Junhan's general partner, Mr. Ma Yun will cease to hold any interests in Hangzhou Yunbo. The implementation of the said agreements were made to further enhance the stability of corporate structure and sustainability of long-term development of Ant Group without any change to the economic interests of any shareholders of Ant Group and their beneficiaries. When these steps are effected, Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, Mr. Hu Simon Xiaoming and Hangzhou Yunbo will cease to have a notifiable interest. As of the Latest Practicable Date, completion of such agreements has not taken place and is subject to approval of or filing with relevant government authorities.

6. Chunhua Rongshun is a company established under the PRC Law, which is owned as to 67.67% by its limited partner Chunhua Xingkang and is managed by Chunhua Qiushi, which is in turn ultimately controlled by Mr. Hu Yuanman, an Independent Third Party. Therefore, Chunhua Xingkang, Chunhua Qiushi and Mr. Hu Yuanman is deemed to be interested in the Shares held by Chunhua Rongshun.

7. Mr. Wang and Mr. Chen are entitled to receive up to 15,000,000 and 6,000,000 Unlisted Shares, respectively, pursuant to the share options granted to them under the Pre-[**REDACTED**] Incentive Scheme, subject to the conditions (including vesting conditions) of those options. For details of the Pre-[**REDACTED**] Incentive Scheme, see "Statutory and General Information — D. Share Incentive Scheme — 1. Pre-[**REDACTED**] Incentive Scheme" in Appendix IV.

Save as disclosed above and in "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix IV, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares and assuming that the [**REDACTED**] is not exercised and any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of the Company was RMB757,258,933, comprising 757,258,933 Unlisted Shares with a nominal value of [**REDACTED**] each.

Upon the Completion of the [REDACTED]

Immediately after the [**REDACTED**] and Conversion of Unlisted Shares into H Shares (assuming that the [**REDACTED**] is not exercised and no Shares were issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme), the share capital of the Company will be as follows.

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital after the [REDACTED]**
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares[Note]	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	100%

Note: Please refer to "Corporate Structure Immediately Following the [**REDACTED**]" in "History and Development" for details of the identities of the shareholders whose Shares will be converted into H Shares upon [**REDACTED**].

Immediately after the [**REDACTED**] and Conversion of Unlisted Shares into H Shares (assuming that the [**REDACTED**] is fully exercised and no Shares were issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme), the share capital of the Company will be as follows.

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital after the [REDACTED]**
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares*Note*	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	100%

Note: Please refer to "Corporate Structure Immediately Following the [**REDACTED**]" in "History and Development" for details of the identities of the shareholders whose Shares will be converted into H Shares upon [**REDACTED**].

CLASS OF SHARES

Upon the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares, the Shares will consist of Unlisted Shares and H Shares, both are ordinary Shares in our share capital. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of mainland China, apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC Law or upon approval by any competent authorities.

Save as disclosed above, Unlisted Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant regulatory authorities in mainland China, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Filing with the CSRC

In accordance with the Trial Measures, if a domestic company directly offers and lists its securities overseas, its shareholders holding the domestic unlisted shares who seek to convert such domestic unlisted shares to overseas listed shares and trade such overseas listed shares on a foreign exchange must comply with relevant regulations of the CSRC and authorize the domestic company to file with the CSRC.

CSRC issued the notification on completion of the filing procedures on July 3, 2023 in relation to the filing of the overseas listing and "Full Circulation", pursuant to which, (1) the Company was approved to issue no more than [**REDACTED**] H Shares with a nominal value of [**REDACTED**] each, which are all ordinary shares, and upon this issuance the Company may be [**REDACTED**] on the Main Board of the Hong Kong Stock Exchange; (2) a total of [**REDACTED**] Unlisted Shares held by the 211 Shareholders of the Company (the "**Domestic Participating Shareholders**") were approved to be converted into H Shares, and the relevant Shares may be [**REDACTED**] on the Hong Kong Stock Exchange upon completion of the conversion. The aforesaid shall remain effective within 12 months from July 3, 2023.

[REDACTED] Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of [**REDACTED**] of, and permission to deal in, our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and the H Shares to be converted from [**REDACTED**] Unlisted Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the follow procedures for the conversion of domestic unlisted shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our [**REDACTED**] regarding relevant H Share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the [**REDACTED**]. The Domestic Participating Shareholders may only deal in the Shares upon completion of following domestic procedures.

Domestic Procedures

The Domestic Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and [**REDACTED**]:

(a) We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Domestic Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-broader settlement and corporate actions, etc. relating to the converted H Shares for the Domestic Participating Shareholders;

(b) We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as the transmission of sell orders and trading messages in respect of the converted H Shares. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by SZSE;

(c) The SZSE shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and trading messages in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(d) According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Domestic Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

(e) The Domestic Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Domestic Participating Shareholders for the relevant Shares will be submitted to the Hong Kong Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Domestic Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Domestic Participating Shareholders in our Domestic Share capital registered shall be reduced by the number of Unlisted Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

Domestic Shareholders can work with the Company according to the Articles of Association and follow the procedures set out in this document to convert the Unlisted Shares into H Shares after the [**REDACTED**] if they want, provided that such conversion of Unlisted Shares into and [**REDACTED**] and trading of [**REDACTED**] will be subject to the approval or filing of the relevant regulatory authorities in mainland China, including the CSRC, the approval of the Hong Kong Stock Exchange and the satisfaction of the public float requirement under the Hong Kong Listing Rules by the Company.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

According to the Company Law, the Shares issued by the Company prior to the [**REDACTED**] (including a total of [**REDACTED**] H Shares to be converted from Unlisted Shares held by [211] Shareholders of the Company) are restricted from [**REDACTED**] within one year from the [**REDACTED**].

The Company will work with the Domestic Securities Company to be engaged by the Company to restrict the trading of the [**REDACTED**] converted from Unlisted Shares technically within one year after the [**REDACTED**]. In the unlikely event that any Domestic Participating Shareholders trades their H Shares during such restriction period, as advised by our PRC Legal Advisor, there will be no administrative penalty on the Company under the PRC Law but there is risk that the underlying agreement for the transfer of such H Shares may be declared void pursuant to the Contract Law of the People's Republic of China.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisor, pursuant to the Articles of Association and subject to the requirements of relevant PRC Law, our Company, upon the [**REDACTED**] of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Unlisted Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and that such issuance is filed with the CSRC in a timely manner and complies with the Listing Rules and other relevant laws and regulations of Hong Kong (unless otherwise provided in the Articles of Association). To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our Shareholders' general meeting are required, see "Appendix III — Summary of Articles of Association."

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, the Company is required to register the Unlisted Shares with the China Clearing within 15 business days upon the [**REDACTED**] and provide a written report to the CSRC regarding the results of centralized registration and deposit of the Unlisted Shares as well as the [**REDACTED**] and [**REDACTED**] of the [**REDACTED**].

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to issue H Shares and seek the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on April 8, 2022.

SHARE INCENTIVE SCHEME

We have adopted the 2020 Incentive Scheme and Pre-[**REDACTED**] Incentive Scheme. The principal terms of the Pre-[**REDACTED**] Incentive Scheme are summarized in "Statutory and General Information — D. Share Incentive Scheme" in Appendix IV.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2019, 2020, 2021, 2022 and as of and for the six months ended June 30, 2023 and the accompanying notes included in the Accountant's Report set out in Appendix I. Our consolidated financial statements have been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountant's Report set out in Appendix I and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are a vending machine operator in mainland China, with strong operation and digitalization capabilities. According to Frost & Sullivan, we ranked first in terms of both total transaction GMV and network scale in the unmanned retail industry, primarily consisting of vending machines, unmanned stores and unmanned shelves, in mainland China for each of 2019, 2020, 2021 and 2022.

For over a decade since our founding, we have endeavored to cultivate the unmanned retail industry, a sub-segment of the retail industry, in mainland China and developed digitalization and operation capabilities, covering merchandise procurement, logistics and inventory management. Leveraging these core capabilities, we have rapidly established an extensive point-of-sale, or POS, network covering a wide range of consumption scenarios, including schools, factories, office premises, public venues, transportation hubs and restaurants. Through our expansive POS network, we are able to provide services to a variety of participants along the unmanned retail industry value chain. As of June 30, 2023, we had a network of 61,888 Ubox POSs across 157 cities and 28 provincial-level administrative regions in mainland China, 87.3% of which were concentrated in tier one, new tier one and tier two cities. As of June 30, 2023, we had cumulatively 354.5 million distinguishable transacting users, with approximately 5.4 billion transactions completed.

According to Frost & Sullivan, the unmanned retail market in mainland China is underpenetrated, with an average of 0.8 vending machine per thousand population in 2022. As of December 31, 2022, the vending machines in mainland China covered only 8.8% of the country's potentially available sites, and such penetration rate of offline sites covered by vending machines is expected to increase to 15.6% by 2027, indicating a vast development prospect for vending machines in offline retail scenarios. Accordingly, the size of the vending machine retail market in mainland China is expected to grow from RMB28.9 billion in 2022 to RMB73.9 billion in 2027, with a CAGR of 20.7%. We therefore believe our industry-leading position and strong ability to digitalize operations will enable us to further increase our market penetration and to expand into new consumption scenarios.

During the Track Record Period, we generated revenue from the following business segments:

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

- *Advertising and system support services*. We leverage our extensive and unique consumer touch points to offer advertisers with digital advertising services that drive consumer traffic and sales, primarily consisting of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. We derive revenue from service fees charged to our advertising customers for digital advertising services. In addition, we also provide operation system support to Non-Ubox POS operators by allowing them to connect their machines to our operation system, which enable them to access a range of functionalities, including monitoring their machines' operating status in real time and receiving restocking alerts, restocking routes and schedule recommendations. We derive revenue from fees charged to our Non-Ubox POS operators for using our operation system. During the Track Record Period, our revenue from digital advertising services was generally determined by demand for such services from advertisers, which was impacted by macro-economic conditions, and the expansiveness of our POS network, which represents our capacity to reach consumers. During the Track Record Period, revenue from digital advertising services also relates to the number of new POSs opened which affects the amount of services fees we may receive from Alipay China for the advertising and promotion of its payment service products. For details of service fees from Alipay China, see "Connected Transactions – Partially-exempt Continuing Connected Transactions – Advertising Cooperation Framework Agreement";

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

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

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

We generate most of our revenue from our unmanned retail business. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, revenue generated from our unmanned retail business accounted for 56.5%, 70.3%, 71.6%, 78.4%, 79.9% and 78.8% of our total revenue, respectively. We have two operating models for our unmanned retail business, the direct operation model and the partner model, to achieve efficient and rapid business expansion. We generally adopt a direct operation model for POSs at strategically important sites, such as transportation hubs and premises of KAs, including Deppon Logistics and Xiaomi, which tend to have a large number of potential POS locations at a single site. In other locations, we engage POS partners to assist with sourcing and establishing POSs. Our POS partners are generally responsible for sourcing potential sites, the costs for developing POSs, occupancy fees and utility costs. In 2020, we started to shift our marketing efforts to our partner model as we believe this model would better accommodate the nature of our business operations since it facilitates site acquisitions and enhances our efficiency with simplified business process. As a result, revenue contribution of our partner model continued to increase from 9.2% in 2019 to 40.1%, 55.3% and 64.0% in 2020, 2021 and 2022, respectively, and remained relatively stable at 66.0% and 64.1% for the six months ended June 30, 2022 and 2023, respectively. While we remain entitled to the revenue generated by the machines, the POS partners are typically entitled to a share of the transaction GMV generated from the vending machines, subject to deduction of their responsible costs and expenses. From an accounting perspective, under both models we recognize retail sales revenue when control of the merchandise has been transferred to the end customer. In terms of costs and expenses, we record procurement costs of merchandise under both models under cost of sales, and incur expenses for sourcing, developing and maintaining Ubox POSs under the direct operation model and the share of transaction GMV paid to POS partners (as they bear the costs for developing POSs, occupancy fees and utility costs) under the partner model to selling and marketing expenses. Therefore, there is no difference in terms of revenue recognition, cost accounting and inventory management under the direct operation model and the partner model. Nevertheless, since the shift of focus to the partner model only started in 2020, we have limited experience with respect to operating the partner model and may not be able to realize the anticipated benefits of such business model. We will also be subject to risks and uncertainties related to this business model. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face certain risks associated with the shift from the direct operation model to the partner model."

Due to the COVID-19 pandemic, our revenue decreased from RMB2.7 billion in 2019 to RMB1.9 billion in 2020. As the impact of COVID-19 relented and our new business operations developed, our revenue in 2021 rebounded to RMB2.7 billion. Our revenue then decreased to RMB2.5 billion in 2022, primarily due to the decrease in our revenue from mobile device distribution services under our others segment as the downstream mobile device retail market and the demand for our mobile device distribution services were negatively affected by macro-economic conditions and consumer demand during the same year, partially offset by (i) the increase in revenue from our unmanned retail business by 3.1% as compared to 2021 despite the impact of COVID-19 and (ii) the increase of RMB91.3 million in revenue from our merchandise wholesale as a result of the initiation of our shared warehouse initiative since the second half of 2021. Following the relaxation of COVID-19 policies and overall recovery of consumer traffic and business activities, our revenue increased by 9.6% from RMB1.1 billion for the six months ended June 30, 2022 to RMB1.3 billion for the same period in 2023.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The principal factors that directly or indirectly affect our business, financial conditions, results of operations and prospects include:

- Our ability to expand our POS network;
- Our ability to effectively maintain our technical edge, achieve breakthroughs in technology and innovation, and further digitalize our operations;
- Our ability to establish and maintain relationships with our merchandise suppliers and enhance our bargaining power; and
- Our ability to manage operating expenses and improve operational expenses.

Our Ability to Expand Our POS Network

Our revenue is largely affected by the number and coverage of our POSs, and our future revenue growth depends on our ability to open new POSs and expand our POS network. During the Track Record Period, our POSs were mainly located in relatively developed regions in mainland China, including the Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region and provincial capitals. As of June 30, 2023, 87.3% of our Ubox POSs and Non-Ubox POSs were concentrated in tier one, new tier one and tier two cities. The table below sets forth the breakdown of our Ubox POSs coverage by city tier as of the dates indicated:

	As of December 31,								As of June 30,			
	2019		2020		2021		2022		2022		2023	
		%		%		%		%		%		%
Ubox POSs by city tier												
Tier one cities	16,625	26.2	15,836	27.1	21,572	25.3	19,929	30.1	20,281	28.0	19,611	31.7
New tier one cities	21,462	33.8	17,725	30.3	30,580	35.9	23,077	34.8	24,335	33.6	21,365	34.5
Tier two cities	15,838	25.0	15,228	26.0	22,097	26.0	14,405	21.7	18,052	25.0	13,031	21.1
Tier three cities	6,420	10.1	5,718	9.8	7,042	8.3	5,820	8.8	6,419	8.9	5,177	8.4
Others	3,106	4.9	3,960	6.8	3,848	4.5	3,001	4.6	3,232	4.5	2,704	4.3
Total	**63,451**	**100.0**	**58,467**	**100.0**	**85,139**	**100.0**	**66,232**	**100.0**	**72,319**	**100.0**	**61,888**	**100.0**

Our POS network slightly shrank in 2020 primarily as a result of the COVID-19 pandemic. It resumed rapid expansion in 2021 primarily due to the increase in the number of POSs placed at restaurants in the second half of 2021. The number of POSs decreased in 2022, primarily due to regional resurgence of COVID-19 in mainland China in 2022 that affected consumer traffic in certain consumption scenarios, including restaurants. The number of our Ubox POSs slightly decreased during the first half of 2023. This was because the Company, POS partners and some other business partners such as site owners adopted a prudent approach towards the pace of recovery in the macro-environment under the prolonged impact of the pandemic and slowed down the expansion of the POS network in the same period. Going forward, we intend to select more resilient venues to deploy our vending machines.

For different consumption scenarios, we have strategically adopted different POS management and development strategies to achieve efficient and rapid expansion. We generally adopt a direct operation model for POSs at strategically important sites, such as schools and premises of KAs, which tend to have a large number of potential POS locations at a single site. By directly operating POSs in such premium locations, we not only achieve a stable source of income, but also promote our brand awareness and presence. As of December 31, 2022, our POS network covered 45% of mainland China's top 40 airports by passenger traffic, 22% of all university and college campuses, and 29% of top 80 shopping malls in terms of sales. During the Track Record Period, we entered into strategic cooperation with various leading internet companies, logistics service providers, automobile manufacturers and companies from other industries, and have deployed over 6,100 POSs to their premises nationally as of June 30, 2023. In other locations, we deploy the partner model and engage POS partners to assist us with sourcing and establishing POSs, while we manage the daily operation of our vending machines. The partner model has allowed us to rapidly expand our POS network at relatively low costs and risks associated with establishment and operation of POSs. It aligns our interest with those of our POS partners, who are typically entitled to a share of the POSs' transaction GMV, subject to deduction of their responsible fees and costs, and therefore incentivized to mobilize resources to set up vending machines at the best POSs. Since 2020, we have actively enhanced the use of POS partners to assist us with sourcing and establishing POSs. As of June 30, 2023, we had a network of 61,888 Ubox POSs across 157 cities and 28 provincial-level administrative regions in mainland China. See "Business — Our POS Network" for details on the movement of our Ubox and Non-Ubox POSs during the Track Record Period.

Going forward, we plan to continue to expand our POS network to support the growth of our business and strengthen our market-leading position.

Our Ability to Effectively Maintain Our Technical Edge, Achieve Breakthroughs in Technology and Innovation, and Further Digitalize Our Operations

Our results of operations partly depend on our ability to maintain our technical edge, achieve breakthroughs in technology and further digitalize our operations to cost-effectively keep up with the technological upgrade and meet the demands of our anticipated growth. The vending machine retail industry is characterized by rapid technological evolution, continual shifts in customer demands and preferences, frequent introductions of new features and services. Our ability to expand is affected by the breadth and depth of our customer insights, our technology capabilities to develop our platform, and our ability to timely adapt to the rapidly evolving industry trends and preferences of our customers and business partners. We have continuously invested in research and development to further improve our technological capabilities. Poised to revolutionize unmanned retail, we have developed pick-and-go cabinets equipped with advanced hardware technologies, structural design and lighting, and the combined use of biometric authentication, credit assessment algorithm and IoT technologies. We have developed an operation system, which connects our vending machines to our centralized operation system over the cloud operated by third-party cloud service providers. We have also developed a data-driven operation system to digitalize our back-end supply flow. We will continue to invest in resources to enhance our technology capabilities. In particular, we will continue to develop new features and functionality and invest in data analytical capabilities, IoT technologies and back-end algorithms to enhance the level of standardization across our business operations, hence improving customer experience and our ability to manage our merchandise and an increasingly scalable business structure. Our ability to effectively maintain our technical edge, invest in relevant technologies may optimize our cost structure and lower our operating expenses as a percentage of our total revenues in the long run, but require upfront capital investments and expenditures in the short run, both of which would affect our financial positions.

Our Ability to Establish and Maintain Relationships with Our Merchandise Suppliers and Enhance Our Bargaining Power

Our ability to manage and control our cost of inventories sold and our ability to maintain mutually beneficial relationships with our merchandise suppliers are essential to our success. We procure merchandise from suppliers, including manufacturers and distributors of food and beverages, and sell them to our customers through our vending machines. Our ability to provide a broad selection of merchandise through our vending machines and POS network depends on our ability to develop mutually beneficial relationships with our suppliers. Revenue generated from our unmanned retail business (whose cost of sales are related to merchandise procurement) accounted for 56.5%, 70.3%, 71.6%, 78.4%, 79.9% and 78.8%, of our total revenue in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. We also generate revenue from merchandise wholesale. We therefore depend on merchandise suppliers to provide us with merchandise of quality for sale via our POS network or for wholesales, although, during the Track Record Period, we did not rely heavily on any single merchandise supplier.

The following sensitivity analysis illustrates the effects of hypothetical fluctuations in our cost of inventories sold on our gross profit for the periods indicated, assuming all other factors affecting our profitability had remained unchanged:

	- 20%	**- 10%**	**- 5%**	**0%**	**+ 5%**	**+ 10%**	**+ 20%**
Hypothetical change in gross profit *(RMB'000)*							
2019	251,242	125,621	62,811	–	(62,811)	(125,621)	(251,242)
2020	211,728	105,864	52,932	–	(52,932)	(105,864)	(211,728)
2021	293,278	146,639	73,319	–	(73,319)	(146,639)	(293,278)
2022	273,695	136,847	68,424	–	(68,424)	(136,847)	(273,695)
Six months ended June 30, 2022	119,497	59,748	29,874	–	(29,874)	(59,748)	(119,497)
Six months ended June 30, 2023	144,145	72,073	36,036	–	(36,036)	(72,073)	(144,145)

Moreover, prices of our merchandise typically follow suppliers' recommended retail prices and are generally in line with prices of similar merchandise sold at their vicinity, but we are allowed to determine retail prices based on the actual circumstances. The mix of merchandise sold through our POS network also affects our financial performance as different merchandise generate different gross profit margins. For example, in 2021, we sold a higher portion of food products, which recorded higher gross profit margin than beverages sold during the year, as a result of our efforts in merchandise management in early 2021 to refine our merchandise mix, partially contributing to the increase in gross profit margin of our unmanned retail business from 41.7% in 2020 to 46.4% in 2021. Therefore, our ability to increase our gross profit margin will in part depend on the mix of merchandise sourced from suppliers and our ability to increase our bargaining power with suppliers. We leverage our scale and data-driven inventory and operation system to lower the procurement costs of our merchandise. See "Business — Logistics and Inventory Management" for details. We have also been engaging original equipment manufacturing contractors for customized merchandise that have better gross profit margin advantage over branded merchandise.

Our Ability to Manage Operating Expenses and Improve Operational Efficiency

Our ability to manage and control our operating expenses is critical to the success of our business. Expenses of our operations mainly consist of selling and marketing expenses, general and administrative expenses and research and development expenses. The aggregated amount of such expenses accounted for 45.4%, 86.0%, 46.2%, 52.2%, 54.1% and 52.3%, respectively, of our revenue in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023. Such expenses accounted for a greater proportion of our revenue in 2020 primarily due to impairment loss recognized as a result of the COVID-19 outbreak and share incentives granted to management and core employees in 2020. Going forward, as we continue to rapidly expand our business network, our profitability will depend on our ability to effectively control our operating expenses by implementing various measures. For example, we put technologies including data analytics, visual recognition and IoT technologies into industry applications, digitalizing, automating and refining our operation, and thereby significantly enhancing our operational efficiency. We adopt a partner model to cost-effectively expand our POS network while reducing the need for maintaining large scale sales teams internally. We have introduced shared warehouses to provide more efficient and flexible services to Non-Ubox POS operators or merchandise wholesale customers and help them reduce warehousing costs while simultaneously helping us to further improve our inventory management and operation capabilities. We will also continuously increase the level of digitalization and automation of shared warehouses to enable more operation, including automatic placing of procurement orders. We expect our operating expenses to increase in absolute amount as we grow our business while decreasing as a percentage of our revenue as we continue to improve operational efficiency and achieve economies of scale.

SEASONALITY

Our business is subject to seasonal fluctuations depending on the location of our POSs and the relevant time of a year. In general, we experienced weaker performance in the first quarter of each year due to lower level of customer foot traffic and consumption from vending machines, especially outdoor ones, during winter. We typically record higher level of revenue from the second to fourth quarters of each year due to the warmer weather and relatively stronger demand for vending machine retail of beverages. We are also subject to seasonal fluctuation in demand from particular scenarios. For example, POSs at schools typically record lower level of revenue during summer and winter vacations. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — Our results of operation depend on the level of traffic and consumption and are thus subject to seasonal fluctuations."

IMPACT OF COVID-19

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

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

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

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

In general, our Directors are of the view that, as our business operations strongly rely on stable offline consumer traffic, the COVID-19 pandemic and the emergence of new COVID-19 variants which led to regional resurgences and certain pandemic control measures such as travel restrictions, mass testing and lockdowns, have had temporary adverse impact on our business operations and financial performance. Nevertheless, partially due to our promotion of the partner model, our business demonstrated resilience against the pandemic as evidenced by the significant increase in revenue by 40.7% from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021, approximately 98.1% of our revenue in 2019 before the outbreak of COVID-19. Since December 2022, the PRC government has relaxed its zero-COVID policy, including removing mass testing and central quarantine requirements and lifting travel restrictions. Many regions were facing a surge in cases following such relaxation until early February 2023. We also implemented various measures in light of such relaxation and surge in cases to mitigate their impact on our business operations:

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

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

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

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

BUSINESS SUSTAINABILITY

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

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

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

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

Ubox POSs from 85,139 to 66,232 as of December 31, 2021 and 2022, respectively, mainly due to the regional resurgence of COVID-19 in mainland China which significantly affected consumer traffic in certain scenarios, especially restaurants).

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

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

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

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

Further Expanding Our POS Network

Our POS network rapidly expanded in 2019, and slightly shrank in 2020 primarily as a result of the COVID-19 pandemic. Our POS network resumed rapid expansion in 2021 primarily due to our promotion of the partner model since 2020. The number of POSs decreased in 2022 primarily due to regional resurgence of COVID-19 in China in 2022 that affected consumer traffic in certain consumption scenarios, including restaurants. During the Track Record Period, a large portion of our gross profit was derived from our unmanned retail business. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, gross profit of our unmanned retail business amounted to RMB683.5 million, RMB557.5 million, RMB888.1 million, RMB891.4 million, RMB413.5 million and RMB444.5 million, respectively. The table below sets forth a breakdown of our gross profit per Ubox POS, which is calculated by dividing gross profit of unmanned retail business by the corresponding number of monthly Ubox POSs for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
Gross profit per Ubox POS *(RMB'000)*	16.1	9.5	13.9	12.0	5.2	7.0

The significant decrease of our gross profit per Ubox POS from 2019 to 2020 was primarily due to the COVID-19 pandemic. Going forward, we intend to select more resilient venues to deploy our vending machines.

To drive our overall revenue growth and achieve long-term profitability at scale, we plan to increase the number of POSs in different consumption scenarios including schools, factories, office premises, public places and other types of high-quality sites in tier one, new tier one, tier two and tier three cities in the PRC. We plan to open approximately 23,000 new POSs over the two years following the [**REDACTED**], with a strategic focus on tier one and tier two cities in the PRC, by utilizing our partner model. See "Future Plans and Use of [**REDACTED**]."

To this end, we plan to continue expanding our POS network by further promoting our partner model in the long run. We will further explore the potential of existing POS partners and promote their POS development capabilities through studying and sharing successful examples. We have formed a comprehensive set of methods for sourcing suitable new POS partners including quality POS partners with ready access to large numbers of POSs. For example, for office premises, we plan to recruit suppliers of office supplies, air conditioning equipment or drinking water purification equipment as our POS partners, who already have prior business relationships with the specific office premises, offering them an additional monetization channel and opportunities to strengthen their connections. In response to the impacts of COVID-19, we have been extending our POS partners recruitment through online means, including arranging live streaming on catching topics such as, POS development skills coupled with Q&A sessions, questionnaires and follow-up communications, on major social media platforms such as Douyin and WeChat, and further standardizing our POS partners' operations through providing online trainings. In addition, we plan to further promote our shared warehouse initiative and leverage our operation capabilities with an aim to convert business customers, such as merchandise wholesale customers to become our POS partners. As of June 30, 2023, among our merchandise wholesale customers, over 660 were also our shared warehouse customers, which we intend to further convert into POS partners in the future. Through the abovementioned measures, we engaged 115 new POS partners in the six months ended June 30, 2023. Furthermore, with respect to consumption scenarios with more consumer traffic, airports and subway stations where passenger traffic have been recovering following the governments' relaxation of pandemic control measures, we have refocused our business development resources and restarted negotiations with relevant site owners and POS partners to redeploy and increase the number of our POSs. Typically some site owners of major transportation hubs, hospitals, parks, schools or universities arrange biddings for the potential POSs they hold. As compared to the measures described above to expand our POS network, to a lessor extent, we attended such biddings or assisted our POS partners in attending such biddings.

The table below sets forth certain information regarding our POSs obtained through bidding as of the dates indicated:

	As of December 31,				As of June 30,	
	2019	2020	2021	2022	2022	2023
Direct operation model						
POSs obtained through bidding	5,234	3,740	4,434	6,093	6,355	4,861
Bidding rate[1] *(%)*	10.0	20.3	32.5	48.9	47.1	43.4
Partner model						
POSs obtained through bidding	N/A	6,881	8,531	7,456	8,266	7,053
Bidding rate[1] (%)	N/A	17.2	11.9	13.9	14.0	13.9

Note:

1. Bidding rate is calculated using the number of POSs obtained through bidding divided by the number of Ubox POSs at the end of each period in the Track Record Period under the respective model.

We recorded an overall increase in bidding rate under the direct operation model during the Track Record Period. We believe this is primarily attributable to our shift from direct operation model to partner model. POSs under direct operation model are usually considered strategically important such as schools and transportation hubs, and therefore more frequently were obtained through bidding. Meanwhile, our POSs under the direct operation model that were obtained through bidding as a percentage of total number of Ubox POSs as of the same date remained relatively stable. As of June 30, 2023, 43.4% of our POSs under the direct operation model (accounting for only 7.9% of the total number of our Ubox POSs as of the same date) were obtained through bidding.

As of June 30, 2023, we have assigned a designated team for business development of transportation hubs. This team actively collects information of new opportunities through various sources, including the Internet, social media, industry referrals, industry associations and forums. In addition, this team tracks major airports, railway stations and subway projects in major cities across the country, especially the bidding timetable of such projects. For existing transportation hub POSs, our team maintains regular communications with and pays revisits on a monthly basis to relevant site owners and partners to understand their demands so as to enhance their satisfaction and negotiates renewal of contracts near the end of each contract term. Besides transportation hubs, we have also established a team of approximately 60 members from various departments at our headquarters, which is dedicated to supporting our bidding efforts including project information collection, bidding scheme evaluation and material preparation. During the Track Record Period, we won over 240 biddings out of approximately 590 biddings we attended, with a success rate of 51.3%, 42.1%, 40.0%, 33.7% and 39.5% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, in terms of number of bidding projects we attended. While the success rate decreased during the Track Record Period, primarily due to our adjustment of our optimistic bidding strategies adopted in 2019 in light of the relatively challenging business environment since the COVID-19 outbreak, we believe our bidding strategies remained effective and there was no material fluctuation of the number of POSs obtained through biddings attended or assisted by us. For instance, the number of POSs obtained through bidding with our assistance under the partner model increased by 24% from 2020 to 2021. In 2023, we plan to participate in not less than 20 transportation project biddings.

In view of the foregoing, we expect to achieve growth of approximately 3,900 POSs in the second half of 2023. We started to shift our marketing efforts to our partner model from 2020 after the outbreak of COVID-19 and consider such a shift to the partner model as a long-term development strategy, instead of an interim measure We intend to further promote in the aftermath of COVID-19. Overall, considering the net increase of over 35,000 Ubox POSs in 2019 before the COVID-19 outbreak, we are confident in our POS development strategies.

Furthermore, we will continue to increase the number of POSs under the direct operation model through strengthening our cooperation with KAs, which tend to have large number of POSs at a single site, and turning leading enterprises in industries with growth prospects into our KAs. We have conducted analysis on leading or influential enterprises in various industries and formulated plans for developing and maintaining KA customers with cross-city and multi-POS characteristics such as universities, hotels and apartments as well as those in the Internet and manufacturing industries. Leveraging our knowledge on operational management of large number of POSs and the convenience of our pick-and-go cabinets and freshly brewed beverage vending machines, we are able to identify and assist our KAs deal with pain points in maintaining large number of POSs. Especially, we are able to promote KA customers to use our machines and services across all of their offices and premises by leveraging our cross-regional operation advantages and directly cooperating with their headquarters to address their demands for lowering costs, increasing efficiency, unifying management across multiple offices and freeing up management resources. We are also able to leverage our existing back-end operation system to assist major KA customers in their employee welfare and holiday/overtime caring programs (such as adjusting prices of merchandise when KA customers plan to offer their employees discounts during holidays or when working overtime) and help them analyze data of such programs and other sales data of their POSs, which we believe has led to improved customer satisfaction and increased customer stickiness. The number of POSs at KAs increased by 38.4% from 4,408 as of December 31, 2021 to 6,102 as of June 30, 2023. Going forward, we will keep our efforts to cooperate with our existing KAs and identify new potential KAs with an aim to achieve growth of 1,100 POSs in the second half of 2023. We also maintain close communication with our existing KA customers to explore and convert their suppliers and customers to become our KA customers. Recently we have increased our business development efforts and are currently focusing on engaging leading enterprises in industries with growth prospects to become our KA customers.

According to Frost & Sullivan, the unmanned retail market in mainland China is underpenetrated, with an average of 0.8 vending machine per thousand population in 2022. As of December 31, 2022, vending machines in mainland China covered only 8.8% of the country's potentially available offline sites, and such penetration rate of offline sites covered by vending machines is expected to increase to 15.6% by 2027, indicating a vast development prospect for vending machines in offline retail scenarios. Accordingly, the size of the vending machine retail market in mainland China is expected to grow from RMB28.9 billion in 2022 to RMB73.9 billion in 2027, with a CAGR of 20.7%. As such, we believe our POS network expansion plan is supported by strong industry potential and consumer demand. By increasing the density of our POSs in our POS network, we expect to be able to better manage the restocking and operation of our POSs, thereby enabling us to save and manage logistics and operational costs more efficiently and benefit from economies of scale. Besides, we believe the expansion of our POS network can create synergy that favours the growth of our advertising and system support services, which generally has a higher gross profit margin. See "— Further Developing Our Advertising And System Support Services" below for details.

We have taken timely actions in response to the governmental policies and measures to combat against COVID-19. For instance, we entered into cooperation with certain merchandise wholesale customers as part of our shared warehouse initiative, under which we would share our warehouses with each other or we jointly establish new warehouses to save rental costs. Pursuant to relevant agreements with customers, we may rent a certain area of the customers' warehouses and pay rent either in cash and/or through merchandise coupons (with which customers can purchase merchandise from us). The customers are required to ensure clear and reasonable segmentation of their warehouses based on the nature of merchandise, maintain sanitation of their warehouses and, based on our orders, load, unload, package and deliver our merchandise on a first-in-first-out basis and in accordance with the warehouse management standards agreed by both parties. The customers are responsible for any losses of merchandise at their warehouses. In certain cases, we were able to leverage our customers' warehouses to shorten our re-stocking distance for our POSs. In addition, we also expanded our POS partner recruitment channels to include online recruitment with a view to attracting POS partners from different industries, and actively discussed and negotiated with site owners for rent deduction. In our daily operations, we adhered to our supplier selection policy by working with reliable suppliers and monitored our stock level using our own internal logistics functions. Since

December 2022, the PRC government has relaxed its zero-COVID policy, including removing mass testing and central quarantine requirements and lifting travel restrictions. We will monitor the effects and after-effects of COVID-19 in light of such change in policies closely and refine our business expansion plans in response to market conditions in a timely manner.

Having considered (i) the size of the vending machine retail market in mainland China is expected to grow from RMB28.9 billion in 2022 to RMB73.9 billion in 2027, with a CAGR of 20.7%, according to Frost & Sullivan, (ii) the increase in the revenue from unmanned retail business under the partner model during the Track Record Period which evidences the effectiveness of our partner model, and (iii) our effective measures adopted to navigate the impact of the COVID-19 outbreak and the recovery of consumer traffic since the relaxation of COVID-19 policies which is expected to benefit our unmanned retail business and businesses of POS partners, our Directors are of the view, and the Joint Sponsors concur, that the aforementioned plans to further expand our POS network are feasible.

Further Developing Our Advertising And System Support Services

Revenue from our advertising and system support services decreased from RMB540.6 million in 2019 to RMB219.6 million in 2020 and further decreased from RMB243.1 million in 2021 to RMB194.3 million in 2022. Such decrease was primarily due to the decrease in demand for such services from advertisers owing to the decrease in outdoor consumer traffic in light of COVID-19 and its resurgence in 2022. Furthermore, revenue from our advertising and system support services decreased from RMB100.1 million for the six months ended June 30, 2022 to RMB56.5 million for the six months ended June 30, 2023. Average monthly GMV of our vending machines at Ubox POSs (excluding POSs of POS partners who are restaurant model partners) in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 decreased by 35.5%, 13.5%, 20.2%, 27.6% and 11.5%, respectively, as compared to the level in 2019. The table below sets forth average monthly GMV of vending machines at Ubox POSs, excluding POSs of POS partners who are restaurant model partners, and their respective rate of decrease compared to the level in 2019, for the periods indicated:

	For the year ended December 31,				**For the six months ended June 30,**	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
Monthly GMV at Ubox POSs *(RMB per machine per month)*	3,382	2,180	2,926	2,700	2,449	2,992
Percentage of decrease compared to the level in 2019 *(%)*	N/A	35.5	13.5	20.2	27.6	11.5

However, our advertising and system support services was our most profitable business line with the highest gross profit margin among our business lines, amounting to 90.3%, 99.7%, 75.9%, 82.5%, 87.9% and 98.8% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. In addition, according to Frost & Sullivan, the vending machine advertising market in mainland China is expected to experience strong growth going forward. Subsequent to the outbreak of COVID-19, the market size partially recovered in 2022 and is expected to reach RMB2.2 billion in 2027, representing a CAGR of 34.5% from 2022 to 2027. In light of the historical high levels of gross profit margin of this segment and the expected market growth, we intend to further promote our advertising and system support services alongside the recovery from the outbreak of COVID-19. Specifically, we are actively monitoring the level of market recovery by assessing the performance of Ubox POSs and Non-Ubox POSs and will continue to attract more advertisers to use and increase their spending on our digital advertising services. For merchandise to whom we provided merchandise display advertising services, on top of deepening our procurement cooperation with them, we plan to offer limited discounts for our merchandise display advertising services before advertisers regain confidence in the market and while their businesses recover. The discounts to be offered will be determined after arm's length negotiations taking into account factors including the type of merchandise display advertising services required and shall be fair and reasonable. We have entered into framework agreements with some of our major merchandise suppliers which stipulate that in case we procure their merchandise for our unmanned retail business, they shall procure our advertising services. With respect to other types of advertisers, we also plan to offer them certain discounts before they regain confidence in the market, and actively promote our advertising services to companies in the finance and the Internet sectors. In light of the recent relaxation of pandemic control measures, we expect the demand for our advertising services from advertisers in the year ending December 31, 2023 to gradually recover.

Due to the nature of our advertising and system support services, which mainly utilize the racks, machine bodies and display screens of our machines whose costs were mainly accounted for under our unmanned retail business, the aforementioned offering of discounts would not have a material impact on the gross profit margin of our advertising and system support services. The gross profit margin of our advertising and system support services mainly fluctuates to the extent we incur subcontractor cost when we acquire online traffic and offline promotion services from subcontractors (which are mainly advertising agencies) in order to provide specific advertising services to customers. Other than such subcontractor cost of advertising resources, only minimal costs for taxes and surcharges are allocated to our advertising services. See "— Consolidated Statements of Comprehensive Income — Cost of Sales" for details. We expect the gross profit margin of our advertising and system support services going forward would experience similar fluctuations to the extent we incur subcontractor cost but remain high as the trends we observed during the Track Record Period.

In addition, we intend to take advantage of the synergies created by our expanded POS network and our presence in various consumption scenarios to further monetize the machine bodies, racks and display screens of our vending machines, including at subway stations, airports, parks and shopping malls which generated higher level of advertising income before the COVID-19 outbreak.

Effectively Managing Our Cost and Expenses and Enhancing Operating Leverage

Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability.

Cost of inventories sold constituted the largest component of our cost of sales. The table below sets forth our cost of inventories sold in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
					(unaudited)	
Cost of inventories sold *(RMB'000)*	1,256,210	1,058,640	1,466,389	1,368,474	597,483	720,726
Cost of inventories sold as a percentage of total revnue *(%)*	46.1	55.7	54.8	54.3	52.3	57.5

As we continue to expand our POS network, we believe we will be able to efficiently manage cost of inventories sold as a percentage of revenue by implementing a number of measures, including (i) leveraging our industry leading position and increasing centralized procurement to secure competitive pricing from our merchandise suppliers, (ii) further leveraging our data-driven operation system for demand and sales forecast and effective inventory management to reduce stock-out losses, and (iii) constantly monitoring the sales performance of merchandise and corresponding costs to timely optimize merchandise mixes and inventory levels.

Our operating expenses primarily comprise selling and marketing expenses and general and administrative expenses. Selling and marketing expenses primarily relate to POSs operation and development expenses. The table below sets forth certain information regarding our selling and marketing expenses and POSs operation and development expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
					(unaudited)	
Selling and marketing expenses *(RMB'000)*	1,023,716	1,083,735	1,077,412	1,155,720	546,736	545,133
Selling and marketing expenses as a percentage of total revenue *(%)*	37.5	57.0	40.3	45.9	47.8	43.5
POSs operation and development expenses *(RMB'000)*	574,570	553,170	585,920	587,354	263,936	261,155
POSs operation and development expenses as a percentage of selling and marketing expenses *(%)*	56.1	51.0	54.4	50.8	48.3	47.9
POSs operation and development expenses as a percentage of total revenue *(%)*	21.1	29.1	21.9	23.3	23.1	20.8

We expect our selling and marketing expenses to grow in absolute amounts as we expand our POS network. However, we expect selling and marketing expenses as a percentage of revenue to decrease as our partner model matures which would enable us to benefit from the operating leverage effect.

Our general and administrative expenses (excluding [**REDACTED**] expenses, share-based payment and impairment loss of goodwill) accounted for 5.7%, 7.5%, 4.0%, 4.2%, 4.4% and 3.1% of our total revenue in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. We expect that our general and administrative expenses as a percentage of total revenue will generally decrease in the long term as a result of economies of scale.

During the Track Record Period, we adopted various measures to control costs and expenses and to improve our operating leverage. Since 2020, we have been actively developing the partner model to drive the expansion of our POS network and believe this effort allows us to benefit from operating leverage effect as our POS partners are generally responsible for sourcing potential sites, the costs for developing POSs, occupancy fees and utility costs. As such, certain managerial costs and operating expenses do not need to increase in line with revenue generated from the partner model as it does not require a proportional increase in the scale of POSs directly operated by us or our own workforce.

In addition, we leverage our technology-based retail platform and algorithms to optimize our restocking scheduling and route planning to minimize transportation and logistics costs. As our POS network expands and its density increases, we also expect to be able to further optimize our restocking scheduling and route planning and thereby more effectively manage our transportation and logistics. During the Track Record Period, we also rolled out our pick-and-go cabinets with lower purchase costs (given their smaller size and less complex internal mechanical system) as compared to beverage vending machines. Being smaller in size and requiring lower capital investment, our pick-and-go cabinets allow us to expand our network to a wider range of consumptions scenarios and increases the number of potential sites for us and our POS partners to deploy our machines. As they are designed to accommodate a larger variety of merchandise, they also help us seize more sales opportunities.

We have a track record of achieving operating leverage effect as evidenced by the decrease in general and administrative expenses as a percentage of our revenue from 5.7% in 2019 to 5.1% in 2022. Without considering share-based payments of RMB43.8 million recognized under general and administrative expenses in the six months ended June 30, 2023 in relation to share incentives granted to our employees, general and administrative expenses as a percentage of our revenue decreased from 4.8% for the six months ended June 30, 2023 to 4.1% for the same period in 2023. However, we were loss making during the Track Record Period, primarily because aspects of our business operations and network expansion was hampered by the COVID-19 outbreak and our monthly GMV per POS decreased. We believe our operating leverage effect to continue as the negative impact of COVID-19 is alleviated and the economy gradually recovers.

Based on the foregoing, our Directors believe, and the Joint Sponsors concur, that our Group's business is sustainable in the long run. Since December 2022, the restrictive measures to contain COVID-19 adopted by the PRC government began to be relaxed, such as gradual lift of travel restrictions. Assuming that the negative effects of COVID-19 will be gradually alleviated following such relaxation and overall consumer traffic will recover to the pre-COVID-19 level in the foreseeable future, we expect to remain loss-making in 2023 but achieve a turnaround in 2025. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, and may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. See "Risk Factors — Risks Relating to our Business and Industry — If we are not able to effectively manage our businesses, our expansion and growth in new geographical areas, our business and prospects may be materially and adversely affected" and "Risk Factors — Risks Relating to our Business and Industry — We are subject to risks and uncertainties faced by companies in a rapidly evolving industry."

Working Capital Sufficiency

Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, and for at least the next 12 months from the date of this document, taking into account RMB269.5 million of cash and cash equivalents on hand as of June 30, 2023, internally generated funds, RMB411.0 million of unutilized banking facilities as of the Latest Practicable Date and [**REDACTED**] of estimated net [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range of [**REDACTED**] to [**REDACTED**] per [**REDACTED**], and that the [**REDACTED**] is not exercised. In addition, as evidenced by our Pre-[**REDACTED**] Investments and other historical fund-raising activities, we have a good track record in being able to raise funds from renowned investors to finance our business growth and expansion. See "History and Development — Pre-[**REDACTED**] Investments." We believe that the [**REDACTED**] and other potential external financing sources, including those to which we will gain access after [**REDACTED**], will provide additional funding for our business expansion operations.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with HKFRS issued by the HKICPA. The historical financial information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss.

The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant's Report as set out in Appendix I.

In preparing the historical financial information, we consistently adopted all applicable new and amended HKFRSs throughout the Track Record Period except for any new interpretation that were not yet effective.

MATERIAL ACCOUNTING POLICY INFORMATION

We have identified certain accounting policies and estimates that are material to the preparation of our financial statements in accordance with HKFRS. Some of our accounting policies involve subjective assumptions, estimates and judgments that affected the application of policies and reported amounts of assets, liabilities, revenues and expenses, as well as their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could, in the future, result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected. When reviewing our financial statements, the following factors should be considered: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our material accounting policy information, estimates, assumptions and judgment made by our management which have material effect on our financial condition and results of operations are set forth in detail in Note 2 and Note 4 to the Accountant's Report as set out in Appendix I. Estimates, assumptions and judgments are continually re-evaluated and 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. We set forth below the accounting policies, estimates and judgments that we believe are critical to the preparation of our financial statements.

Revenue Recognition

We recognize revenue 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 our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have 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, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine 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 judgements on these assumptions and estimates may impact the revenue recognition.

Under our direct operation model, revenue from unmanned retail business arises from the end customers that buy merchandise through the vending machines operated by us. Revenue under the direct operation model is recognized when the control of goods have been transferred from the vending machines to the customers. Under our partner model, in addition to the revenue recognized when control of the goods is transferred to the end customers, commissions shared to POS partners are determined based on certain percentage of the transaction GMV agreed between us and the POS partners and charged to "selling and marketing expenses."

We recognize revenue when we satisfy a performance obligation by transferring a promised good or service to a customer. We shall determine at contract inception whether we satisfy 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 our performance as we perform, the performance obligation is satisfied over the contract period, and the revenue should be recognized over time. Accordingly, we recognized revenues derived from the 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. We recognize the revenue from the delivery of pay-for click or pay-for instant display advertisements for advertisers to our users based on the relevant performance measures.

For details, see Note 2.21 to the Accountant's Report as set out in Appendix I.

Leases

The Group as lessor under operating leases

Lease income from operating leases where we are a lessor is recognized as income on a straight-line basis over the lease term. 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

We enter into contracts for lease of certain offices, warehouses, cars and machinery.

Where the contracts contain both lease and non-lease components, we allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

At the lease commencement date, we recognize leases as a right-of-use asset and a corresponding liability, except for short-term leases with lease term of less than 12 months and leases of low-value assets. When we enter into a lease in respect of low-value assets, we recognize the lease on a straight-line basis as an expense in profit or loss.

The lease liability is initially recognised on a present value basis of the lease payments. After initial recognition, the lease payments are discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate.

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 us under residual value guarantees;

- the exercise price of a purchase option if we are reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects we exercising that option.

Right-of-use assets are recognized initially at cost, comprising 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. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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 to the Accountant's Report as set out in Appendix I. 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., our 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, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.2.6 to the Accountant's Report as set out in Appendix I. 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.

(ii) 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 us 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.

(iii) Research and development expenditures

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

(iv) Amortisation method and period

We amortize software licenses using the straight-line method over 3-10 years which is the best estimation under current business needs.

Property and Equipment

Property and equipment are stated at historical costs less depreciation. Historical costs include 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 our Group and the cost of the item can be measured reliably. All other repairs and maintenance 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:

	Useful lives	**Residual values**
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.

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 (see Note 2.7 to the Accountant's Report as set out in Appendix I).

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.

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. Our management also needs to exercise judgment in applying our 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.

Impairment of Goodwill

We test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6(a) to the Accountant's Report as set out in Appendix I. In determining where goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ("**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 to the Accountant's Report as set out in Appendix I. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The goodwill of our Group mainly arose from the acquisition of Shenzhen Youka for its freshly brewed beverage vending machine business in 2019 as mentioned in Note 18(a) and Note 33 to the Accountant's Report as set out in Appendix I, and acquisition of karaoke booth service business and other vending machine business in previous years. We carry out our annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. We consider 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 us for each CGU:

	Freshly brewed beverage vending machine business	**Karaoke booth service business**	**Other vending machine business**
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2019			
Opening	–	10,813	15,454
Additions	168,348	–	567
Closing	168,348	10,813	16,021
Year ended December 31, 2020			
Opening	168,348	10,813	16,021
Impairment	(147,573)	(10,813)	–
Closing	20,775	–	16,021

	Freshly brewed beverage vending machine business *RMB'000*	Karaoke booth service business *RMB'000*	Other vending machine business *RMB'000*
Year ended December 31, 2021			
Opening	20,775	–	16,021
Closing	20,775	–	16,021
Year ended December 31, 2022			
Opening	20,775	–	16,021
Closing	20,775	–	16,021
(Unaudited)			
Six months ended June 30, 2022			
Opening	20,775	–	16,021
Closing	20,775	–	16,021
Six months ended June 30, 2023			
Opening	20,775	–	16,021
Closing	20,775	–	16,021

Impairment review on goodwill has been conducted by our management as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023 according to HKAS 36 "Impairment of assets." We carried out our 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 ("**FVLCOD**") and its value in use ("**VIU**"). We have engaged an independent external valuer for performing the goodwill impairment assessments as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023. FVLCOD 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 us. We leveraged our 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. We leveraged our extensive experiences in the industries and prepared the forecast based on the past performance and our expectation of future business projection and market developments. The discount rates adopted were derived from the analysis of our time value and specific risk.

As of 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 FVLCOD, 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 of December 31, 2019.

During the year ended December 31, 2020, goodwill impairment arose in our freshly brewed beverage vending machine business due to the outbreak of COVID-19 epidemic. Our 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 of December 31, 2020, the recoverable amount of the freshly brewed beverage vending machine business CGU was based on FVLCOD, which is measured using discounted cash flow projections prepared from market participants perspective. Based on the results of the impairment assessments, we recognized an impairment provision of approximately RMB147.6 million against the carrying amount of goodwill relating to the 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 because people were afraid to sing in a confined space after the outbreak of COVID-19. As of December 31, 2020, the recoverable amount of the CGU was determined based on VIU. Based on the results of the impairment assessments, we recognized full impairment provision of goodwill, as well as property and equipment intangible assets and right-of-use assets relating to the acquired karaoke booth service business.

The impairment losses for the year ended December 31, 2020 related to unmanned retail business segment and other services 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:

	Karaoke booth service business/ Others	**Freshly brewed beverage vending machine business/ Unmanned retail business**
	RMB'000	*RMB'000*
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

During the years ended December 31, 2021, 2022 and the six months ended June 30, 2023, the recoverable amount of the freshly brewed beverage vending machine business CGU was based on FVLCOD, 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, 2022 and the six months ended June 30, 2023, the recoverable amount of the other vending machine business CGU was based on FVLCOD, 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 of December 31, 2019, 2020, 2021, 2022 and June 30, 2023.

As of December 31, 2019, 2020, 2021, 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:

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

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

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

	Freshly brewed beverage vending machine business	Karaoke booth service business	Other vending machine business
As of December 31, 2019			
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%
As of December 31, 2020			
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%
As of December 31, 2021			
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%
As of December 31, 2022			
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%

	Freshly brewed beverage vending machine business	Karaoke booth service business	Other vending machine business
As of June 30, 2023			
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%

Our management considers the impact of possible changes in a number of key assumptions, including revenue growth rate during the projection period, terminal value growth rate, gross margin during the projection period, and post tax discount rates and discount for lack of marketability. Further details of the level-3 key assumptions for those for our freshly brewed beverage vending machine business, karaoke booth service business and other vending machine business are set out in Note 18(b) to the Accountant's Report as set out in Appendix I. Revenue growth rates and gross profit margins were determined by our management based on past performance and the future business plan of the cash-generating unit expected to be achieved. The expansion of freshly brewed beverage vending machine business was adversely impacted by COVID-19 and the revenue generated by the freshly brewed beverage vending business was lower than our 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 of 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.

Further details of the impairment review are set out in Note 18(b) to the Accountant's Report as set out in Appendix I.

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.

	Freshly brewed beverage vending machine business	Karaoke booth services business	Other vending machine business
As of December 31, 2019			
Decrease in revenue growth rate p.a. during the projection period	0.05%	4.58%	39.51%
Decrease in terminal value growth rate	0.01%	2.82%	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As of December 31, 2020			
Decrease in revenue growth rate p.a. during the projection period	N/A	N/A	50.23%
Decrease in terminal value growth rate	N/A	N/A	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As of December 31, 2021			
Decrease in revenue growth rate p.a. during the projection period	6.23%	N/A	40.86%
Decrease in terminal value growth rate	3% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately RMB15,648,000	N/A	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%

	Freshly brewed beverage vending machine business	Karaoke booth services business	Other vending machine business
As of December 31, 2022			
Decrease in revenue growth rate p.a. during the projection period	5.80%	N/A	39.51%
Decrease in terminal value growth rate	2.5% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately RMB11,665,000	N/A	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As of June 30, 2023			
Decrease in revenue growth rate p.a. during the projection period	5.31%	N/A	42.17%
Decrease in terminal value growth rate	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately RMB12,496,000	N/A	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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 of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our management 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 of December 31, 2019, 2021, 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 of December 31, 2019, adverse changes in key assumptions applied in the sensitivity analysis would cause impairment loss of the karaoke booth services business CGU.

For further details of impairment charge, key assumptions which are made by our management and third-party valuer and impact of possible changes in key assumptions see Note 18 to the Accountant's Report as set out in Appendix I.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income in absolute amounts and as percentages of revenue for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
Revenue	**2,727,461**	**100.0**	**1,902,010**	**100.0**	**2,676,237**	**100.0**	**2,519,224**	**100.0**	**1,143,090**	**100.0**	**1,252,678**	**100.0**
Cost of sales	(1,398,265)	(51.3)	(1,343,449)	(70.6)	(1,575,113)	(58.9)	(1,442,488)	(57.3)	(632,853)	(55.4)	(734,702)	(58.7)
Gross profit	**1,329,196**	**48.7**	**558,561**	**29.4**	**1,101,124**	**41.1**	**1,076,736**	**42.7**	**510,237**	**44.6**	**517,976**	**41.3**
Selling and marketing expenses	(1,023,716)	(37.5)	(1,083,735)	(57.0)	(1,077,412)	(40.3)	(1,155,720)	(45.9)	(546,736)	(47.8)	(545,133)	(43.5)
General and administrative expenses	(156,075)	(5.7)	(511,016)	(26.9)	(123,347)	(4.6)	(127,405)	(5.1)	(54,306)	(4.8)	(95,146)	(7.6)
Research and development expenses	(57,301)	(2.1)	(41,484)	(2.2)	(36,761)	(1.4)	(31,556)	(1.3)	(17,668)	(1.5)	(15,098)	(1.2)
Net impairment losses on financial assets	(10,858)	(0.4)	(58,389)	(3.1)	(28,224)	(1.1)	(9,264)	(0.4)	(6,904)	(0.6)	(842)	(0.1)
Other income	17,112	0.6	20,199	1.1	12,269	0.5	12,027	0.5	4,140	0.4	2,923	0.2
Other gains/(losses), net	11,344	0.4	(19,844)	(1.0)	(14,655)	(0.5)	(8,488)	(0.3)	821	0.1	(2,920)	(0.2)
Operating profit/(loss)	**109,702**	**4.0**	**(1,135,708)**	**(59.7)**	**(167,006)**	**(6.3)**	**(243,670)**	**(9.7)**	**(110,416)**	**(9.7)**	**(138,240)**	**(11.0)**
Finance costs	(58,688)	(2.2)	(32,344)	(1.7)	(13,517)	(0.5)	(13,331)	(0.5)	(7,260)	(0.6)	(4,584)	(0.4)
Share of results of investments accounted for using the equity method	(7,169)	(0.3)	(3,472)	(0.2)	(4,092)	(0.2)	(15,255)	(0.6)	(4,786)	(0.4)	(3,821)	(0.3)
Profit/(loss) before income tax	**43,845**	**1.6**	**(1,171,524)**	**(61.6)**	**(184,615)**	**(6.9)**	**(272,256)**	**(10.8)**	**(122,462)**	**(10.7)**	**(146,645)**	**(11.7)**
Income tax expense	(4,196)	(0.1)	(12,672)	(0.7)	(3,579)	(0.1)	(10,813)	(0.4)	(5,937)	(0.5)	(744)	(0.1)
Profit/(loss) for the year/period	**39,649**	**1.5**	**(1,184,196)**	**(62.3)**	**(188,194)**	**(7.0)**	**(283,069)**	**(11.2)**	**(128,399)**	**(11.2)**	**(147,389)**	**(11.8)**

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Other comprehensive income/(loss), net of tax	1	0.0	2	0.0	–	–	–	–	–	–	–	–
Total comprehensive income/loss for the year/period	**39,650**	**1.5**	**(1,184,194)**	**(62.3)**	**(188,194)**	**(7.0)**	**(283,069)**	**(11.2)**	**(128,399)**	**(11.2)**	**(147,389)**	**(11.8)**
Profit/(loss) for the year/period attributable to:												
– Owners of the Company	45,142	1.7	(1,172,461)	(61.6)	(185,000)	(6.9)	(284,529)	(11.3)	(127,479)	(11.2)	(152,480)	(12.2)
– Non-controlling interests	(5,493)	(0.2)	(11,735)	(0.6)	(3,194)	(0.1)	1,460	0.1	(920)	(0.1)	5,091	0.4
	39,649	**1.5**	**(1,184,196)**	**(62.3)**	**(188,194)**	**(7.0)**	**(283,069)**	**(11.2)**	**(128,399)**	**(11.2)**	**(147,389)**	**(11.8)**

Non-HKFRS Measures

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

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

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

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

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

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

SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Revenue by business segment

During the Track Record Period, we generated revenue primarily from (i) unmanned retail business, (ii) advertising and system support services, (iii) merchandise wholesale, (iv) vending machine sales and leases, and (v) others. The following table sets forth our revenue by business segment for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Unmanned retail business	1,539,891	56.5	1,336,763	70.3	1,915,116	71.6	1,974,657	78.4	913,388	79.9	986,795	78.8
– Direct operation model	*1,289,146*	*47.3*	*574,339*	*30.2*	*435,917*	*16.3*	*362,309*	*14.4*	*158,849*	*13.9*	*183,752*	*14.7*
– Partner model	*250,745*	*9.2*	*762,424*	*40.1*	*1,479,199*	*55.3*	*1,612,348*	*64.0*	*754,539*	*66.0*	*803,043*	*64.1*
Advertising and system support services	540,600	19.8	219,561	11.5	243,120	9.1	194,271	7.7	100,074	8.8	56,450	4.5
– Digital advertising services	*518,874*	*19.0*	*203,095*	*10.6*	*224,706*	*8.4*	*176,216*	*7.0*	*91,314*	*8.0*	*50,415*	*4.0*
– Operation system support	*21,726*	*0.8*	*16,466*	*0.9*	*18,414*	*0.7*	*18,055*	*0.7*	*8,760*	*0.8*	*6,035*	*0.5*
Merchandise wholesale	297,900	10.9	115,485	6.1	40,516	1.5	131,795	5.2	54,103	4.7	110,685	8.8
Vending machine sales and leases	91,485	3.4	47,040	2.5	44,241	1.7	33,840	1.3	16,149	1.4	11,712	0.9
Others	257,585	9.4	183,161	9.6	433,244	16.1	184,661	7.4	59,376	5.2	87,036	7.0
Total	**2,727,461**	**100.0**	**1,902,010**	**100.0**	**2,676,237**	**100.0**	**2,519,224**	**100.0**	**1,143,090**	**100.0**	**1,252,678**	**100.0**

Unmanned retail business

Under our unmanned retail business, we offer consumers swift and convenient access to a broad selection of FMCG, including bottled beverages, snacks, freshly brewed coffee and other beverages, and generate revenue from selling them to consumers through our vast network of vending machines. Revenue generated from our unmanned retail business was calculated based on GMV of vending machines deducted by value-added tax and discounts in promotional campaigns. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, revenue generated from unmanned retail business amounted to approximately RMB1,539.9 million, RMB1,336.8 million, RMB1,915.1 million, RMB1,974.7 million, RMB913.4 million and RMB986.8 million, respectively, representing 56.5%, 70.3%, 71.6%, 78.4%, 79.9% and 78.8% of our total revenue in the same periods, respectively.

We expand our unmanned retail business primarily through our sales force and POS partners. Commencing from 2020, we have started to adopt the partner model in addition to the direct operation model as we believe this allows more flexible and efficient network expansion, where the partner model facilitates site acquisitions and enhances our efficiency with simplified POS sourcing and development. We generally adopt the direct operation model for POSs at strategically important sites where we source POS sites directly, and engage POS partners to assist us with sourcing and establishing other POSs, where POS partners are responsible for the occupancy fee plus utility cost. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, 17.2%, 68.5%, 84.0%, 81.2% and 81.9% of our Ubox POSs were operated under the partner model, respectively. As a result, revenue generated from POSs operated by POS partners increased from RMB250.7 million in 2019 to RMB762.4 million in 2020, RMB1,479.2 million in 2021 and RMB1,612.3 million in 2022, and further increased from RMB754.5 million for the six months ended June 30, 2022 to RMB803.0 million for the same period in 2023, accounting for 16.3%, 57.0%, 77.2%, 81.7%, 82.6% and 81.4% of revenue generated from our unmanned retail business for the same periods, respectively.

Advertising and system support services

During the Track Record Period, leveraging our expansive network of POSs and our deep understanding of consumer behaviors, we offer digital advertising services to brand owners, merchandise suppliers, payment platforms and other advertising agencies by displaying their advertisements, images or brands on the touchscreens or bodies of our vending machines, or through the provision of after-payment advertising services and merchandise display advertising services. During the Track Record Period, our revenue from digital advertising services was generally determined by demand for such services from advertisers, which was impacted by macro-economic conditions, and the expansiveness of our POS network, which represents our capacity to reach consumers. During the Track Record Period, revenue from digital advertising services also relates to the number of new POSs opened which affects the amount of services fees we may receive from Alipay China for the advertising and promotion of its payment service products. For details of service fees from Alipay China, see "Connected Transactions – Partially-exempt Continuing Connected Transactions – Advertising Cooperation Framework Agreement." In addition, we provide operation system support to Non-Ubox POS operators by allowing them to connect their machines to our operation system.

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, revenue generated from the provision of advertising and system support services amounted to RMB540.6 million, RMB219.6 million, RMB243.1 million, RMB194.3 million, RMB100.1 million and RMB56.5 million, respectively, representing 19.8%, 11.5%, 9.1%, 7.7%, 8.8% and 4.5% of our total revenue for the same periods, respectively.

Merchandise wholesale

During the Track Record Period, in order to leverage our operation and digitalization capabilities, we offer merchandise wholesale services to wholesale customers and certain non-Ubox POS operators who already operate vending machines and empower them to improve operational efficiency.

Revenue from merchandise wholesale amounted to RMB297.9 million, RMB115.5 million, RMB40.5 million, RMB131.8 million, RMB54.1 million and RMB110.7 million, respectively in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, representing 10.9%, 6.1%, 1.5%, 5.2%, 4.7% and 8.8% of our total revenue for the same periods, respectively.

Vending machine sales and leases

During the Track Record Period, we offer vending machine sales and leases to our Non-Ubox POS operators. In addition, we provide hardware support services including machine installation and maintenance services.

Revenue from vending machine sales and leases amounted to RMB91.5 million, RMB47.0 million, RMB44.2 million, RMB33.8 million, RMB16.1 million and RMB11.7 million, respectively in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, representing 3.4%, 2.5%, 1.7%, 1.3%, 1.4% and 0.9% of our total revenue for the same periods, respectively.

Others

During the Track Record Period, our revenue from others segment primarily consisted of revenue generated from (i) mobile device distribution services, which comprise unmanned mobile phones and accessories retail solutions, (ii) operating M-Bar self-service karaoke booths, in which customers generally pay by number of songs or by the time spent in our karaoke booths or to a lesser extent, customers (outside Beijing and Shanghai) may purchase a monthly pass for access to our karaoke booths, (iii) karaoke booths sales and leases, and (iv) karaoke booth operation system support. Revenue from others segment amounted to RMB257.6 million, RMB183.2 million, RMB433.2 million, RMB184.7 million, RMB59.4 million and RMB87.0 million, respectively, in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, representing 9.4%, 9.6%, 16.1%, 7.4%, 5.2% and 7.0% of our total revenue for the same periods, respectively. We have decided that karaoke booth services will no longer be our Group's development focus and we currently are only maintaining our operation of existing karaoke booths while cutting down some under-performing machines in light of the negative impact of COVID-19 on this business segment.

Cost of Sales

Our cost of sales comprises (i) cost of inventories sold, (ii) subcontractor cost of advertising resources, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, (v) taxes and surcharges, (vi) impairment loss of inventories, and (vii) impairment loss of property and equipment and right-of-use assets. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Cost of inventories sold	1,256,210	89.8	1,058,640	78.8	1,466,389	93.1	1,368,474	94.9	597,483	94.4	720,726	98.1
Subcontractor cost of advertising resources	50,315	3.6	499	0.0	58,095	3.7	33,507	2.3	11,908	1.9	478	0.1
Depreciation of property and equipment	45,241	3.2	37,780	2.8	19,055	1.2	15,428	1.1	9,527	1.5	2,852	0.4
Depreciation of right-of-use assets	33,853	2.4	26,014	1.9	24,810	1.6	18,095	1.3	11,104	1.8	6,144	0.8
Taxes and surcharges	10,116	0.7	2,166	0.2	6,764	0.4	6,984	0.4	2,831	0.4	4,502	0.6
Impairment loss of inventories	2,530	0.3	53,912	4.0	–	–	–	–	–	–	–	–
Impairment loss of property and equipment and right-of-use assets	–	–	164,438	12.3	–	–	–	–	–	–	–	–
Total	**1,398,265**	**100.0**	**1,343,449**	**100.0**	**1,575,113**	**100.0**	**1,442,488**	**100.0**	**632,853**	**100.0**	**734,702**	**100.0**

Cost of inventories sold represents costs relating to the procurement of (i) FMCG such as food and beverages sold through our vending machines, (ii) mobile phones and accessories in connection with our mobile device distribution services under our others segment, and (iii) machines sold.

Subcontractor cost of advertising resources relate to our provision of after-payment advertising services to customers. See "Business — Our Product and Service Offerings — Advertising and System Support Services — Digital Advertising Services" for details. In order to provide such advertising services to customers, we may from time to time acquire online traffic and offline promotion services from subcontractors. Such subcontractors mainly include advertisement agencies which have abundant advertising resources including access to media channels and potential consumers, such as through mobile applications, WeChat groups and offline digital screens.

Depreciation of right-of-use assets represents depreciation of our machines, primarily karaoke booths and leased out vending machines purchased by us under finance lease arrangement and leased to Non-Ubox POS operators.

Depreciation of property and equipment represents depreciation of our machines, primarily karaoke booths and leased out vending machines leased to Non-Ubox POS operators. Depreciation of property and equipment decreased from 2019 to 2020 primarily due to the decrease in number of karaoke booths and impairment recognised for karaoke booths as a result of the COVID-19 outbreak.

Taxes and surcharges represent maintenance and construction tax and educational surtax and other miscellaneous taxes. The decrease in taxes and surcharges from 2019 to 2020 was primarily due to the decrease in value-added tax resulting from the decrease in our revenue as a result of COVID-19. The increase in taxes and surcharges from 2020 to 2021 was generally in line with the growth of our business as COVID-19 had been largely contained in China in 2021. Taxes and surcharges remained relatively stable in 2021 and 2022. The increase in taxes and surcharges for the six months ended June 30, 2023 as compared to the same period in 2022 was primarily due to the increase in value-added tax resulting from the increase in sales following the relaxation of COVID-19 policies and overall recovery of consumer traffic and business activities.

Impairment loss of inventories represents impairment loss on our non-core types of machines such as orange juice machines, coconut juice machines and karaoke booths held for sale. We recognized RMB53.9 million of impairment loss of inventories in 2020 primarily because we were unable to put them into operation or sell them as a result of the COVID-19 pandemic with reduced foot traffic.

Impairment loss of property and equipment and right-of-use assets represents impairment loss on karaoke booths in operation. We recognized RMB164.4 million in impairment loss of property and equipment and right-of-use assets in 2020 primarily because our karaoke booth business was adversely affected by COVID-19 in 2020.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
									(unaudited)			
Unmanned retail business	683,467	44.4	557,516	41.7	888,056	46.4	891,398	45.1	413,543	45.3	444,458	45.0
Advertising and system support services	488,280	90.3	218,812	99.7	184,411	75.9	160,225	82.5	87,918	87.9	55,769	98.8
– Digital advertising services	*466,634*	*89.9*	*202,365*	*99.6*	*166,431*	*74.1*	*142,233*	*80.7*	*79,180*	*86.7*	*49,764*	*98.7*
– Operation system support	*21,646*	*99.6*	*16,447*	*99.9*	*17,980*	*97.6*	*17,992*	*99.7*	*8,738*	*99.7*	*6,005*	*99.5*
Merchandise wholesale	14,669	4.9	4,029	3.5	2,965	7.3	5,225	4.0	2,834	5.2	3,990	3.6
Vending machine sales and leases	15,147	16.6	(32,224)	(68.5)	13,887	31.4	10,792	31.9	2,981	18.5	3,165	27.0
Others	127,633	49.5	(189,572)	(103.5)	11,805	2.7	9,096	4.9	2,961	5.0	10,594	12.2
Total	**1,329,196**	**48.7**	**558,561**	**29.4**	**1,101,124**	**41.1**	**1,076,736**	**42.7**	**510,237**	**44.6**	**517,976**	**41.3**

Our gross profit was RMB1,329.2 million, RMB558.6 million, RMB1,101.1 million, RMB1,076.7 million, RMB510.2 million and RMB518.0 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The decrease in gross profit from RMB1,329.2 million in 2019 to RMB558.6 million in 2020 was mainly attributable to (i) the decrease in our revenue as a result of the COVID-19 outbreak, and (ii) the increase in our impairment losses of inventories, and property and equipment and right-of-use assets primarily attributable to our non-core types of machines such as karaoke booths in operation and orange juice machines, coconut juice machines and karaoke booths held for sale as a result of the COVID-19 outbreak. Specifically, vending machine sales and leases and others segment recorded gross losses in 2020 primarily due to the increase in impairment losses attributable to our non-core types of machines held for sale and karaoke booths in operation as a result of the COVID-19 outbreak. The increase in gross profit from RMB558.6 million in 2020 to RMB1,101.1 million in 2021 was mainly attributable to the increase in revenue from our unmanned retail business. The decrease in gross profit from RMB1,101.1 million in 2021 to RMB1,076.7 million in 2022 was mainly attributable to the decrease in revenue from advertising and system support services. The increase in gross profit from RMB510.2 million for the six months ended June 30, 2022 to RMB518.0 million for the six months ended June 30, 2023 was mainly attributable to the increase in revenue from unmanned retail business partially offset by the decrease in revenue from advertising and system support services.

Our gross profit margin was 48.7%, 29.4%, 41.1%, 42.7%, 44.6% and 41.3% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The decrease in gross profit margin from 2019 to 2020 was primarily due to (i) the decrease in revenue generated from high gross margin consumption scenarios such as transportation hubs, public venues and schools as a result of COVID-19, (ii) the decrease in revenue generated from advertising and system support services (primarily due to the decrease in demand for such services from advertisers and their budgets and expenditures owing to the decrease in outdoor consumer traffic in light of COVID-19) which typically records higher gross profit margin than other business segments, and (iii) impairment losses recognized in 2020.

Our gross profit margin increased from 29.4% in 2020 to 41.1% in 2021 primarily due to (i) the increase in revenue generated from unmanned retail business as a percentage of total revenue, while gross profit margin of this business segment also improved due to the higher portion of food products with higher gross profit margin sold in 2021, as a result of our efforts in merchandise management in early 2021 to refine our merchandise mix, (ii) the recovery of consumer traffic at consumption scenarios or POSs with higher gross profit margin, such as public venues, transportation hubs and schools, and (iii) significant amounts of impairment losses, primarily attributable to karaoke booths in operation and orange juice machines and coconut juice machines recognized in 2020.

Our gross profit margin increased from 41.1% in 2021 to 42.7% in 2022 primarily due to (i) the increase in revenue from unmanned retail business as a percentage of our total revenue from 71.6% in 2021 to 78.4% in 2022, which has relatively higher gross profit margin, (ii) the increase in gross profit margin of advertising and system support services from 75.9% in 2021 to 82.5% in 2022, and (iii) the decrease in revenue from others segment as a percentage of our total revenue from 16.1% in 2021 to 7.4% in 2022, primarily due to the downstream mobile device retail market and the demand for our mobile device distribution services under our others segment were negatively affected by macro-economic conditions and consumer demand in 2022.

Our gross profit margin decreased from 44.6% for the six months ended June 30, 2022 to 41.3% for the six months ended June 30, 2023, primarily due to a decrease in revenue contribution from advertising and system support services which typically records higher gross profit margin than other business segments and an increase in revenue contribution from merchandise wholesale and mobile device distribution services which typically record lower gross profit margin than other business segments.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) POSs operation and development expenses, (ii) employee benefit expenses, (iii) logistics and transportation expenses, (iv) depreciation, (v) office and lease expenses, (vi) impairment loss of property and equipment and right-of-use assets, (vii) share-based payments and (viii) others. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our selling and marketing expenses amounted to RMB1,023.7 million, RMB1,083.7 million, RMB1,077.4 million, RMB1,155.7 million, RMB546.7 million and RMB545.1 million, respectively, representing 37.5%, 57.0%, 40.3%, 45.9%, 47.8% and 43.5% of our total revenue for the same periods, respectively.

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

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
POSs operation and development expenses	574,570	56.1	553,170	51.0	585,920	54.4	587,354	50.8	263,936	48.3	261,155	47.9
Employee benefit expenses	172,563	16.9	168,206	15.5	151,386	14.1	170,190	14.7	84,073	15.4	63,303	11.6
Logistics and transportation expenses	108,480	10.6	97,243	9.0	138,277	12.8	156,637	13.6	77,222	14.1	88,642	16.3
Depreciation	98,564	9.6	177,787	16.4	137,068	12.7	186,927	16.2	90,150	16.5	102,693	18.8
Office and lease expenses	34,452	3.4	29,804	2.8	29,125	2.7	29,470	2.5	15,082	2.8	8,310	1.5
Impairment loss of property and equipment and right-of-use assets	1,240	0.1	27,573	2.5	1,449	0.1	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	–	–	4,723	0.9
Others[1]	33,847	3.3	29,952	2.8	34,187	3.2	25,142	2.2	16,273	2.9	16,307	3.0
Total	**1,023,716**	**100.0**	**1,083,735**	**100.0**	**1,077,412**	**100.0**	**1,155,720**	**100.0**	**546,736**	**100.0**	**545,133**	**100.0**

Note:

1. Others primarily include promotional fees, traveling and entertainment expenses.

POSs operation and development expenses constituted the largest component of our selling and marketing expenses during the Track Record Period. POSs operation and development expenses primarily represented expenses paid or payable to POS site owners and POS partners for maintaining and expanding our Ubox POS network. The following table sets forth a breakdown of our POSs operation and development expenses by recipient for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Unmanned retail business	461,014	496,185	558,062	566,788	248,709	254,925
Site owners	*369,936*	*279,010*	*141,651*	*105,874*	*48,153*	*37,630*
POS partners	*91,078*	*217,175*	*416,411*	*460,914*	*200,556*	*217,295*
Others[1]	113,556	56,985	27,858	20,566	15,227	6,230
Total	**574,570**	**553,170**	**585,920**	**587,354**	**263,936**	**261,155**

Note:

1. In relation to karaoke booth operations.

POSs operation and development expenses for POSs under the direct operation model were either a fixed amount or determined based on certain percentages of the transaction GMV generated by the corresponding machine as agreed between us and individual POS site owners. POSs operation and development expenses for POSs under the partner model were typically determined based on certain percentages of the transaction GMV generated by the corresponding machine with other costs responsible by POS partners deducted. POSs operation and development expenses for POSs under the direct operation model as a percentage of the transaction GMV generated under the direct operation model amounted to 25.3%, 42.3%, 28.4%, 26.0%, 25.6% and 17.3% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. POSs operation and development expenses for POSs under the partner model as a percentage of the transaction GMV under the partner model amounted to 34.7%, 25.0%, 25.3%, 25.6%, 24.1% and 23.9%, in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The higher level under the partner model in 2019 was primarily because we offered POS partners a relatively higher share of the POSs' transaction GMV in the early stage of promoting the partner model. The higher level under the direct operation model in 2020 was primarily due to the decrease in transaction GMV per machine due to the impact of COVID-19 while POSs operation and development expenses with respect to certain POSs under the direct operation model were fixed.

In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, POSs operation and development expenses accounted for 56.1%, 51.0%, 54.4%, 50.8%, 48.3% and 47.9% of our total selling and marketing expenses, respectively. The decrease in POSs operation and development expenses from 2019 to 2020 was primarily attributable to decrease in the number of Ubox POSs due to the negative impact of COVID-19 in 2020. The increase in POSs operation and development expenses from 2020 to 2021 was primarily attributable to the expansion of our POS network in 2021. The increase in POSs operation and development expenses from 2021 to 2022 was primarily due to the expansion of our POS network in 2022, in terms of monthly average number of Ubox POSs in 2022 as compared to that of 2021, despite the decrease in number of Ubox POSs from 85,139 to 66,232 as of December 31, 2021 and 2022, respectively. The decrease in POSs operation and development expenses for the six months ended June 30, 2023 as compared to the same period in 2022 was primarily due to the decrease in the number of our Ubox POSs. This was because the Company, POS partners and some other business partners such as site owners adopted a prudent approach towards the pace of recovery in the macro-environment under the prolonged impact of the pandemic and slowed down the expansion of the POS network in the same period.

Employee benefit expenses under selling and marketing expenses primarily consist of salaries, wages, bonus, social security costs and housing benefits for our sales and marketing personnel.

Logistics and transportation expenses primarily represents logistics expenses incurred for establishment of POSs, restocking of merchandise across our network and maintenance and movement of our machines.

Depreciation represents depreciation of right-of-use assets and property and equipment in relation to our vending machines for our unmanned retail business. The increase in depreciation from 2019 to 2020 was primarily attributable to our larger number of vending machines at the end of 2019 to fuel our POS network expansion while our number of vending machines decreased in 2020 as a result of the impact of COVID-19.

Office and lease expenses represent short-term leases expenses for our office and warehouses and office expenses.

Impairment loss of property and equipment and right-of-use assets primarily represents the impairment loss of non-core types of machines such as orange juice machines and coconut juice machines in operation.

Share-based payments primarily represents expenses arising from granting options to eligible individuals under the Pre-[**REDACTED**] Incentive Scheme.

General and Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) depreciation and amortisation, (iii) bank and payment charges, (iv) [**REDACTED**] expenses, (v) office and lease expenses, (vi) travelling and transportation expenses, (vii) audit and consultation expenses, (viii) share-based payments, (ix) impairment loss of goodwill, (x) impairment loss of prepayments and intangible assets, and (xi) others. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our general and administrative expenses amounted to RMB156.1 million, RMB511.0 million, RMB123.3 million, RMB127.4 million, RMB54.3 million and RMB95.1 million, respectively, representing 5.7%, 26.9%, 4.6%, 5.1%, 4.8% and 7.6% of our total revenue for the same periods, respectively.

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

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses	81,746	52.4	56,895	11.1	40,747	33.0	42,258	33.2	23,004	42.4	15,725	16.5
Depreciation and amortisation	29,357	18.8	43,927	8.6	30,542	24.8	30,161	23.7	15,943	29.4	14,190	14.9
Bank and payment charges	12,582	8.1	10,855	2.1	17,116	13.9	13,340	10.5	6,541	12.0	7,252	7.6
[**REDACTED**] expenses	–	–	–	–	16,411	13.3	22,077	17.3	3,790	7.0	6,581	6.9
Office and lease expenses	11,249	7.2	7,714	1.5	8,531	6.9	7,337	5.8	2,999	5.5	5,167	5.4
Travelling and transportation expenses	6,730	4.3	4,041	0.8	3,729	3.0	3,664	2.9	1,069	2.0	1,306	1.4
Audit and consultation expenses	7,349	4.7	6,621	1.3	2,804	2.3	5,264	4.1	619	1.1	862	0.9
Share-based payments	–	–	210,918	41.3	1,500	1.2	–	–	–	–	43,754	46.0
Impairment loss of goodwill	–	–	158,386	31.0	–	–	–	–	–	–	–	–
Impairment loss of prepayments and intangible assets	6,063	3.8	9,728	1.9	–	–	–	–	–	–	–	–
Others	999	0.7	1,931	0.4	1,967	1.6	3,304	2.5	341	0.6	309	0.4
Total	**156,075**	**100.0**	**511,016**	**100.0**	**123,347**	**100.0**	**127,405**	**100.0**	**54,306**	**100.0**	**95,146**	**100.0**

The significant increase in our general and administrative expenses from RMB156.1 million in 2019 to RMB511.0 million in 2020 was primarily due to (i) an increase of RMB210.9 million in share-based payments primarily in relation to the share incentives granted to management and core employees in 2020, and (ii) impairment loss of goodwill of RMB158.4 million due to the COVID-19 outbreak which negatively affected the business and expansion of the freshly brewed beverage vending machine business and karaoke booth service business. See "— Selected Items from Consolidated Statements of Financial Position — Intangible Assets" for further details. The decrease in our general and administrative expenses from RMB511.0 million in 2020 to RMB123.3 million in 2021 was primarily due to one-off share-based payments and impairment loss of goodwill in 2020. The increase in our general and administrative expenses from RMB123.3 million in 2021 to RMB127.4 million in 2022 was primarily due to (i) the increase in [**REDACTED**] expenses of RMB5.7 million and (ii) the increase in audit and consultation expenses of RMB2.5 million. The increase in general and administrative expenses from RMB54.3 million for the six months ended June 30, 2022 to RMB95.1 million for the same period in 2023 was primarily due to an increase in share-based payments of RMB43.8 million recognized in the six months ended June 30, 2023 in relation to share incentives granted to our employees.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses for research and development personnel, (ii) outsourced research consulting service expenses, (iii) amortization of intangible assets allocated to research and development activities, (iv) office expenses in connection with research and development activities, (v) travelling expenses, and (vi) others. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our research and development expenses amounted to RMB57.3 million, RMB41.5 million, RMB36.8 million, RMB31.6 million, RMB17.7 million and RMB15.1 million, respectively, representing 2.1%, 2.2%, 1.4%, 1.3%, 1.5% and 1.2% of our total revenue for the same periods, respectively.

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

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
Employee benefit expenses	19,363	33.8	29,727	71.7	15,782	42.9	23,057	73.1	13,384	75.8	9,948	65.9
Outsourced research consulting service expenses	25,665	44.8	599	1.4	10,714	29.1	–	–	–	–	–	–
Amortization of intangible assets	9,821	17.1	8,706	21.0	8,312	22.6	7,261	23.0	3,650	20.7	3,633	24.1
Office expenses	901	1.6	702	1.7	–	–	820	2.6	499	2.8	437	2.9
Travelling expenses	32	0.1	16	–	2	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	–	–	1,050	7.0
Others[1]	1,519	2.6	1,734	4.2	1,951	5.4	418	1.3	135	0.7	30	0.1
Total	**57,301**	**100.0**	**41,484**	**100.0**	**36,761**	**100.0**	**31,556**	**100.0**	**17,668**	**100.0**	**15,098**	**100.0**

Note:

1. Others primarily include material costs, testing fees and service fees.

Our research and development expenses were higher in 2019 as compared to 2020 primarily due to outsourced research consulting service expenses of RMB25.7 million in 2019 in connection with our research and development projects including the application or development of biometric authentication on vending machines, customer service platform and advertisement platform. The decrease in research and development expenses from 2020 to 2021 was primarily due to the decrease of RMB13.9 million in employee benefit expenses due to the one-off employee benefit expenses incurred in 2020 to optimize our research and development personnel structure and the decrease in average headcount in 2021 as we outsourced certain research and development projects in 2021, partially offset by an increase of RMB10.1 million in outsourced research consulting service expenses in relation to outsourced research and development projects. See "Business — Research and Development." Our research and development expenses decreased from RMB36.8 million in 2021 to RMB31.6 million in 2022, primarily due to the decrease in outsourced research consulting service expenses of RMB10.7 million as there were no outsourced research and development projects in 2022. Our research and development expenses decreased from RMB17.7 million for the six months ended June 30, 2022 to RMB15.1 million for the same period in 2023, primarily due to the decrease of RMB3.4 million in employee benefit expenses as a result of the decrease in average headcount and number of research projects in the first half of 2023.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily comprised impairment losses on trade and other receivables, amounting to RMB10.9 million, RMB58.4 million, RMB28.2 million, RMB9.3 million, RMB6.9 million and RMB0.8 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The significantly higher level of net impairment losses of financial assets in 2020 was primarily due to impairment losses recognized for trade and other receivables as a result of the COVID-19 outbreak and relevant concerns of collectability of receivables from our customers and business partners for advertising and system support services. The decrease in net impairment losses on financial assets from 2020 to 2021 was primarily due to the decrease in the balance of trade receivables as a result of our collection efforts, including communication with relevant customers and monitoring of credit terms in 2021. See "— Selected Items from Consolidated Statements of Financial Position — Trade Receivables." The decrease in impairment losses on financial assets from 2021 to 2022 was primarily because (i) we recorded impairment loss on financial assets in relation to other receivables of RMB20.8 million due from Beijing Youyang Technology Co., Ltd. (北京友陽科技有限公司) ("**Beijing Youyang**") in 2021 and (ii) we only made provision of impairment of approximately RMB9.3 million in 2022, primarily due to the decrease in balances of trade receivables and other receivables.

Other Income

Our other income consists of (i) additional deduction of input value-added tax, (ii) interest income arising from trade receivables and bank deposits, (iii) government grants, (iv) interest income from wealth management products, and (v) others. Additional deduction of input value-added tax represented the deduction policy that was effective from April 1, 2019 to December 31, 2021, where a taxpayer engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input value-added tax in the current period from the tax amount payable. The government grants mainly represented value-added tax levied immediately returned and subsidies granted by local governments in relation to industry support policies and COVID-19. Such government grants were unconditional and were generally non-recurring in nature. While certain government grants, such as value-added tax refund and government grants for high-tech companies, were recurring in nature, there is no assurance that the PRC government will continue to provide such grants to us in the future. See "Risk Factors — We may not receive further government grants and the loss of which may affect our financial performance." Interest income arising from trade receivables and bank deposits primarily represented interest income derived from installment payments in relation to our machine sales. During the Track Record Period, we invested in certain wealth management products from which we derived interest income. See "— Selected Items from Consolidated Statements of Financial Position — Financial Assets at Fair Value through Profit or Loss" for details of our investments in wealth management products.

The following table sets forth the breakdown of our other income for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
									(unaudited)			
Additional deduction of input value-added tax	599	3.5	3,023	15.0	5,949	48.5	4,795	39.9	530	12.8	418	14.3
Interest income arising from trade receivables and bank deposits	8,016	46.8	5,272	26.1	3,001	24.5	1,854	15.4	946	22.9	1,176	40.2
Government grants	3,322	19.4	5,392	26.7	1,701	13.9	5,117	42.5	2,532	61.2	1,166	39.9
Interest income from wealth management products	5,135	30.0	6,298	31.2	1,242	10.1	173	1.4	44	1.1	69	2.4
Others	40	0.3	214	1.0	376	3.0	88	0.8	88	2.0	94	3.2
Total	**17,112**	**100.0**	**20,199**	**100.0**	**12,269**	**100.0**	**12,027**	**100.0**	**4,140**	**100.0**	**2,923**	**100.0**

Other Gains/Losses, Net

Our other net gains/(losses) consists of (i) net losses on disposal of property and equipment, (ii) net gains/(losses) on disposal/deregistration of subsidiaries, (iii) fair value change on financial assets at fair value through profit or loss, (iv) net gains on disposal of investments accounted for using the equity method, and (v) others.

The following table sets forth the breakdown of our other net gains/(losses) for the periods indicated:

	For the year ended December 31,								For the six months ended June 30,			
	2019		2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Net losses on disposal of property and equipment	(2,059)	(18.2)	(7,216)	36.3	(5,418)	37.0	(5,408)	63.7	(421)	(51.3)	(395)	13.5
Net gains/(losses) on disposal/deregistration of subsidiaries	–	–	5,603	(28.2)	(2,315)	15.8	(199)	2.3	151	18.4	–	–
Fair value change on financial assets at fair value through profit or loss	(852)	(7.5)	(18,258)	92.0	(1,940)	13.2	3,300	(38.9)	3,400	414.1	(1,600)	54.8
Net gains on disposal of investments accounted for using the equity method	14,141	124.7	–	–	–	–	–	–	–	–	–	–
Others[1]	114	1.0	27	(0.1)	(4,982)	34.0	(6,181)	72.9	(2,309)	(281.2)	(925)	31.7
Total	**11,344**	**100.0**	**(19,844)**	**100.0**	**(14,655)**	**100.0**	**(8,488)**	**100.0**	**821**	**100.0**	**(2,920)**	**100.0**

Notes:

1. Others primarily include fines, late fees and liquidated damages.

Finance Costs

Our finance costs consist of (i) interest expenses on lease liabilities and (ii) interest expenses on borrowings. In 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded finance costs of RMB58.7 million, RMB32.3 million, RMB13.5 million, RMB13.3 million, RMB7.3 million and RMB4.6 million, respectively. The following table sets forth the breakdown of our finance costs for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on lease liabilities	36,170	29,883	10,619	7,085	4,242	1,973
Interest expenses on borrowings	22,518	2,461	2,898	6,246	3,018	2,611
Total	**58,688**	**32,344**	**13,517**	**13,331**	**7,260**	**4,584**

Share of Results of Investments Accounted for Using the Equity Method

We have invested in a number of companies such as operators of different types of vending machines and other FMCG retail businesses, and developers of relevant software and hardware, that could potentially be expanded through our POS network or create synergies. Our share of losses in investments accounted for using the equity method were RMB7.2 million, RMB3.5 million, RMB4.1 million, RMB15.3 million, RMB4.8 million and RMB3.8 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. None of our joint ventures and associates was individually material to our Group in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023. We expect that our share of results of investments accounted for using the equity method will not have a significant impact on our results of operations. See Note 20 to the Accountant's Report as set out in Appendix I for details.

Income Tax Expenses

Our income tax expenses comprised current tax expense and deferred tax expense. We had income tax expenses of RMB4.2 million, RMB12.7 million, RMB3.6 million, RMB10.8 million, RMB5.9 million and RMB0.7 million in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. Our effective tax rate, calculated by income tax expenses divided by profit before income tax, were approximately 9.6% in 2019, and were not applicable in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 as we recognized loss before income tax in these periods.

Pursuant to the PRC Corporate Income Tax Law and respective regulations (the "**CIT Law**"), the general corporate income tax rate in the PRC is 25%. We were approved as High and New Technology Enterprise in the PRC in 2017 and have renewed such qualification in 2020, and was therefore entitled to a preferential income tax rate of 15% in 2019, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023. Two of our subsidiaries, namely Youbao Anglai and Shenzhen Youbaokesi, were approved as High and New Technology Enterprise in the PRC in 2016 and have renewed such qualification in 2019. As a result, Youbao Anglai and Shenzhen Youbaokesi were entitled to a preferential income tax rate of 15% in 2019, 2020, 2021 and the six months ended June 30, 2022. Shenzhen Youbaokesi has renewed the qualification as High and New Technology Enterprise in December 2022 and is entitled for a preferential income tax rate of 15% for 2022 and the six months ended June 30, 2023. Youbao Anglai has not applied for renewal of such qualification and thus was subject to general corporate income tax of 25% for 2022 and the six months ended June 30, 2023.

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 as deductible expenses from assessable profits from January 1, 2019 to September 30, 2022 and from October 1, 2022 to June 30, 2023, respectively. In addition, for those companies which qualified as Small and Medium-Sized Sci-tech Enterprise during the financial years from 2019 to 2021 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. We and some of our subsidiaries that engage in research and development activities, such as Youbao Anglai and Shenzhen Youbaokesi, were entitled to such arrangements during the Track Record Period.

For risks relating to our preferential tax treatments, see "Risk Factors — Risks Relating to Our Business and Industry — If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected." During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any unresolved tax disputes.

Profit/Loss for the Year/Period

As a result of the foregoing, we recorded a net profit of RMB39.6 million in 2019, and recorded net losses of RMB1,184.2 million, RMB188.2 million, RMB283.1 million, RMB128.4 million and RMB147.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

KEY FINANCIAL RATIOS

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

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
					(unaudited)	
Gross profit margin(1)	48.7%	29.4%	41.1%	42.7%	44.6%	41.3%
Net profit/(loss) margin(2)	1.5%	(62.3)%	(7.0)%	(11.2)%	(11.2)%	(11.8)%
Adjusted net profit/(loss) margin (non-HKFRS measure)(3)	1.5%	(51.2)%	(6.4)%	(10.4)%	(10.9)%	(7.3)%
Adjusted EBITDA margin (non-HKFRS measure)(4)	11.7%	(33.3)%	2.5%	0.8%	1.7%	3.5%

	As of December 31				As of June 30,
	2019	2020	2021	2022	2023
Current ratio(5)	2.4	1.7	1.3	1.0	1.0
Quick ratio(6)	2.1	1.4	1.0	0.8	0.8
Gearing ratio(7)	16.6%	22.4%	14.0%	12.9%	14.7%

Notes:

1. Gross profit margin equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

2. Net profit/(loss) margin equals profit/(loss) for the year/period divided by revenue for the year/period and multiplied by 100%.

3. Adjusted net profit/(loss) margin (non-HKFRS measure) equals adjusted net profit/(loss) for the year/period divided by revenue for the year/period and multiplied by 100%. See "— Consolidated Statements of Comprehensive Income — Non-HKFRS measures" for further details.

4. Adjusted EBITDA (non-HKFRS measure) margin equals adjusted EBITDA divided by revenue for the year/period and multiplied by 100%. See "— Consolidated Statements of Comprehensive Income — Non-HKFRS measures" for further details.

5. Current ratio is calculated by dividing current assets by current liabilities as of the year/period end date.

6. Quick ratio is calculated using total currents assets less inventories divided by total current liabilities as of the year/period end date.

7. Gearing ratio is calculated using total debt divided by total equity and multiplied by 100%.

For a discussion of factors affecting our gross profit margin, net profit/(loss) margin and non-HKFRS measures during the respective periods, see "— Period-to-Period Comparison of Results of Operations." Our current ratio and quick ratio continued to decrease during the Track Record Period, primarily due to the continued decrease in our current assets mainly attributable to our results of operations being negatively affected by COVID-19. See "— Period-to-Period Comparison of Results of Operations" and "— Selected Items from Consolidated Statements of Financial Position" for details.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased by 9.6% from RMB1,143.1 million for the six months ended June 30, 2022 to RMB1,252.7 million for the six months ended June 30, 2023, primarily due to the movements of our operating results from the following lines of business:

- *Unmanned retail business.* Revenue from unmanned retail business increased by 8.0% from RMB913.4 million for the six months ended June 30, 2022 to RMB986.8 million for the six months ended June 30, 2023, primarily due to the increase in our sales of FMCG through our POS network as a result of the overall recovery of consumer traffic and business activities following the relaxation of COVID-19 policies since December 2022. Specifically, excluding POSs of POS partners who are restaurant model partners, average monthly GMV of our vending machines increased from RMB2,449 per machine per month for the six months ended June 30, 2022 to RMB2,992 per machine per month for the same period in 2023.

- *Advertising and system support services.* Revenue from advertising and system support services decreased by 43.6% from RMB100.1 million for the six months ended June 30, 2022 to RMB56.5 million for the six months ended June 30, 2023, which was primarily attributable to the decrease in service fees from Alipay China for the advertising and promotion of its payment service products as the number of POSs opened during the six months ended June 30, 2023 was relatively lower as compared to the same period in 2022. For details of services fees from Alipay China, see "Connected Transactions — Partially-exempt Continuing Connected Transactions — Advertising Cooperation Framework Agreement." The decrease was also attributable to the fact that demand for our digital advertising services from advertisers has not fully recovered despite the relaxation of COVID-19 policies.

- *Merchandise wholesale.* Revenue from merchandise wholesale increased by 104.6% from RMB54.1 million for the six months ended June 30, 2022 to RMB110.7 million for the six months ended June 30, 2023, primarily due to the significant increase in the number of merchandise wholesale customers as a result of the initiation of our shared warehouse initiative since the second half of 2021 coupled with the increase in procurement from merchandise wholesale customers following the relaxation of COVID-19 policies in late 2022.

- *Vending machine sales and leases.* Revenue from vending machine sales and leases decreased by 27.5% from RMB16.1 million for the six months ended June 30, 2022 to RMB11.7 million for the six months ended June 30, 2023, primarily due to the decrease in number of vending machines sold or leased as the number of Non-Ubox POSs opened during the six months ended June 30, 2023 was relatively lower as compared to the same period in 2022.

- *Others.* Revenue from others segment increased by 46.6% from RMB59.4 million for the six months ended June 30, 2022 to RMB87.0 million for the six months ended June 30, 2023, primarily due to the increase in revenue of our mobile phones distribution service following the recovery of the downstream mobile device retail market in the six months ended June 30, 2023.

Cost of sales

Our cost of sales increased by 16.1% from RMB632.9 million for the six months ended June 30, 2022 to RMB734.7 million for the six months ended June 30, 2023, primarily due to the increase in of RMB123.2 million in cost of inventories sold, which was in line with the increase in our revenue from unmanned retail business, merchandise wholesale and mobile device distribution services.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 1.5% from RMB510.2 million for the six months ended June 30, 2022 to RMB518.0 million for the six months ended June 30, 2023. Our gross profit margin decreased from 44.6% for the six months ended June 30, 2022 to 41.3% for the six months ended June 30, 2023, primarily due to a decrease in revenue contribution from advertising and system support services which typically records higher gross profit margin than other business segments and an increase in revenue contribution from merchandise wholesale and mobile device distribution services which typically record lower gross profit margin than other business segments.

Our gross profit generated from unmanned retail business increased by 7.5% from RMB413.5 million for the six months ended June 30, 2022 to RMB444.5 million for the six months ended June 30, 2023. Our gross profit margin generated from unmanned retail business remained relatively stable at 45.3% and 45.0% for the six months ended June 30, 2022 and 2023, respectively.

Our gross profit generated from advertising and system support services decreased by 36.6% from RMB87.9 million for the six months ended June 30, 2022 to RMB55.8 million for the six months ended June 30, 2023. Our gross profit margin generated from advertising and system support services increased from 87.9% for the six months ended June 30, 2022 to 98.8% for the six months ended June 30, 2023, primarily attributable to the relatively higher subcontractor cost of advertising resources recorded in the six months ended June 30, 2022 and we required less subcontracted advertising services from third parties for the provision of advertising services in the six months ended June 30, 2023.

Our gross profit generated from merchandise wholesale increased by 40.8% from RMB2.8 million for the six months ended June 30, 2022 to RMB4.0 million for the six months ended June 30, 2023. Our gross profit margin generated from merchandise wholesale decreased from 5.2% for the six months ended June 30, 2022 to 3.6% for the six months ended June 30, 2023, primarily due to the increase in revenue contribution from our shared warehouse customers, which has a relatively lower gross profit margin.

Our gross profit generated from vending machine sales and leases remained relatively stable at RMB3.0 million and RMB3.2 million for the six months ended June 30, 2022 and 2023, respectively. Our gross profit margin generated from vending machine sales and leases increased from 18.5% for the six months ended June 30, 2022 to 27.0% for the six months ended June 30, 2023, primarily because we offered rent-free period to some of our POS partners in the six months ended June 30, 2022 to support their operations and maintain our POS network in light of the resurgence of COVID-19 in 2022.

Our gross profit generated from others segment increased by 257.8% from RMB3.0 million for the six months ended June 30, 2022 to RMB10.6 million for the six months ended June 30, 2023. Our gross profit margin generated from others segment increased from 5.0% for the six months ended June 30, 2022 to 12.2% for the six months ended June 30, 2023, mainly due to the decrease in depreciation of property and equipment from our karaoke booth business.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at RMB546.7 million for the six months ended June 30, 2022 and RMB545.1 million for the six months ended June 30, 2023. Our selling and marketing expenses accounted for 47.8% and 43.5% of our revenue for the six months ended June 30, 2022 and 2023, respectively. The decrease in selling and marketing expenses as a percentage of total revenue from the six months ended June 30, 2022 to the same period in 2023 was primarily due to the decrease of RMB20.8 million in employee benefit expenses as we downsized our internal sales team.

General and administrative expenses

Our general and administrative expenses increased by 75.2% from RMB54.3 million for the six months ended June 30, 2022 to RMB95.1 million for the six months ended June 30, 2023, primarily due to share-based payments of RMB43.8 million recognized in 2023 in relation to share incentives granted to our employees. As a result of the foregoing, our general and administrative expenses as a percentage of total revenue increased from 4.8% for the six months ended June 30, 2022 to 7.6% for the same period in 2023.

Research and development expenses

Our research and development expenses decreased by 14.5% from RMB17.7 million for the six months ended June 30, 2022 to RMB15.1 million for the six months ended June 30, 2023, primarily due to the decrease of RMB3.4 million in employee benefit expenses as a result of the decrease in average headcount and number of research projects in the first half of 2023.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased from RMB6.9 million for the six months ended June 30, 2022 to RMB0.8 million for the six months ended June 30, 2023, primarily due to the decrease in expected loss rate for trade receivables with aging 0-12 months and other receivables attributable to a more optimistic outlook on macro-economic conditions as compared to that in the six months ended June 30, 2022.

Other income

Our other income decreased by 29.4% from RMB4.1 million for the six months ended June 30, 2022 to RMB2.9 million for the six months ended June 30, 2023, primarily due to the decrease of RMB1.4 million in government grants.

Other gains/(losses), net

We recorded net other gains of RMB0.8 million for the six months ended June 30, 2022 and net other losses of RMB2.9 million for the six months ended June 30, 2023, primarily due to the change in fair value on financial assets at fair value through profit or loss from RMB3.4 million for the six months ended June 30, 2022 to negative RMB1.6 million for the same period in 2023 in relation to our investments in unlisted equity securities.

Finance costs

Our finance costs decreased by 36.9% from RMB7.3 million for the six months ended June 30, 2022 to RMB4.6 million for the six months ended June 30, 2023, primarily due to a decrease of RMB2.3 million in interest expense on lease liabilities.

Share of results of investments accounted for using the equity method

Our share of losses of investments accounted for using the equity method decreased by 20.2% from RMB4.8 million for the six months ended June 30, 2022 to RMB3.8 million for the six months ended June 30, 2023, primarily due to the decrease in loss suffered by JR Vending Pte. Ltd. and Hangzhou Penguin Technology Co., Ltd.

Profit/Loss before income tax

As a result of the foregoing, we recorded a loss before income tax of RMB122.5 million and RMB146.6 million for the six months ended June 30, 2022 and 2023, respectively.

Income tax expenses

We recorded income tax expenses of RMB5.9 million and RMB0.7 million for the six months ended June 30, 2022 and 2023, respectively. The decrease in income tax expenses was primarily because we recognized RMB2.9 million of deferred income tax expenses for the six months ended June 30, 2022 while we recognized RMB3.5 million of deferred income tax credit for the same period in 2023 as a result of the increase in deferred income tax assets for unrealized profit resulting from intragroup transactions.

Profit/Loss for the period

As a result of the foregoing, we recorded a loss of RMB128.4 million and RMB147.4 million for the six months ended June 30, 2022 and 2023, respectively.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue decreased by 5.9% from RMB2,676.2 million in 2021 to RMB2,519.2 million in 2022, primarily due to the movements of our operating results from the following lines of business:

- *Unmanned retail business*. Revenue from unmanned retail business increased by 3.1% from RMB1,915.1 million in 2021 to RMB1,974.7 million in 2022 primarily due to the expansion and optimization of our POS network, in terms of monthly average number of Ubox POSs in 2022 as compared to that of 2021, despite the decrease in number of Ubox POSs from 85,139 to 66,232 as of December 31, 2021 and 2022, respectively, mainly due to the regional resurgence of COVID-19 in mainland China which significantly affected consumer traffic in certain scenarios, especially restaurants.

- *Advertising and system support services*. Revenue from advertising and system support services decreased by 20.1% from RMB243.1 million in 2021 to RMB194.3 million in 2022, which was primarily attributable to the decrease in demand for such services from advertisers owing to the decrease in outdoor consumer traffic in light of the resurgence of COVID-19 in mainland China in 2022.

- *Merchandise wholesale*. Revenue from merchandise wholesale increased significantly by 225.3% from RMB40.5 million in 2021 to RMB131.8 million in 2022, primarily due to the significant increase in the number of shared warehouse customers as a result of the initiation of our shared warehouse initiative since the second half of 2021.

- *Vending machine sales and leases*. Revenue from vending machine sales and leases decreased by 23.5% from RMB44.2 million in 2021 to RMB33.8 million in 2022, primarily due to (i) the decrease in number of vending machines sold as a result of the development of our partner model and (ii) the decrease in revenue from machine leases as we offered rent-free period to some of our POS partners to support their operations and maintain our POS network in light of the resurgence of COVID-19 in 2022.

- *Others*. Revenue from others segment decreased by 57.4% from RMB433.2 million in 2021 to RMB184.7 million in 2022, primarily due to the decrease of RMB227.2 million in revenue from mobile device distribution services as the downstream mobile device retail market and the demand for our mobile device distribution services were negatively affected by macro-economic conditions and consumer demand in 2022.

Cost of sales

Our cost of sales decreased by 8.4% from RMB1,575.1 million in 2021 to RMB1,442.5 million in 2022, primarily due to (i) the decrease of RMB97.9 million in cost of inventories sold mainly in relation to the decrease in number of mobile devices sold as the downstream mobile device retail market and the demand for our mobile device distribution services under others segment were negatively affected by macro-economic conditions and consumer demand in 2022 and (ii) the decrease of RMB24.6 million in subcontractor cost of advertising resources as a result of the decrease in demand for advertising services from advertisers owing to the decrease in outdoor consumer traffic in light of the resurgence of COVID-19 in mainland China in 2022.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit decreased by 2.2% from RMB1,101.1 million in 2021 to RMB1,076.7 million in 2022 and our gross profit margin increased from 41.1% in 2021 to 42.7% in 2022, primarily due to the increased revenue contribution of our unmanned retail business, which has a relatively high gross profit margin.

Our gross profit generated from unmanned retail business remained relatively stable at RMB888.1 million in 2021 and RMB891.4 million in 2022. Our gross profit margin generated from unmanned retail business remained relatively stable at 46.4% in 2021 and 45.1% in 2022.

Our gross profit generated from advertising and system support services decreased by 13.1% from RMB184.4 million in 2021 to RMB160.2 million in 2022, primarily due to the decrease in revenue from advertising and system support services. Our gross profit margin generated from advertising and system support services increased from 75.9% in 2021 to 82.5% in 2022, mainly because the decrease in subcontractor cost of advertising resources was larger than the decrease in revenue from advertising and system support services as the advertising services provided in 2022 required less subcontracted advertising services from third parties.

Our gross profit generated from merchandise wholesale increased by 76.2% from RMB3.0 million in 2021 to RMB5.2 million in 2022, primarily due to the increase in revenue from merchandise wholesale as a result of the initiation of our shared warehouse initiative since the second half of 2021. Our gross profit margin generated from merchandise wholesale decreased from 7.3% in 2021 to 4.0% in 2022, primarily due to the increase in revenue contribution from our shared warehouse customers, which has a relatively lower gross profit margin.

Our gross profit generated from vending machine sales and leases decreased by 22.3% from RMB13.9 million in 2021 to RMB10.8 million in 2022. Our gross profit margin generated from vending machine sales and leases remained stable at 31.4% in 2021 and 31.9% in 2022.

Our gross profit generated from others segment decreased by 22.9% from RMB11.8 million in 2021 to RMB9.1 million in 2022. Our gross profit margin generated from others segment increased from 2.7% in 2021 to 4.9% in 2022, mainly due to the decrease in revenue generated from mobile device distribution services, which has a substantially lower gross profit margin level.

Selling and marketing expenses

Our selling and marketing expenses increased by 7.3% from RMB1,077.4 million in 2021 to RMB1,155.7 million in 2022, primarily due to (i) the increase in depreciation of RMB49.9 million primarily attributable to newly purchased machines and warehouses in the fourth quarter of 2021 and in 2022, (ii) the increase in employee benefit expenses of RMB18.8 million primarily due to the increase in the headcount of our sales and marketing personnel, and (iii) the increase in logistics and transportation expenses of RMB18.4 million. As a result of the foregoing and the decrease in our revenue, our selling and marketing expenses accounted for 40.3% and 45.9% of our revenue in 2021 and 2022, respectively.

General and administrative expenses

Our general and administrative expenses increased by 3.3% from RMB123.3 million in 2021 to RMB127.4 million in 2022, primarily due to (i) the increase in [**REDACTED**] expenses of RMB5.7 million and (ii) the increase in audit and consultation expenses of RMB2.5 million. As a result of the foregoing, our general and administrative expenses as a percentage of total revenue remained relatively stable at 4.6% and 5.1% in 2021 and 2022, respectively.

Research and development expenses

Our research and development expenses decreased by 14.2% from RMB36.8 million in 2021 to RMB31.6 million in 2022, primarily due to the decrease in outsourced research consulting service expenses of RMB10.7 million as there were no outsourced research and development projects in 2022.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased by 67.2% from RMB28.2 million in 2021 to RMB9.3 million in 2022, primarily because (i) we recorded impairment loss on financial assets in relation to other receivables of RMB20.8 million due from Beijing Youyang in 2021 and (ii) we only made provision of impairment of approximately RMB9.3 million in 2022, primarily due to the decrease in balances of trade receivables and other receivables.

Other income

Our other income remained relatively stable at RMB12.3 million and RMB12.0 million in 2021 and 2022, respectively.

Other gains/(losses), net

Our net other losses decreased by 42.1% from RMB14.7 million in 2021 to RMB8.5 million in 2022, primarily because we recognized positive fair value change from our investments in certain unlisted equity securities as their performance improved. See also "— Selected Items from Consolidated Statements of Financial Position — Financial Assets at Fair Value through Profit or Loss."

Finance costs

Our finance costs remained stable at RMB13.5 million and RMB13.3 million in 2021 and 2022, respectively.

Share of results of investments accounted for using the equity method

Our share of losses of investments accounted for using the equity method increased by 272.8% from RMB4.1 million in 2021 to RMB15.3 million in 2022, primarily due to the increase in loss suffered by JR Vending Pte. Ltd. and Hangzhou Penguin Technology Co., Ltd in 2022.

Profit/Loss before income tax

As a result of the foregoing, we recorded a loss before income tax of RMB184.6 million and RMB272.3 million in 2021 and 2022, respectively.

Income tax expenses

We recorded income tax expenses of RMB3.6 million and RMB10.8 million in 2021 and 2022, respectively. The increase in income tax expenses was primarily due to (i) the increase in deferred income tax of RMB4.3 million as a result of the reversal of deferred tax assets and (ii) the increase in current income tax of RMB2.9 million due to increase in taxable income of our principal subsidiaries in the PRC with an applicable tax rate of 25%.

Profit/Loss for the year

As a result of the foregoing, we recorded a loss of RMB188.2 million and RMB283.1 million in 2021 and 2022, respectively.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 40.7% from RMB1,902.0 million in 2020 to RMB2,676.2 million in 2021, primarily due to the movements of our operating results from the following lines of business:

- *Unmanned retail business*. Revenue from unmanned retail business increased by 43.3% from RMB1,336.8 million in 2020 to RMB1,915.1 million in 2021 primarily due to (i) the significant expansion of our POS network, particularly the net increase of our POSs from 75,626 in 2020 to 102,739 in 2021, and (ii) the increase in our sales of FMCG through our POS network as a result of the recovery of consumer traffic from the negative impact of the COVID-19 outbreak in 2021.

- *Advertising and system support services*. Revenue from advertising and system support services increased by 10.7% from RMB219.6 million in 2020 to RMB243.1 million in 2021, which was primarily attributable to the increase in demand for advertising services by advertisers, following mainland China's recovery from the negative impact of COVID-19 outbreak in 2021.

- *Merchandise wholesale*. Revenue from merchandise wholesale decreased by 64.9% from RMB115.5 million in 2020 to RMB40.5 million in 2021 as we strategically shifted focus to our unmanned retail business and the partner model.

- *Vending machine sales and leases*. Revenue from vending machine sales and leases decreased by 6.0% from RMB47.0 million in 2020 to RMB44.2 million in 2021, primarily due to (i) the decrease in number of vending machines sold as a result of the development of our partner model and (ii) the decrease in revenue from machine leases as we offered rent-free period to some of our POS partners to support our POS network expansion during the COVID-19 outbreak.

- *Others*. Revenue from others segment increased by 136.5% from RMB183.2 million in 2020 to RMB433.2 million in 2021 primarily due to our promotion of our mobile phones distribution service as a result of expansion of our customer base from seven mobile device resellers in 2020 to twelve in 2021 and the increase in transaction amounts with certain existing customers.

Cost of sales

Our cost of sales increased by 17.2% from RMB1,343.4 million in 2020 to RMB1,575.1 million in 2021, which reflected the growth of our business and was in line with the increase in our revenue. The increase was primarily due to (i) the increase of RMB407.7 million in cost of inventory sold, which was mainly due to our increased sales, and (ii) the increase of RMB57.6 million in subcontractor cost of advertising resources mainly due to our cooperation with third-party advertising service providers, partially offset by the decrease of RMB218.4 million in impairment loss we recognized in 2020.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 97.1% from RMB558.6 million in 2020 to RMB1,101.1 million in 2021 and our gross profit margin increased from 29.4% in 2020 to 41.1% in 2021, primarily attributable to the increase in gross profit margin of our unmanned retail business, merchandise wholesale, vending machine sales and leases, and others segment.

Our gross profit generated from unmanned retail business increased by 59.3% from RMB557.5 million in 2020 to RMB888.1 million in 2021. Our gross profit margin of unmanned retail business increased from 41.7% in 2020 to 46.4% in 2021 mainly due to (i) our efforts in merchandise management in early 2021 to refine our merchandise mix leading to higher portion of food products with higher gross profit margin sold during the year, and (ii) the increase in sales from high gross margin consumption scenarios such as public venues, transportation hubs and schools as COVID-19 had been largely contained in China in 2021 and foot traffic was gradually recovering.

Our gross profit generated from advertising and system support services decreased by 15.7% from RMB218.8 million in 2020 to RMB184.4 million in 2021. Our gross profit margin generated from advertising and system support services decreased from 99.7% in 2020 to 75.9% in 2021, primarily due to the increase in subcontractor cost of advertising resources from RMB0.5 million in 2020 to RMB58.1 million in 2021 as we engaged more subcontracted advertising services from third parties.

Our gross profit generated from merchandise wholesale decreased by 26.4% from RMB4.0 million in 2020 to RMB3.0 million in 2021 primarily due to the decrease in revenue from merchandise wholesale as we strategically shifted focus to our unmanned retail business and the partner model. Our gross profit margin generated from merchandise wholesale increased from 3.5% in 2020 to 7.3% in 2021 as a result of our improved management over wholesale prices.

We recorded negative gross profit of RMB32.2 million in 2020 and gross profit of RMB13.9 million in 2021 for vending machine sales and leases. Such change was primarily because we recognized impairment loss of inventories in 2020 as an impact of COVID-19 while no further impairment losses was recognized in 2021. Gross profit margin of vending machine sales and leases increased from negative 68.5% in 2020 to 31.4% in 2021, primarily due to the absence of impairment loss of inventories which was significant in 2020.

We recorded negative gross profit of RMB189.6 million in 2020 and gross profit of RMB11.8 million in 2021 for our others segment. We recorded negative gross profit margin for others segment of 103.5% in 2020 and gross profit margin of 2.7% for others segment in 2021. Such change was primarily due to (i) the decrease in depreciation of property and equipment and right-of-use assets attributable to our karaoke booth business, and (ii) the impairment loss of property and equipment and right-of-use assets recognized on karaoke booths in operation in 2020 in response to COVID-19. Gross profit from others segment in 2021 did not recuperate to the same level as in 2019 primarily because revenue from karaoke booths reduced as we believe people had became more cautious about contracting COVID-19 and would generally avoid confined public spaces, such as karaoke booths, while we continued to bear relevant overhead costs such as depreciation of property and equipment.

Selling and marketing expenses

Our selling and marketing expenses slightly decreased by 0.6% from RMB1,083.7 million in 2020 to RMB1,077.4 million in 2021, primarily due to (i) the decrease of RMB40.7 million in depreciation in 2021 as compared with 2020, primarily because impairment losses were recognized on non-core types of vending machines in 2020, which reduce carrying amount of the property and equipment and right-of-use assets leading to further decrease in depreciation, (ii) the decrease of RMB26.1 million in impairment loss of property and equipment and right-of-use assets as we recognized significant amounts of impairment loss for our non-core types of vending machines in 2020 in response to the COVID-19 pandemic, and (iii) the decrease of RMB16.8 million in employee benefit expenses as we shifted our marketing efforts to the partner model and downsized our internal sales team, partially offset by (i) the increase of RMB32.7 million in POSs operation and development expenses attributable to the expansion of our POS network, including the increase in the number of POSs under our partner model, (ii) the increase of RMB41.0 million in logistics and transportation expenses also due to our network expansion. Our selling and marketing expenses accounted for 57.0% and 40.3% of our revenue in 2020 and 2021, respectively. The decrease in selling and marketing expenses as a percentage of total revenue from 2020 to 2021 was primarily due to (i) the significant increase in average monthly GMV of each of our vending machines from RMB2,180 per machine per month for 2020 to RMB2,926 per machine per month for 2021 as the impact of COVID-19 wanes and (ii) the absence of impairment loss in 2021 which was recorded in 2020 as a result of COVID-19.

General and administrative expenses

Our general and administrative expenses decreased by 75.9% from RMB511.0 million in 2020 to RMB123.3 million in 2021 and general and administrative expenses as a percentage of revenue decreased from 26.9% in 2020 to 4.6% in 2021, primarily due to (i) the decrease of RMB209.4 million in share-based payment in relation to share incentives granted to management and core employees in 2020, while the corresponding amount in 2021 was RMB1.5 million, and (ii) the decrease of RMB158.4 million in impairment loss of goodwill we recognized in 2020 in response to the COVID-19 pandemic.

Research and development expenses

Our research and development expenses decreased by 11.4% from RMB41.5 million in 2020 to RMB36.8 million in 2021, primarily due to the one-off employee benefit expenses incurred in 2020 to optimize our research and development personnel structure and the decrease in average headcount in 2021 as we outsourced certain research and development projects to third-parties in 2021, partially offset by an increase of RMB10.1 million in outsourced research consulting service expenses in relation to research and development projects including our collaborations with Ant Group. See "Business — Research and Development."

Net impairment losses on financial assets

Net impairment losses on financial assets decreased by 51.7% from RMB58.4 million in 2020 to RMB28.2 million in 2021, primarily due to the decrease in the balance of trade receivables as a result of our collection efforts around the end of 2021.

Other income

Our other income decreased by 39.3% from RMB20.2 million in 2020 to RMB12.3 million in 2021, primarily due to (i) the decrease of RMB5.1 million in interest income from wealth management products, and (ii) the decrease of RMB3.7 million in government grants primarily in relation to COVID-19.

Other gains/(losses), net

We recorded net other losses of RMB19.8 million in 2020, as compared to net other losses of RMB14.7 million in 2021. The aforesaid change is primarily due to the decrease of RMB16.3 million in fair value loss on financial assets at fair value through profit or loss derived from the change of fair value of our investments in unlisted equity securities and wealth management products, partially offset by (i) the decrease in net gains on disposal/deregistration of subsidiaries of RMB7.9 million, primarily attributable to the losses recognized from deregistration of certain subsidiaries in 2021, while we recorded net gains in 2020 as a result of disposal of subsidiary, and (ii) a loss of RMB5.0 million in 2020 mainly attributable to fines and late fees.

Finance costs

Our finance costs decreased by 58.2% from RMB32.3 million in 2020 to RMB13.5 million in 2021, primarily due to a decrease in interest expenses on lease liabilities of RMB19.3 million as a result of decreased lease liabilities in relation to finance leases of vending machines and leases of warehouses and cars. In 2020 and 2021, the expansion of our POS network was primarily supported by our direct procurement of machines instead of using finance lease arrangements. Considering its flexibility, going forward, we still intend to leverage available finance lease arrangements to support our POS network expansion.

Share of results of investments accounted for using the equity method

Our share of losses of investments accounted for using the equity method increased by 17.9% from RMB3.5 million in 2020 to RMB4.1 million in 2021 primarily because our equity interest in JR Vending Pte. Ltd., which suffered loss, increased from 43.5% to 60.6%, partially offset by profit recognized from our interest in Hangzhou Penguin Technology Co., Ltd.

Profit/Loss before income tax

As a result of the foregoing, we recorded a loss before income tax of RMB1,171.5 million in 2020 and a loss before income tax of RMB184.6 million in 2021.

Income tax expenses

We recorded income tax expenses of RMB12.7 million and RMB3.6 million in 2020 and 2021, respectively. The decrease in income tax expenses was primarily due to (i) the reversal of deferred tax assets recognized in 2019, (ii) no recognition of new deferred income tax assets related to certain temporary differences such as impairment and share-based compensation expenses in 2020 as our management expected that taxable profits would be less than expected due to the negative impact of COVID-19, while there were no such items in 2021 and resulting to the decrease in deferred income tax expense, and (iii) the decrease in current income tax expenses due to utilization of deductible tax losses incurred in 2020 due to the negative impact of COVID-19.

Profit/Loss for the year

As a result of the foregoing, we recorded a loss of RMB1,184.2 million and RMB188.2 million in 2020 and 2021, respectively.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue decreased by 30.3% from RMB2,727.5 million in 2019 to RMB1,902.0 million in 2020, primarily due to the movements of our operating results from the following lines of business:

- *Unmanned retail business*. Revenue from unmanned retail business decreased by 13.2% from RMB1,539.9 million in 2019 to RMB1,336.8 million in 2020 primarily due to significant decrease in overall outdoor consumer traffic as a result of the COVID-19 outbreak, leading to the decrease in both the aggregate number of our POSs in our POS network and average GMV per POS. Specifically, the number of Ubox POSs decreased from 63,451 as of December 31, 2019 to 58,467 as of December 31, 2020 and monthly average GMV per Ubox POS (excluding POSs of POS partners who are restaurant model partners) decreased from RMB3,382 in 2019 to RMB2,180 in 2020.

- *Advertising and system support services*. Revenue from advertising and system support services decreased significantly by 59.4% from RMB540.6 million in 2019 to RMB219.6 million in 2020, which was primarily attributable to (i) the decrease in revenue generated from operation system support from RMB21.7 million in 2019 to RMB16.5 million in 2020 due to the decrease in number of Non-Ubox POSs from 20,038 as of January 1, 2019 to 17,159 as of December 31, 2020 as a result of the COVID-19 outbreak, and (ii) the decrease in revenue generated from digital advertising services from RMB518.9 million in 2019 to RMB203.1 million in 2020 as a result of the decrease in demand for advertising services by advertisers due to the significant decrease in overall outdoor consumer traffic as a result of the COVID-19 outbreak.

- *Merchandise wholesale*. Revenue from merchandise wholesale decreased by 61.2% from RMB297.9 million in 2019 to RMB115.5 million in 2020, primarily attributable to a decrease in demand in 2020 as a result of the decrease in number of merchandise wholesale customers as we strategically shifted focus to our unmanned retail business and the partner model.

- *Vending machine sales and leases*. Revenue from vending machine sales and leases decreased by 48.6% from RMB91.5 million in 2019 to RMB47.0 million in 2020, primarily due to the decrease in number of machines sold or leased owing to the negative impact of COVID-19.

- *Others*. Revenue from others segment decreased by 28.9% from RMB257.6 million in 2019 to RMB183.2 million in 2020 primarily due to the impact of the COVID-19 outbreak.

Cost of sales

Our cost of sales decreased by 3.9% from RMB1,398.3 million in 2019 to RMB1,343.4 million in 2020, primarily due to (i) the decrease of RMB197.6 million in cost of inventory sold primarily because we procured less merchandise for sale during the COVID-19 outbreak, and (ii) the decrease of RMB49.8 million in subcontractor cost of advertising resources as we incurred additional advertising costs with third-party advertising service provider, which did not reoccur in 2020, partially offset by an increase of RMB215.8 million in impairment loss of inventories, property and equipment and right-of-use assets primarily attributable to non-core types of machines such as karaoke booths in operation and orange juice machines, coconut juice machines and karaoke booths held for sale as a result of the COVID-19 outbreak.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit decreased by 58.0% from RMB1,329.2 million in 2019 to RMB558.6 million in 2020 and our gross profit margin decreased from 48.7% in 2019 to 29.4% in 2020.

Our gross profit generated from unmanned retail business decreased by 18.4% from RMB683.5 million in 2019 to RMB557.5 million in 2020. Our gross profit margin of unmanned retail business slightly decreased from 44.4% in 2019 to 41.7% in 2020 primarily due to a decrease in revenue generated from high gross margin consumption scenarios such as transportation hubs, public venues and schools as such locations were particularly affected by lockdowns, standstills and other restrictive measures adopted by PRC government authorities in combating COVID-19.

Our gross profit generated from advertising and system support services decreased by 55.2% from RMB488.3 million in 2019 to RMB218.8 million in 2020. Our gross profit margin generated from advertising and system support services increased from 90.3% in 2019 to 99.7% in 2020, primarily attributable to the relatively higher subcontractor cost of advertising resources recorded in 2019 because we engaged subcontracted advertising services from third parties in 2019 in connection with our services provided to some of our customers.

Our gross profit generated from merchandise wholesale decreased by 72.5% from RMB14.7 million in 2019 to RMB4.0 million in 2020. Our gross profit margin generated from merchandise wholesale decreased from 4.9% in 2019 to 3.5% in 2020, primarily attributable to the increase in procurement costs of merchandise as a result of COVID-19.

We recorded gross profit of RMB15.1 million in 2019 and negative gross profit of RMB32.2 million in 2020 for vending machine sales and leases. Such change was primarily due to the increase in impairment losses of non-core types of machines held for sale such as orange juice machines, coconut juice machines and karaoke booths as a result of the COVID-19 outbreak. In addition, gross profit margin of vending machine sales and leases decreased from 16.6% in 2019 to negative 68.5% in 2020 primarily due to the increase in impairment losses non-core types of machines held for sale and karaoke booths in operation as a result of the COVID-19 outbreak.

We recorded gross profit of RMB127.6 million in 2019 and negative gross profit of RMB189.6 million in 2020 for others segment. Such change was primarily due to (i) impairment loss of property and equipment and right-of-use assets primarily attributable to our karaoke booths in operation as an impact of the COVID-19 outbreak, and (ii) the decrease in revenue generated from others segment, as a result of closure of our karaoke booths due to the outbreak COVID-19, while we still incurred costs in connection with karaoke booth services, including depreciation and amortization of karaoke booths. As a result, gross profit margin for others segment was 49.5% in 2019 and we recorded negative gross profit margin of 103.5% for others segment in 2020.

Selling and marketing expenses

Our selling and marketing expenses increased by 5.9% from RMB1,023.7 million in 2019 to RMB1,083.7 million in 2020, primarily due to an increase of RMB79.2 million in depreciation, including depreciation of property and equipment and right-of-use assets in relation to new vending machines purchased at the end of 2019, partially offset by a decrease of RMB21.4 million in POSs operation and development expenses primarily as a result of the number of POSs closed due to the negative impact of COVID-19 in 2020.

General and administrative expenses

Our general and administrative expenses increased from RMB156.1 million in 2019 to RMB511.0 million in 2020 and general and administrative expenses as a percentage of revenue increased significantly from 5.7% in 2019 to 26.9% in 2020, primarily due to (i) an increase of RMB210.9 million in share-based payments recognized in 2020 in relation to share incentives granted to our employees, and (ii) an increase of RMB158.4 million in impairment loss of goodwill due to the COVID-19 outbreak which negatively affected the business and expansion of the freshly brewed beverage vending machine business and karaoke booth service business we acquired. See "— Selected Items from Consolidated Statements of Financial Position — Intangible Assets" for further details.

Research and development expenses

Our research and development expenses decreased by 27.6% from RMB57.3 million in 2019 to RMB41.5 million in 2020, primarily due to (i) a decrease of RMB25.1 million in outsourced research consulting service expenses to RMB0.6 million in 2020, while we incurred RMB25.7 million in 2019 in connection with our research and development projects including biometric authentication, merchant service platform and advertisement platform, and (ii) a decrease of RMB1.1 million in amortisation of intangible assets in 2020 as certain intangible assets were fully amortized in 2019, partially offset by an increase of RMB10.4 million in employee benefit expenses mainly attributable to the one-off employee benefit expenses incurred in 2020 to optimize our research and development personnel structure.

Net impairment losses on financial assets

Net impairment losses on financial assets increased from RMB10.9 million in 2019 to RMB58.4 million in 2020, primarily due to impairment losses recognized for our trade and other receivables due from advertisers whose businesses were significantly affected by the outbreak of COVID-19 in 2020.

Other income

Our other income increased by 18.0% from RMB17.1 million in 2019 to RMB20.2 million in 2020, primarily due to (i) the increase of RMB2.4 million in additional deduction of input value-added tax, and (ii) the increase of RMB2.1 million in government grants, partially offset by a decrease of RMB2.7 million in interest income arising from trade receivables and bank deposits primarily attributable to interest income derived from installment payments in relation to our machine sales.

Other gains/(losses), net

We recorded net other gains of RMB11.3 million in 2019, as compared to net other losses of RMB19.8 million in 2020, primarily due to (i) the increase of RMB17.4 million in fair value loss on financial assets at fair value through profit or loss derived from the change of fair value of our investments in unlisted equity securities and wealth management products, (ii) we recorded RMB14.1 million of net gains on disposal of investments accounted for using equity method in 2019 as a result of our acquisition of additional equity interest in Shenzhen Youka, upon completion of which, Shenzhen Youka become a subsidiary of our Company, while we did not record any such gains in 2020, and (iii) the increase of RMB5.2 million of the net losses on disposal of property and equipment as a result of the negative impact of COVID-19, which was not prevailing in 2019.

Finance costs

Our finance costs decreased by 44.9% from RMB58.7 million in 2019 to RMB32.3 million in 2020, primarily due to (i) a decrease of RMB20.1 million in interest expenses on borrowings as a result of repayment of borrowings and lower effective interest rate in 2020, and (ii) a decrease of RMB6.3 million in interest expenses on lease liabilities in relation to expiration of lease terms for certain machines leased by us.

Share of results of investments accounted for using the equity method

Our share of losses of investments accounted for using the equity method decreased by 51.6% from RMB7.2 million in 2019 to RMB3.5 million in 2020 primarily because we did not record share of results of investments accounted for using the equity method in respect of Shenzhen Youka in 2020 as it became our subsidiary after we acquired 46.0% equity interest in Shenzhen Youka in December 2019. Upon completion of the acquisition, we held approximately 70.3% equity interest in Shenzhen Youka. Share of losses of investments accounted for using equity method of RMB3.5 million in 2020 was primarily attributable to the recognition of losses from our investments in joint ventures and associates which were in the early stage of their development.

Profit/Loss before income tax

As a result of the foregoing, we recorded profit before income tax of RMB43.8 million in 2019 and a loss before income tax of RMB1,171.5 million in 2020.

Income tax expenses

We recorded income tax expenses of RMB4.2 million and RMB12.7 million in 2019 and 2020, respectively. The increase in income tax expenses was primarily due to (i) the reversal of deferred tax assets recognized in 2019, (ii) no recognition of new deferred income tax assets related to certain temporary differences such as impairment and share-based compensation expenses in 2020 as our management expected that taxable profits would be less than expected due to the negative impact of COVID-19, both resulting to the increase of deferred income tax expense, partially offset by (iii) the decrease in current income tax expenses as we recorded less taxable profits in 2020 due to the negative impact of COVID-19.

Profit/Loss for the year

As a result of the foregoing, we recorded a profit of RMB39.6 million in 2019 and recorded a loss of RMB1,184.2 million in 2020.

SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property and equipment	589,483	305,242	398,795	296,338	223,570
Right-of-use assets	570,852	446,249	359,487	289,070	247,138
Intangible assets	318,366	136,156	118,580	102,881	95,206
Investments accounted for using the equity method	54,573	61,023	76,457	62,702	58,881
Financial assets at fair value through profit or loss	95,852	34,740	32,800	36,100	34,500
Prepayments, deposits and other receivables	79,317	135,551	123,285	177,106	196,143
Trade receivables	26,754	4,499	49	–	–

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets	50,168	42,346	41,761	36,665	40,495
Total non-current assets	**1,785,365**	**1,165,806**	**1,151,214**	**1,000,862**	**895,933**
Current assets					
Inventories	231,158	150,163	186,779	143,887	126,834
Trade receivables	303,634	156,675	120,284	54,693	64,144
Prepayments, deposits and other receivables	799,901	402,987	303,447	188,514	174,269
Financial assets at fair value through profit or loss	286,634	132,078	–	–	–
Restricted cash	–	–	2,500	2,735	3,126
Cash and cash equivalents	222,347	191,015	172,386	128,178	269,485
Total current assets	**1,843,674**	**1,032,918**	**785,396**	**518,007**	**637,858**
Total assets	**3,629,039**	**2,198,724**	**1,936,610**	**1,518,869**	**1,533,791**
EQUITY					
Share capital	757,259	757,259	757,259	757,259	757,259
Reserves	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)
Equity attributable to owners of the Company	**2,622,357**	**1,451,666**	**1,265,012**	**980,483**	**877,530**
Non-controlling interests	28,987	17,252	19,154	21,453	26,544
Total equity	**2,651,344**	**1,468,918**	**1,284,166**	**1,001,936**	**904,074**
LIABILITIES					
Non-current liabilities					
Lease liabilities	194,274	112,359	41,025	21,287	14,759
Other payables and accruals	1,279	451	7	–	–
Deferred income tax liabilities	1,846	1,596	1,925	2,050	2,450
Total non-current liabilities	**197,399**	**114,406**	**42,957**	**23,337**	**17,209**

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Lease liabilities	214,675	126,199	77,543	38,390	29,481
Trade payables	261,297	168,523	250,093	214,666	234,585
Other payables and accruals	247,858	218,071	210,386	159,475	217,899
Contract liabilities	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	31,000	90,844	60,980	70,000	89,050
Total current liabilities	**780,296**	**615,400**	**609,487**	**493,596**	**612,508**
Total liabilities	**977,695**	**729,806**	**652,444**	**516,933**	**629,717**
Total equity and liabilities	**3,629,039**	**2,198,724**	**1,936,610**	**1,518,869**	**1,533,791**

Inventories

Our inventories include merchandise and machines held for sale and raw materials such as components for vending machines. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. The value of our inventories accounted for 12.5%, 14.5%, 23.8%, 27.8% and 19.9% of our total current assets as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth the details of our inventories as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 of impairment on raw materials	–	(8,258)	(8,258)	(8,214)	(8,211)
provision of impairment on machines held for sale	(2,530)	(48,184)	(37,496)	(36,271)	(29,512)
Total	**231,158**	**150,163**	**186,779**	**143,887**	**126,834**

Our inventories decreased by 35.0% from RMB231.2 million as of December 31, 2019 to RMB150.2 million as of December 31, 2020, primarily due to (i) the significant increase in provision of impairment from RMB2.5 million as of December 31, 2019 to RMB56.4 million as of December 31, 2020, primarily attributable to provision of impairment recognized for inventories in relation to orange juice machines, coconut juice machines and karaoke booths as these machines became less desired as a result of the COVID-19 outbreak and (ii) the decrease in merchandise resulting from the decrease in demand and drop in foot traffic as a result of the COVID-19 outbreak. Our inventories increased by 24.4% from RMB150.2 million as of December 31, 2020 to RMB186.8 million as of December 31, 2021. The increase was primarily attributable to the increase in merchandise of RMB42.6 million resulting from the increase in demands as a result of our POS network expansion and the gradual alleviation of COVID-19 in mainland China, partially offset by the decrease in machines held for sale of RMB20.1 million due to disposal or impairment of machines such as karaoke booths. Our inventories decreased by 23.0% from RMB186.8 million as of December 31, 2021 to RMB143.9 million as of December 31, 2022 as a result of (i) a decrease in merchandise primarily due to the reduced procurement as sales of merchandise were negatively affected in by the regional resurgences of COVID-19 in mainland China in December 2022, (ii) a decrease in raw materials due to natural wear and tear and (iii) a decrease in machines held for sale as we ceased promoting sales of machines in 2021. Our inventories decreased by 11.9% from RMB143.9 million as of December 31, 2022 to RMB126.8 million as of June 30, 2023, primarily due to (i) the decrease of RMB9.3 million in merchandise as a result of increased sales at our POSs during the six months ended June 30, 2023 and (ii) a decrease of RMB8.8 million in raw materials as we consumed in the normal course of business.

The following table sets forth our inventory turnover days for the Track Record Period:

	For the years ended December 31,				For the six months ended June 30,
	2019	2020	2021	2022	2023
		(days)			
Inventory turnover days[1]	55	60	51	53	43

Note:

1. Inventory turnover days for a period are calculated using the average of open balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by 365 days for 2019, 2020, 2021 and 2022 and by 180 days for the six months ended June 30, 2023.

Our inventory turnover days remained relatively stable during the Track Record Period. The decrease in our inventory turnover days from 53 days in 2022 to 43 days for the six months ended June 30, 2023, was primarily due to the increase in sales following the relaxation of COVID-19 policies in late 2022 and overall recovery of consumer traffic and business activities. Our inventory turnover days remained stable at 51 days in 2021 and 53 days in 2022. The slight decrease from 60 days in 2020 to 51 days in 2021 was primarily due to the gradual alleviation of the COVID-19 outbreak in mainland China which led to increased foot traffic and increased sales. The slight increase in inventory turnover days from 55 days in 2019 to 60 days in 2020 was due to reduction in cost of sales as a result of the temporary decline in consumer demand and drop in foot traffic during the COVID-19 outbreak.

The following table sets forth an aging analysis of our inventories, based on invoice date, as of the dates indicated:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	119,599	69,655	96,647	79,690	78,094
1 to 3 months	34,136	14,919	11,735	19,972	9,121
4 to 12 months	21,642	44,255	36,936	17,612	6,686
Over 12 months(1)	55,781	21,334	41,461	26,613	32,933
	231,158	**150,163**	**186,779**	**143,887**	**126,834**

Note:

(1) Inventories aged over twelve months include raw materials and machines held for sale.

As of June 30, 2023, all the inventories aged over one year as of December 31, 2019, 2020 and 2021 had been subsequently sold or utilized. As of June 30, 2023, for the inventories aged over one year as of December 31, 2022, approximately RMB8.0 million, or 11.3%, had been subsequently sold or utilized. The majority of such remaining inventories were spare parts used in the regular repair and maintenance of our machines which do not have an expiry date and are expected to be used in due course in our ordinary course of business. As such, based on our assessment, we believe there is no recoverability issue for inventories aged over one year. We assessed the net realisable value of the inventories as of each balance sheet date in order to determine whether any impairment provision is required to be made. Based on our best estimate, as of each balance sheet date, the net realisable value of the inventories should exceed the carrying values. Thus, we believe we have recorded sufficient provision for inventories aged over one year to account for any future liabilities, write-offs or contingencies consistent with HKFRS.

As of the Latest Practicable Date, RMB83.2 million, or 50.6%, of our inventories as of June 30, 2023 had been subsequently sold or utilized.

Trade Receivables

Trade receivables represent outstanding amounts receivable by us from customers primarily in connection with the provision of advertising and system support services, merchandise wholesale and vending machine sales and leases in the ordinary course of business. The following table sets forth the details of our trade receivables as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	361,990	200,654	144,477	77,443	75,918
Less: allowance for impairment	(31,602)	(39,480)	(24,144)	(22,750)	(11,774)
Total	**330,388**	**161,174**	**120,333**	**54,693**	**64,144**

Our trade receivables, before considering allowance for impairment, decreased from RMB362.0 million as of December 31, 2019 to RMB200.7 million as of December 31, 2020, and to RMB144.5 million as of December 31, 2021 and further decreased to RMB77.4 million as of December 31, 2022 and RMB75.9 million as as of June 30, 2023. The decrease from 2019 to 2020 was primarily due to (i) trade receivables in connection with sales of vending machines being gradually settled and the decrease in number of vending machines sold as a result of the development of our partner model, and (ii) decrease in trade receivables in connection with the provision of advertising and system support services to advertisers in 2020 attributable to the decrease in demand for such services as a result of the COVID-19 outbreak. The decrease in 2021 was primarily attributable to the decrease in sales of machines in 2021, coupled with our enhanced collection efforts in 2021, including reviewing status of our trade receivables on a monthly basis and proactive communication with relevant customers, monitoring of credit terms, seek legal advice and take legal actions if necessary and appropriate. The decrease from 2021 to 2022 was primarily due to (i) the decrease in trade receivables in connection with the provision of advertising and system support services to advertisers in 2022 attributable to the decrease in demand for such services as a result of the COVID-19 and (ii) the decrease in trade receivables as we recovered certain trade receivables with long ages and improved trade receivables management. The slight decrease from December 31, 2022 to June 30, 2023 was primarily because we recovered certain trade receivables in relation to our advertising and system support services as a result of our improved trade receivables management.

Allowance for impairment increased from RMB31.6 million as of December 31, 2019 to RMB39.5 million as of December 31, 2020, which was primarily attributable to the COVID-19 outbreak and relevant concerns of collectability of trade receivables due from our customers. Allowance for impairment subsequently decreased to RMB24.1 million as of December 31, 2021, RMB22.8 million as of December 31, 2022 and further to RMB11.8 million as of June 30, 2023, primarily because we wrote-off uncollectible receivables of RMB19.2 million in 2021, RMB6.0 million in 2022 and RMB13.3 million in the six months ended June 30, 2023. See Note 3.1(b) to the Accountant's Report as set out in Appendix I and "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to credit risk of our customers and we may experience delays or defaults in settling our trade and other receivables."

The following table sets forth our trade receivables turnover days for the Track Record Period:

	For the years ended December 31,				For the six months ended June 30,
	2019	**2020**	**2021**	**2022**	**2023**
		(days)			
Trade receivables turnover days[(1)]	108	183	85	77	54

Note:

1. Trade receivables turnover days for a period are calculated using the average of open balance and closing balance of the trade receivables for such period divided by revenue from advertising and system support services, merchandise wholesale and vending machine sales and leases as well as relevant revenue from our others segment for the relevant period and multiplied by 365 days for 2019, 2020, 2021 and 2022 and by 180 days for the six months ended June 30, 2023.

During the Track Record Period, we generally grant our customers a credit term of 30 to 180 days. Our trade receivable turnover days increased from 108 days in 2019 to 183 days in 2020, primarily due to the impact of the COVID-19 outbreak, especially the impact on trade receivables due from customers of our advertising and system support services, whose businesses were negatively affected, which accounted for a larger portion of our trade receivables in 2020. Our trade receivables turnover days decreased to 85 days in 2021, primarily due to recovery of trade receivables and our enhanced collection efforts in 2021. Our trade receivables turnover days decreased to 77 days in 2022, primarily due to the decrease in trade receivables due from customers of our advertising and system support services. Our trade receivables turnover days decreased to 54 days for the six months ended June 30, 2023, primarily due to the decrease in long-term trade receivables and recovery of certain trade receivables in relation to our advertising and system support services.

The following table sets forth an aging analysis of our trade receivables, based on invoice date, as of the dates indicated:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
Over 2 years	45,469	33,775	15,682	18,756	8,935
	361,990	**200,654**	**144,477**	**77,433**	**75,918**

We have policies in place to ensure that sale of goods and service are made to customers with a good credit history. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. During the Track Record Period, a portion of our trade receivables were longer than the credit terms we typically offered to customers, which were mainly receivables due from our customers from vending machine sales and leases. We have further implemented certain procedures to strengthen our credit control. For instance, we are actively monitoring the credit terms given to our customers and follow up on collection of our trade receivables regularly. As such, barring any unforeseen circumstances, we do not expect to experience any material recoverability issues for trade receivables.

During the Track Record Period, to determine the recoverability and amount of impairment for our trade receivables, we assess expected credit losses of our trade receivables on individual basis or grouped based on shared credit risk characteristics and the days past due. See Note 3.1(b) to the Accountant's Report as set out in Appendix I for the determination of loss allowance provision. As a result, as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we had allowance for impairment of trade receivables of RMB31.6 million, RMB39.5 million, RMB24.1 million, RMB22.8 million and RMB11.8 million, respectively. Our Directors are of the view that we had recorded sufficient allowance for impairment of trade receivables during the Track Record Period.

Our trade receivables aged over one year primarily comprise of receivables from POS partners and non-Ubox POS operators with on-going business cooperations with our Group in connection with machine sales and leases, sales of merchandise and provision of operation support services. Based on the aforementioned policies and credit control procedures we have in place, the continuous decrease in trade receivables aged over one year throughout the Track Record Period, as well as our historical experience and on-going cooperation with the relevant customers, we do not believe there is a material recoverability issue for trade receivables aged over one year. As our POS partners and non-Ubox POS operators were directly affected by the negative impacts of COVID-19 and recovery from negative impacts of COVID-19 is a gradual process, we will gradually enhance our collection efforts in 2023 while maintaining amicable business relationships with POS partners and non-Ubox POS operators. As of June 30, 2023, RMB16.7 million, or 64.7%, of our trade receivables aged over one year as of December 31, 2022 had been subsequently settled. In addition, we believe we have recorded sufficient allowance for impairment of trade receivables for trade receivable aged over one year to account for any future liabilities, write-offs or contingencies consistent with HKFRS.

As of the Latest Practicable Date, RMB45.1 million, or 59.4%, of our trade receivables as of June 30, 2023 had been subsequently settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables comprise (i) prepayments for purchase of machines, (ii) prepayments for purchase of inventories, (iii) prepayments for POSs expenses, (iv) prepayments for [**REDACTED**] expenses, (v) deposits, (vi) amount due from POS partners, (vii) deductible input value-added tax, (viii) advances to a shareholder, (ix) advances to and receivables from business partners, (x) advances to staffs, and (xi) others. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments					
Prepayments for purchase of machines	68,578	96,642	100,105	167,106	196,143
Prepayments for purchase of inventories	56,368	55,801	65,589	38,802	26,525
Prepayments for POSs expenses	111,846	25,416	31,298	26,242	22,606
Prepayments for [**REDACTED**] expenses	–	–	1,548	2,497	4,423
Others	17,631	10,741	16,225	15,293	4,281
	254,423	**188,600**	**214,765**	**249,940**	**253,978**
Deposits and other receivables					
Deposits(1)	136,654	107,335	68,618	49,934	49,833
Amount due from POS partners(2)	19,814	39,663	71,289	36,135	26,152
Deductible input value-added tax	97,611	66,416	34,505	26,453	23,438
Advances to a shareholder(3)	246,010	46,435	–	–	–
Advances to and receivables from business partners	80,017	103,055	78,594	59,268	68,723
Advances to staffs	60,192	37,170	25,131	5,404	4,348
Others	8,563	5,769	14,043	10,461	8,415
Less: allowance for impairment of deposits and other receivables(4)	(24,066)	(55,905)	(80,213)	(71,975)	(64,475)
Deposits and other receivables, net	624,795	349,938	211,967	115,680	116,434

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments, deposits and other receivables	**879,218**	**538,538**	**426,732**	**365,620**	**370,412**
Less: non-current portion					
– Prepayment, deposits and other receivables	(79,317)	(135,551)	(123,285)	(177,106)	(196,143)
Current portion	**799,901**	**402,987**	**303,447**	**188,514**	**174,269**

Notes:

1. Represent security deposits paid under finance lease arrangements in connection with certain of our machines, and security deposits paid to POS site owners for our POSs.

2 Represent advances to POS partners for payment of POSs occupancy fees, which would be deducted from their share of transaction GMV and are typically settled on a monthly basis.

3. Represent the advances provided to a then shareholder with respect to the repurchase of our Shares in connection with our delisting from NEEQ. See Note 24 to the Accountant's Report as set out in Appendix I and "History and Development – Information on our Group – Our Company" for further details.

4. Allowance for impairment of deposits and other receivables were allocated as follows:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	4,861	4,309	946	895	543
Amount due from POS partners	2,284	5,098	11,975	10,636	3,751
Advances to and receivables from business partners	9,868	41,288	62,576	59,268	59,309
Advances to staffs	6,429	4,796	4,206	803	545
Others	624	414	510	373	327
Total	**24,066**	**55,905**	**80,213**	**71,975**	**64,475**

Our prepayments, deposits and other receivables slightly increased by 1.3% from RMB365.6 million as of December 31, 2022 to RMB370.4 million as of June 30, 2023, primarily due to (i) an increase in prepayments for purchase of machines of RMB29.0 million, as we made prepayments for new machines and upgrading of old machines during the six month ended June 30, 2023, (ii) an increase in advances to and receivables from business partners of RMB9.5 million, partially offset by (iii) a decrease in prepayments for purchase of inventories of RMB12.3 million, (iv) a decrease in others prepayments of RMB11.0 million, and (v) a decrease in amount due from POS partners of RMB10.0 million.

Our prepayments, deposits and other receivables decreased by 14.3% from RMB426.7 million as of December 31, 2021 to RMB365.6 million as of December 31, 2022, primarily due to a decrease of RMB96.3 million in deposits and other receivables, net which primarily comprised (i) a decrease in amount due from POS partners of RMB35.2 million, primarily because we recovered amounts due from POS partners as we enhanced our collection efforts, (ii) a decrease in advances to staffs of RMB19.7 million, primarily due to the development of our partner model, and (iii) a decrease in advances to and receivables from business partners of RMB19.3 million, primarily because we recovered outstanding loan and receivables, partially offset by an increase of RMB35.2 million in prepayments which primarily comprised an increase in prepayments for purchase of machines of RMB67.0 million, primarily because we made prepayments for new machines in 2022 which we preordered in 2021 and did not deploy in 2022 considering the overall business environment and negative impact of COVID-19 during the year.

Our prepayments, deposits and other receivables decreased by 20.8% from RMB538.5 million as of December 31, 2020 to RMB426.7 million as of December 31, 2021, primarily due to a decrease of RMB138.0 million in deposits and other receivables, net which primarily comprised (i) a decrease in advance to a shareholder of RMB46.4 million, primarily due to the settlement of advances provided to a then shareholder with respect to repurchase of our Shares in connection with our delisting from NEEQ, (ii) a decrease in deposits of RMB38.7 million, primarily due to the recovery of the security deposit upon expiry of finance lease arrangements, and (iii) an increase in allowance for impairment of deposits and other receivables of RMB24.3 million, primarily due to allowance recognized for impairment of receivables from a business partner, partially offset by an increase of RMB26.2 million in prepayments which primarily comprised (iv) an increase in prepayments for purchase of inventories of RMB9.8 million, primarily due to change of settlement terms with certain merchandise suppliers as they required prepayment, (v) an increase in prepayments for POSs expenses of RMB5.9 million, primarily due to arrangements with certain new POS site owners which required prepayment on a yearly basis, and (vi) an increase of RMB3.5 million in prepayments for purchase of machines, primarily comprise of prepayments for purchase of freshly brewed beverage vending machines.

Our prepayments, deposits and other receivables decreased by 38.7% from RMB879.2 million as of December 31, 2019 to RMB538.5 million as of December 31, 2020, primarily due to (i) a decrease in advance to a shareholder of RMB199.6 million mainly attributable to the settlement of the advance provided to a then shareholder in 2020 in connection with our delisting from NEEQ, (ii) a decrease in prepayments for POSs expenses of RMB86.4 million, primarily due to the development of our partner model in 2020 under which our POS partners are typically responsible for occupancy fees and utility costs, (iii) an increase in allowance for impairment of deposits and other receivables of RMB31.8 million, primarily due to allowance recognized for impairment of receivables from a business partner, partially offset by (iv) an increase in prepayments for purchase of machines of RMB28.1 million.

Our prepayments comprise (i) prepayments for purchase of machines, (ii) prepayments for purchase of inventories, (iii) prepayments for POSs expenses, (iv) prepayments for [**REDACTED**] expenses, and (v) others. Prepayments for purchase of machines arise from the contractual obligation with our suppliers when we procure new machines from them. Prepayments for purchase of inventories arise from the contractual obligation with merchandise suppliers as we submit estimated demands for merchandise for the next month to them and deposit the corresponding purchase price to suppliers' accounts in full or in part in accordance with the terms of the relevant contract in advance as prepayment. Prepayments for POSs expenses arise from the contractual obligations with site owners, pursuant to which we shall pay in advance the POSs operation expenses, which primarily include occupancy fees and utility costs, monthly, quarterly or semi-annually. Prepayment for [**REDACTED**] expenses relate to prepaid fees and expenses to legal advisors, accountant and the industry consultant pursuant to the relevant agreements. Others mainly comprise prepayments for logistics expenses, network expenses and rental expenses pursuant to relevant agreements with third parties while certain prepayments such as prepaid fuel cards could be discretionary.

As of the Latest Practicable Date, RMB92.9 million, or 21.9%, of our prepayments, deposits and other receivables as of June 30, 2023 had been subsequently settled.

Amount due from POS partners

Amount due from POS partners increased from RMB19.8 million in 2019 to RMB39.7 million in 2020 and further to RMB71.3 million in 2021 primarily due to the increase in total number of POS partners following our promotion of the partner model. Amount due from POS partners decreased from RMB71.3 million in 2021 to RMB36.1 million as of December 31, 2022 and further decreased to RMB26.2 million as of June 30, 2023, primarily due to collection of amounts due from POS partners as we enhanced our collection efforts. As of the Latest Practicable Date, RMB13.4 million, or 51.4%, of amount due from POS partners as of June 30, 2023 had been subsequently settled.

The following table sets forth an aging analysis of our amount due from POS partners as of the dates indicated:

	As of December 31,				**As of June 30,**
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	15,350	31,976	53,571	23,273	16,016
1 to 2 years	3,973	3,835	11,742	5,787	3,910
2 to 3 years	477	3,693	3,495	4,280	2,738
3 to 4 years	14	145	2,409	2,507	1,277
4 to 5 years	–	14	58	124	1,977
Over 5 years	–	–	14	164	234
	19,814	**39,663**	**71,289**	**36,135**	**26,152**

As of June 30, 2023, RMB5.6 million, or 15.5%, of our amount due from POS partners aged over one year as of December 31, 2022 had been subsequently settled. We have ongoing business relationship and cooperation with our POS partners. Considering the historical relationship with our POS partners, our Directors believe there is no material recoverability issue in respect of our amounts due from POS partners aged over one year as of June 30, 2023. In addition, we believe we have recorded sufficient allowance for impairment of amount due from POS partners aged over one year to account for any future liabilities, write-offs or contingencies, which is consistent with HKFRS.

Advances to and receivables from business partners

Advances to and receivables from business partners primarily relate to (i) other receivables from Beijing Youyang, a former subsidiary of the Company, which amounted to nil, RMB78.3 million, RMB59.4 million, RMB59.3 million and RMB59.3 million as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively, (ii) other receivables from Hangzhou Penguin Technology Co., Ltd., which amounted to RMB9.5 million as of June 30, 2023, for further details, see "— Related Party Transactions", and (iii) other advances to or receivables from five potential vendors, each an Independent Third Party in relation to four potential acquisitions of equity interests, machines and/or operating rights with a view to support our business expansion, which amounted to RMB78.9 million, RMB23.5 million, RMB18.0 million, nil and nil as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively.

The other receivables from Beijing Youyang arose from the provision of advertising and system support services through Beijing Youyang to customers. For details of the disposal of Beijing Youyang, see "History — Evolution of Our Group — 5. Disposals and Deregistration during the Track Record Period and up to the Latest Practicable Date." We recorded allowance for impairment of such receivables of RMB38.5 million, RMB59.4 million, RMB59.3 million and RMB59.3 million in view of the recoverability as business of Beijing Youyang deteriorated in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, due to the COVID-19 outbreak.

Save as the other receivables from Beijing Youyang, for which impairment provisions has been made in full for the six months ended June 30, 2023, and the RMB9.5 million other receivables from Hangzhou Penguin Technology Co., Ltd. as of June 30, 2023, all other advances and receivables from business partners as of June 30, 2023 had been subsequently settled.

The following table sets forth an aging analysis of our advances to and receivables from business partners as of the dates indicated:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	7,610	81,888	–	–	9,455
1 to 2 years	49,557	609	59,427	–	–
2 to 3 years	22,850	20,558	479	59,268	59,268
3 to 4 years	–	–	18,688	–	–
	80,017	**103,055**	**78,594**	**59,268**	**68,723**

Movements in advances to and receivables from business partners were as follows:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	72,966	80,017	103,055	78,594	59,268
Increase in the year/period	7,610	81,888	–	–	9,455
Decrease in the year/period	(559)	(58,850)	(24,461)	(19,326)	–
At the end of the year/period	80,017	103,055	78,594	59,268	68,723

Advances to staff

Advances to staff represent the amounts advanced to sales staffs which draw down for payment of POS operation and development expenses as they source POSs under our direct operation model. Such advances are generally short-term and interest-free. Pursuant to our internal policies, relevant staffs are required to settle utilized amounts by repayment in full within one month from the date of utilisation or otherwise report to our finance department within one week of consummation of the relevant business. The time between utilisation and consummation of business depends on a number of factors, such as the number of POSs involved, negotiations with site owners and delays caused by COVID-19, and could take months. Our finance department will review the repayment status of advances to staff on a monthly basis. For advances that had not been repaid within three months, a portion of the relevant staff's monthly salary will be withheld, and will only be released to the relevant staff until the advance has been repaid in full. Although certain amounts aged beyond our normal settlement period, such amounts mainly related to advances for ongoing POS development projects coupled with the impacts of COVID-19 on some of our POS partners. We plan to conduct an overall review over those projects that were affected by COVID-19 before the end of 2022 and ask relevant staffs to settle outstanding advances of those that cannot continue. The overall decrease in advances to staffs during the Track Record Period was primarily due to the development of our partner model. In view of the continuing decrease in advances to staff during the Track Record Period, our Directors consider that the internal control policies of our Group are effective. Going forward, we will closely monitor the repayment status of our advances to staff and implement necessary measures to safeguard the interest of our Group and Shareholders as and when appropriate. As of the Latest Practicable Date, RMB3.7 million, or 86.1%, of advances to staff as of June 30, 2023 had been subsequently settled.

The following table sets forth an aging analysis of our advances to sales staff as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	49,943	30,775	17,381	4,740	3,757
1 to 2 years	4,108	4,625	3,472	490	234
2 to 3 years	3,409	282	2,977	90	227
3 to 4 years	2,732	1,488	279	38	46
Over 4 years	–	–	1,022	46	84
	60,192	**37,170**	**25,131**	**5,404**	**4,348**

Movements in advances to and receivables from staffs were as follows:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	63,768	60,192	37,170	25,131	5,404
Increase in the year/period	49,943	30,775	17,381	4,740	1,893
Decrease in the year/period	(53,519)	(53,797)	(29,420)	(24,467)	(2,949)
At the end of the year/period	60,192	37,170	25,131	5,404	4,348

Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss consist of wealth management products and unlisted equity securities. The movement of our financial assets at fair value through profit or loss was primarily due to the purchase or disposal of our investment in wealth management products. For details of fair value estimation, see Note 3.3 to the Accountant's Report as set out in Appendix I. The following table sets forth details of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investments in wealth management products	336,866	132,078	–	–	–
Investments in unlisted equity securities	45,620	34,740	32,800	36,100	34,500
	382,486	**166,818**	**32,800**	**36,100**	**34,500**
Less: non-current portion					
– Investments in wealth management products	50,232	–	–	–	–
– Investments in unlisted equity securities	45,620	34,740	32,800	36,100	34,500
Current portion	**286,634**	**132,078**	**–**	**–**	**–**

During the Track Record Period, we purchased wealth management products from reputable licensed commercial banks in China. During the Track Record Period, we purchased wealth management products with low level of risk as part of our cash management. Our finance managers are responsible for managing our investments in wealth management products. In accordance with our treasury management policy, our finance managers formulate and execute plans for cash allocation among different wealth management products within the approved scope of our investment structure and select the relevant banks and products. The proposed investment must not interfere with our daily operational and investment activities. Pursuant to our internal policies, the wealth management products invested by us shall typically be limited to those with low risks and high liquidity offered by large scale, reputable and licensed banks. The expected return rate should be higher than the bank deposit interest rate for the same period and the term of such products shall generally be less than one year. In addition, any investment less than RMB10.0 million must be approved by our chief financial officer, any investment exceeding RMB10.0 million but less than RMB50.0 million must be approved by our chief executive officer and Chairman of our Board, and any investment exceeding RMB50.0 million must be approved by our Board. Our management is primarily responsible for approving revisions of our treasury management policy and adjusting our investment structure and our Board is responsible for reviewing our treasury management policy each year. When investing in wealth management products, we aim to (i) maintain the principal balance of cash and investments, (ii) maintain sufficient liquidity and minimize risks, and (iii) achieve reasonable yield. We make investment decisions related to wealth management products on a case-by-case basis after due and careful consideration of a number of factors, including our overall financial condition, market and investment conditions, investment costs, duration of investment, and the expected returns and potential risks of such investment.

During the Track Record Period we invested in substantial amounts of wealth management products. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our investments in wealth management products amounted to RMB336.9 million, RMB132.1 million, nil, nil and nil, respectively. During the Track Record Period, the net realized gains generated from such wealth management products was RMB5.1 million in 2019, RMB6.3 million in 2020, RMB1.2 million in 2021, RMB0.2 million in 2022 and RMB0.07 million, and the net unrealized gains of such wealth management products was RMB2.3 million in 2019, RMB4.6 million in 2020, nil in 2021, nil in 2022 and nil for the six months ended June 30, 2023. The returns on all of these wealth management products are not guaranteed, and therefore we designated them as financial assets at fair value through profit or loss. Fair value of our financial assets at fair value through profit or loss is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of wealth management products we purchased. The fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations in the future. See "Risk Factors — Our financial assets at fair value through profit or loss are subject to fair value fluctuations and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance."

After the [**REDACTED**], we intend to continue our investments in wealth management products strictly in accordance with our internal polices, Articles of Association, and the requirements under Chapter 14 of the Listing Rules.

We have been in the past, and expect to continue, prudently evaluating and considering a wide array of potential investments in emerging businesses that are complementary to our business to implement our long-term growth strategy. We invest in targets whose principal businesses are complementary to our Group's core business segments which we consider will provide considerable investment returns to our Shareholders and be conducive to the sustainable growth and development of our Group. During the Track Record Period, we made minority equity investments in certain private companies, which are measured as financial assets at fair value through profit or loss. As of June 30, 2023, we had investments in two unlisted PRC companies and the following table sets forth select details of such investments:

	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interests and voting rights held by the Group as of					Fair value of investment as of June 30, 2023	Principal activities
			December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023		
								(RMB million)	
Shenzhen Daozhong Innovation Technology Co., Ltd. (深圳市道中創新科技有限公司)	PRC	RMB13.0 million	10.00%	10.00%	19.2857%	19.29%	19.29%	22.9	Research and development of artificial intelligence technology; research, development and sales of robots; technology development of internet of things and internet technology
Fuzhou Youxi Intelligent Internet of Things Co., Ltd. (福州友洗智能物聯網科技有限公司)	PRC	RMB1.3 million	10.00%	10.00%	9.90%	9.70%	9.70%	11.6	Vehicle cleaning services with IOT technology deployed

Level 3 of fair value measurement

Our level 3 financial instruments included investments in wealth management products and unlisted equity securities measured at fair value through profit or loss. 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.

In relation to the valuation of our level 3 financial instruments, our Directors adopted the following procedures: (i) created the annual budget for wealth management products; (ii) engaged an independent qualified third-party valuer to appraise the fair value of unlisted equity securities, and performed valuation assessments for wealth management products based on their expected returns; (iii) considered and discussed with valuers the financial and operating data, as well as the development and the business plans of the investees; (iv) reviewed and agreed on the valuation approaches adopted and key assumptions and inputs used, including equity value/revenue ratio and discount rate for lack of marketability etc.; and (v) reviewed the valuation working papers and results prepared by the independent valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by us is fair, reasonable and adequate with reference to the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC, and our financial statements are properly prepared.

Details of the fair value measurement of level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to fair value, are disclosed in Note 3.3 to the Accountant's Report set forth in Appendix I prepared by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on [I-1] to [I-3] of Appendix I.

In relation to the valuation of our level 3 financial instruments, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of the terms of wealth management products and terms of investment agreements; (ii) review of relevant notes in the Accountant's Report set forth in Appendix I; (iii) discussed with us to understand (a) the procedures performed for such valuation, (b) the key factors, valuation methodologies, and key assumptions taken into account by us as advised by the independent valuer with respect to our investments in unlisted equity securities, and (c) the internal control process undertaken by us for reviewing the relevant valuation; (iv) review of the professional qualification of the independent valuer engaged by us through desktop search; and (v) discussed with the Reporting Accountant on its work performed in this regard. Having considered the work done by the Directors and Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of the Directors and the Reporting Accountant in respect of the valuation of level 3 financial instruments.

Trade Payables

Our trade payables mainly represent payables to our suppliers for our machines and merchandise. Our trade payables decreased by 35.5% from RMB261.3 million as of December 31, 2019 to RMB168.5 million as of December 31, 2020, primarily due to the decrease in procurement of merchandise and machines as a result of the impact of the COVID-19 outbreak. Our trade payables increased by 48.4% from RMB168.5 million as of December 31, 2020 to RMB250.1 million as of December 31, 2021 in line with the expansion and recovery of our business. Our trade payables decreased by 14.2% from RMB250.1 million as of December 31, 2021 to RMB214.7 million as of December 31, 2022 primarily due to the decrease in procurement of merchandise which was mainly attributable to slower sales at our POSs in December 2022 as compared to December 2021 as a result of the resurgence of COVID-19 in 2022. Our trade payables increased by 9.3% from RMB214.7 million as of December 31, 2022 to RMB234.6 million as of June 30, 2023, primarily due to the increase in procurement of merchandise in line with the recovery of our business following the relaxation of COVID-19 policies and also in anticipation of the peak season in summer.

The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,				**As of June 30,**
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
Over 2 years	3,258	4,425	4,132	1,427	1,411
	261,297	**168,523**	**250,093**	**214,666**	**234,585**

The following table sets forth our trade payables turnover days for the Track Record Period:

	For the years ended December 31,				**For the six months ended June 30,**
	2019	**2020**	**2021**	**2022**	**2023**
		(days)			
Trade payables turnover days(1)	55	58	49	59	55

Note:

1. Trade payables turnover days for a period are calculated using the average of open balance and closing balance of the trade payables for such period divided by cost of sales for the relevant period and multiplied by 365 days for 2019, 2020, 2021 and 2022 and by 180 days for the six months ended June 30, 2023.

Our trade payables turnover days remained stable at 55 days in 2019 and 58 days in 2020. Our trade payables turnover days decreased to 49 days in 2021, primarily due to the change of settlement terms with certain suppliers as we agreed to their requests for prepayment in exchange for favourable pricing terms, which were determined after arm's length negotiations between our Group and the relevant suppliers. Our trade payables turnover days increased to 59 days in 2022, primarily due to a decrease in our cost of sales which was generally in line with a decrease in our revenue. Our trade payables turnover days remained stable at 59 days in 2022 and 55 days for the six months ended June 30, 2023.

As of the Latest Practicable Date, RMB142.8 million, or 60.9% of our trade payables outstanding as of June 30, 2023 had been settled.

Other Payables and Accruals

Other payables and accruals comprise (i) accrued and payments of POSs operation expenses, (ii) salaries, wages, and bonuses payables, (iii) deposits, (iv) other taxes payables, (v) [**REDACTED**] expenses payables, and (vi) others. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accrued and payments of POSs operation expenses	167,872	139,613	112,719	55,932	97,140
Salaries, wages, and bonuses payables	26,665	28,704	35,814	33,956	32,138
Deposits(1)	26,030	30,139	31,966	31,007	31,484
Other taxes payables	12,616	10,040	9,612	9,683	28,672
[**REDACTED**] expenses payables	–	–	5,738	11,811	9,432
Others(2)	15,954	10,026	14,544	17,086	19,033
	249,137	218,522	210,393	159,475	217,899
Less: non-current portion					
Others	(1,279)	(451)	(7)	–	–
Total	**247,858**	**218,071**	**210,386**	**159,475**	**217,899**

Notes:

1. The amounts of deposits mainly represent various deposits received from POS partners and Non-Ubox POS operators in relation to vending machine business cooperation.

2. Represent short term rental payable and reimbursements payable to employees.

Other payables and accruals increased by 36.6% from RMB159.5 million as of December 31, 2022 to RMB217.9 million as of June 30, 2023, primarily due to the increase in accrued and payments of POSs operation expenses of RMB41.2 million as a result of the increase in sales at our POSs during the six months ended June 30, 2023.

Our other payables and accruals decreased by 24.2% from RMB210.4 million as of December 31, 2021 to RMB159.5 million as of December 31, 2022, primarily due to the decrease in accrued and payments of POSs operation expenses of RMB56.8 million as a result of slower sales at our POSs in December 2022 as compared to December 2021.

Other payables and accruals remained stable at RMB218.1 million as of December 31, 2020 and RMB210.4 million as of December 31, 2021.

Other payables and accruals decreased by 12.0% from RMB247.9 million as of December 31, 2019 to RMB218.1 million as of December 31, 2020, primarily due to a decrease of RMB28.3 million in accrued and payments of POSs operation expenses, which was due to our reduced selling and marketing activities amidst the COVID-19 outbreak.

Property and Equipment

Our property and equipment consist of (i) vending machines, (ii) motor vehicles, (iii) leasehold improvements, (iv) electronic equipment, and (v) office equipment and others. The following table sets forth a breakdown of the net book amount of our property and equipment as of the dates indicated:

	As of December 31,				As of June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Vending machines	535,914	258,034	363,589	274,071	208,130
Motor vehicles	32,873	29,143	21,988	13,857	8,803
Leasehold improvements	10,628	10,098	6,786	3,466	2,192
Electronic equipment	5,966	4,918	4,115	3,213	3,095
Office equipment and others	4,102	3,049	2,317	1,731	1,350
Total	**589,483**	**305,242**	**398,795**	**296,338**	**223,570**

Our property and equipment decreased by 24.6% from RMB296.3 million as of December 31, 2022 to RMB223.6 million as of June 30, 2023, primarily due to the decrease of RMB65.9 million in vending machines as a result of depreciation charges on vending machines during the period.

Our property and equipment decreased by 25.7% from RMB398.8 million as of December 31, 2021 to RMB296.3 million as of December 31, 2022, primarily due to the decrease of RMB89.5 million in vending machines as a result of depreciation charges on vending machines during the year.

Our property and equipment increased by 30.6% from RMB305.2 million as of December 31, 2020 to RMB398.8 million as of December 31, 2021, primarily due to an increase of RMB77.6 million in vending machines, as we procured more vending machines to accommodate our business expansion.

Our property and equipment decreased by 48.2% from RMB589.5 million as of December 31, 2019 to RMB305.2 million as of December 31, 2020, primarily due to a decrease in vending machines of RMB277.9 million as a result of impairment recognized for certain types of our machines, such as karaoke booths, orange juice machines and coconut juice machines. See Note 16 to the Accountant's Report as set out in Appendix I for details of recognizing impairment on property and equipment.

Right-of-use Assets

Our right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to our vending machines, properties used as offices and warehouses, and vehicles.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our right-of-use assets were RMB570.9 million, RMB446.2 million, RMB359.5 million, RMB289.1 million and RMB247.1 million, respectively. The decrease in our right-of-use assets during the Track Record Period was primarily due to the expiry of lease terms for our leased machines and direct procurement of machines without finance lease arrangement.

Intangible Assets

Our intangible assets consist of (i) goodwill, (ii) internally generated software, and (iii) purchased software.

Our intangible assets decreased from RMB318.4 million as of December 31, 2019 to RMB136.2 million as of December 31, 2020, primarily due to a decrease in goodwill. Goodwill of our Group mainly arose from the acquisition of Shenzhen Youka for its freshly brewed beverage vending machine business in 2019 and acquisition of karaoke booth service business and other vending machine businesses prior to the Track Record Period. See Note 33 to the Accountant's Report as set out in Appendix I for details of the acquisition of Shenzhen Youka.

During the Track Record Period, we performed impairment review for goodwill annually or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment review on goodwill has been conducted by the management as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023. For the purpose of goodwill impairment review, the recoverable amount of a cash-generation unit (or groups of cash-generating units) is the higher of its fair value less cost of disposal and its value in use.

In 2020, goodwill impairment arose with respect to our freshly brewed beverage vending machine business and karaoke booth service business primarily due to the COVID-19 pandemic. Based on the result of impairment testing for such businesses, impairment provision of goodwill of RMB147.6 million and RMB10.8 million was recognized for the freshly brewed beverage vending machine business and karaoke booth service business, respectively, in 2020.

Our intangible assets decreased from RMB136.2 million as of December 31, 2020 to RMB118.6 million as of December 31, 2021 and further decreased to RMB102.9 million as of December 31, 2022 and to RMB95.2 million as of June 30, 2023, primarily due to amortization charges on software.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital principally from cash generated from our business operations, bank borrowings and capital contributions from our shareholders. After the [**REDACTED**], we intend to finance our future capital requirements through similar sources of funds, together with the net [**REDACTED**] to be received from the [**REDACTED**]. We do not anticipate any changes to the availability of financing to fund our operations in the future. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we had cash and cash equivalents and restricted cash of RMB222.3 million, RMB191.0 million, RMB174.9 million, RMB130.9 million and RMB272.6 million, respectively. Our cash and cash equivalents consist of cash at bank and cash on hand.

Cash Flows

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

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	328,978	(145,904)	90,556	23,919	23,057	42,867
Movements in working capital	305,800	127,106	88,678	132,234	132,639	146,269
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)
Net cash generated from/(used in) operating activities	613,393	(31,948)	178,949	153,918	155,858	186,011
Net cash (used in)/ generated from investing activities	(717,349)	189,171	(22,742)	(105,250)	(89,799)	(36,022)
Net cash generated from/(used in) financing activities	20,908	(188,557)	(174,836)	(92,876)	(13,683)	(8,682)
Net (decrease)/ increase in cash and cash equivalents	**(83,048)**	**(31,334)**	**(18,629)**	**(44,208)**	**52,376**	**141,307**
Cash and cash equivalents at the beginning of the year/period	305,394	222,347	191,015	172,386	172,386	128,178
Effects of exchange rate changes on cash and cash equivalents	1	2	–	–	–	–
Cash and cash equivalents at the end of the year/period	**222,347**	**191,015**	**172,386**	**128,178**	**224,762**	**269,485**

Net cash generated from/(used in) operating activities

For the six months ended June 30, 2023, our net cash generated from operating activities amounted to RMB186.0 million, which was primarily attributable to our loss before income tax of RMB146.6 million, as adjusted by (i) positive movement of operating cash flow before movements in working capital, which primarily comprised depreciation of property and equipment of RMB74.1 million, share-based compensation expenses of RMB49.5 million and depreciation of right-of-use assets of RMB47.7 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid of RMB3.8 million. Positive changes in working capital primarily consisted of (i) an increase in other payables and accruals of RMB58.4 million, primarily due to an increase in accrued and payments of POS operation expenses as a result of the increase in sales at our POSs during the six months ended June 30, 2023, (ii) an increase in contract liabilities of RMB30.1 million, primarily due to the advancement from Hangzhou Huanxu Information Technology Co., Ltd., for advertising and promotion of its payment service products (iii) an increase in trade payables of RMB26.3 million, primarily due to the increase in procurement of merchandise in line with the recovery of our business following the relaxation of COVID-19 policies and also in anticipation of the peak season in summer, and (iv) a decrease in inventories of RMB23.8 million, primarily due to the decrease in merchandise mainly attributable to increased sales at our POSs.

In 2022, our net cash generated from operating activities amounted to RMB153.9 million, which was primarily attributable to our loss before income tax of RMB272.3 million, as adjusted by (i) positive movement of operating cash flow before movements in working capital, which primarily comprised depreciation of property and equipment of RMB144.1 million and depreciation of right-of-use assets of RMB98.0 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid of RMB3.9 million. Positive changes in working capital primarily consisted of (i) a decrease in prepayments and deposits and other receivables of RMB105.1 million primarily due to the decrease in prepayment for purchase of inventories and the decrease in amount due from POS partners, and (ii) a decrease in trade receivables of RMB61.0 million as we recovered certain trade receivables with long ages and improved trade receivables management, partially offset by a decrease in other payables and accruals of RMB50.9 million, primarily due to a decrease in accrued and payments of POSs operation expenses as a result of slower sales at our POSs in December 2022 as compared to December 2021.

In 2021, our net cash generated from operating activities amounted to RMB178.9 million, which was primarily attributable to our loss before income tax of RMB184.6 million, as adjusted by (i) positive movement of operating cash flow before movements in working capital, which primarily comprised depreciation of property and equipment of RMB102.0 million, depreciation of right-of-use assets of RMB100.3 million and net impairment losses on financial assets of RMB28.2 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid of RMB2.1 million. Positive changes in working capital primarily consisted of (i) an increase in trade payables of RMB81.6 million in line with the expansion of our business, and (ii) a decrease in trade receivables of RMB36.9 million primarily due to our enhanced collection efforts including communication with relevant customers and monitoring of credit terms, partially offset by an increase in inventories of RMB26.9 million primarily due to an increase in demands for merchandise sold through our POS network as COVID-19 had been largely contained in China.

In 2020, our net cash used in operating activities amounted to RMB31.9 million, which was primarily attributable to our loss before income tax of RMB1,171.5 million, as adjusted by (i) positive movement of operating cash flow before movements in working capital, which primarily comprised impairment of non-financial assets of RMB414.0 million, share-based compensation expenses of RMB210.9 million, depreciation of property and equipment of RMB158.1 million, depreciation of right-of-use assets of RMB118.5 million, and net impairment losses on financial assets of RMB58.4 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid of RMB14.5 million. Positive changes in working capital primarily consisted of (i) a decrease in trade receivables of RMB147.1 million, primarily due to trade receivables in connection with sales of vending machines being gradually settled and the decrease in number of vending machines sold as a result of the development of our partner model, and decrease in demand for advertising and system support services as a result of the COVID-19 outbreak, (ii) a decrease in prepayments and deposits and other receivables of RMB80.7 million, primarily due to decrease in prepayments for POSs expenses, and (iii) a decrease in inventories of RMB27.1 million, primarily due to the decrease in procurement of merchandise and machines as a result of COVID-19, partially offset by (iv) a decrease in trade payables of RMB92.8 million, primarily due to the decrease in procurement of merchandise and machines as a result of the impact of the COVID-19 outbreak, and (v) a decrease in other payables and accruals of RMB30.6 million, primarily due to our reduced selling and marketing activities amidst the COVID-19 outbreak.

In 2019, our net cash generated from operating activities amounted to RMB613.4 million, which was primarily attributable to our profit before income tax of RMB43.8 million, as adjusted by (i) positive movement of operating cash flow before movements in working capital, which primarily comprised depreciation of property and equipment of RMB101.9 million and depreciation of right-of-use assets of RMB101.8 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid of RMB23.3 million. Positive changes in working capital primarily consisted of (i) a decrease in prepayments and deposits and other receivables of RMB238.5 million, primarily due to the use of deductible input value-added tax resulting in the decrease in the deductible input-value added tax, and (ii) an increase in trade payables of RMB89.1 million due to the increase in payables due to suppliers for our purchase of machines, partially offset by (iii) an increase in inventories of RMB50.6 million primarily due to the increase in procurement of raw materials, including biometric authentication modules, for enhancement of our vending machines procurement of merchandise in anticipation of favorable market conditions.

Net cash (used in)/generated from investing activities

For the six months ended June 30, 2023, our net cash used in investing activities amounted to RMB36.0 million, which was primarily attributable to (i) payments for purchase of property and equipment of RMB45.7 million in relation to the purchase of machines, which mainly comprise intelligent cabinets, (ii) payments for purchase of financial assets at fair value through profit or loss of RMB20.0 million in relation to our purchase of wealth management products, and as adjusted by (iii) proceeds from disposal of financial assets at fair value through profit or loss of RMB20.0 million in relation to our disposal of wealth management products.

In 2022, our net cash used in investing activities amounted to RMB105.3 million, which was primarily attributable to (i) payments for purchase of property and equipment of RMB145.7 million in relation to the purchase of machines to support our network expansion, (ii) payments for purchase of financial assets at fair value through profit or loss of RMB70.0 million in relation to our purchase of wealth management products, and as adjusted by (iii) proceeds from disposal of financial assets at fair value through profit or loss of RMB70.0 million in relation to our disposal of wealth management products.

In 2021, our net cash flows used in investing activities amounted to RMB22.7 million, which was primarily attributable to (i) payments for purchase of financial assets at fair value through profit or loss of RMB240.0 million in relation to our investments in wealth management products, (ii) payments for purchase of property and equipment of RMB223.8 million, primarily as a result of the expansion of our POS network, and as adjusted by (iii) proceeds from disposal of financial assets at fair value through profit or loss of RMB372.1 million in relation to our disposal of wealth management products, and (iv) proceeds from repayment of advances to a shareholder and business partners of RMB83.1 million mainly in relation to the advances provided to a then shareholder with respect to purchase of our Shares in connection with our delisting from NEEQ. For further details of the advances to a then shareholder in connection with our delisting from NEEQ, see Note 24 to the Accountant's Report as set out in Appendix I and "History and Development — Information on our Group — Our Company."

In 2020, our net cash flows generated from investing activities amounted to RMB189.2 million, which was primarily attributable to (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB635.4 million in relation to our disposal of wealth management products, and (ii) proceeds from repayment of advances to a shareholder and business partners of RMB58.3 million mainly in relation to the advances provided to a then shareholder with respect to purchase of our Shares in connection with our delisting from NEEQ, as adjusted by (iii) payments for purchase of financial assets at fair value through profit or loss of RMB438.0 million in relation to our investments in wealth management products, and (iv) payments for purchase of property and equipment of RMB76.7 million primarily as a result of the expansion of our POS network to support our business growth, and (v) payments for investment in associates in the amount of RMB40.0 million.

In 2019, our net cash flows used in investing activities amounted to RMB717.3 million, which was primarily attributable to (i) payments for purchase of financial assets at fair value through profit or loss of RMB2,508.0 million primarily in relation to our investments in wealth management products, (ii) payments for purchase of property and equipment of RMB420.6 million, primarily as a result of the expansion of our POS network, (iii) advances to a shareholder and business partners of RMB416.0 million mainly in relation to the advances provided to a then shareholder with respect to purchase of our Shares in connection with our delisting from NEEQ, (iv) payments for acquisition of subsidiaries, net of cash received of RMB112.8 million, (v) payments for purchase of intangible assets of RMB59.7 million in relation to our purchase of software for our pick-and-go cabinets, as adjusted by (vi) proceeds from disposal of financial assets at fair value through profit or loss of RMB2,540.5 million in relation to disposal of wealth management products, (vii) proceeds from repayment of advances to a shareholder and business partners of RMB162.4 million, and (viii) proceeds from disposal of property and equipment of RMB116.0 million.

Net cash generated from/(used in) financing activities

For the six months ended June 30, 2023, our net cash used in financing activities amounted to RMB8.7 million, which was primarily attributable to (i) repayments of borrowings of RMB40.0 million, and (ii) principal elements and interest element of lease payments of RMB23.2 million, as adjusted by proceeds from borrowings of RMB59.1 million.

In 2022, our net cash flows used in financing activities amounted to RMB92.9 million, which was primarily attributable to (i) principal elements and interest element of lease payments of RMB93.5 million, and (ii) repayments of borrowings of RMB71.9 million, as adjusted by proceeds from borrowings of RMB80.9 million.

In 2021, our net cash flows used in financing activities amounted to RMB174.8 million, which was primarily attributable to (i) principal elements and interest element of lease payments of RMB144.2 million, and (ii) repayments of borrowings of RMB94.9 million, as adjusted by proceeds from borrowings of RMB65.0 million.

In 2020, our net cash flows used in financing activities amounted to RMB188.6 million, which was primarily attributable to (i) principal elements and interest element of lease payments of RMB245.9 million and (ii) repayments of borrowings of RMB37.4 million, as adjusted by proceeds from borrowings of RMB97.2 million.

In 2019, our net cash flows generated from financing activities amounted to RMB20.9 million, which was primarily attributable to (i) proceeds from issuance of new shares of RMB1,200.0 million in relation to the 2019 Capital Increase, (ii) proceeds from transfer of repurchased shares of RMB150.0 million in connection with our delisting from NEEQ, as adjusted by (iii) repayment of loans from non-financial institutions of RMB700.0 million and (iv) principal elements and interest element of lease payments of RMB584.1 million.

Current Assets and Current Liabilities

The following table sets forth the components of our current assets and current liabilities as of the dates indicated:

	As of December 31,				As of June 30,	As of August 31
	2019	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current Assets						
Prepayments, deposits and other receivables	799,901	402,987	303,447	188,514	174,269	202,315
Inventories	231,158	150,163	186,779	143,887	126,834	152,078
Cash and cash equivalents	222,347	191,015	172,386	128,178	269,485	164,957
Trade receivables	303,634	156,675	120,284	54,693	64,144	54,445
Restricted cash	–	–	2,500	2,735	3,126	622
Financial assets at fair value through profit or loss	286,634	132,078	–	–	–	20,001
Total current assets	**1,843,674**	**1,032,918**	**785,396**	**518,007**	**637,858**	**594,418**
Current Liabilities						
Trade payables	261,297	168,523	250,093	214,666	234,585	212,050
Other payables and accruals	247,858	218,071	210,386	159,475	217,899	186,952
Lease liabilities	214,675	126,199	77,543	38,390	29,481	26,121
Borrowings	31,000	90,844	60,980	70,000	89,050	109,050
Contract liabilities	14,747	10,421	8,592	7,496	37,575	36,110
Current income tax liabilities	10,719	1,342	1,893	3,569	3,918	2,558
Total current liabilities	**780,296**	**615,400**	**609,487**	**493,596**	**612,508**	**572,841**
Net current assets	**1,063,378**	**417,518**	**175,909**	**24,411**	**25,350**	**21,577**

Our net current assets remained relatively stable at RMB25.4 million as of June 30, 2023 and RMB21.6 million as of August 31, 2023.

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

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

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

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

Working Capital Statement

Taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and the financial resources presently available to us, including our cash and cash equivalents, cash flows from operating activities and our available banking facilities, our Directors are of the opinion that we have sufficient funds to meet our working capital requirements for at least the next 12 months from the date of this document.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,				As of June 30,	As of August 31,
	2019	**2020**	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Non-current						
Lease liabilities	194,274	112,359	41,025	21,287	14,759	11,632
Current						
Lease liabilities	214,675	126,199	77,543	38,390	29,481	26,121
Bank borrowings	31,000	90,844	40,980	50,000	69,050	89,050
Other borrowings	–	–	20,000	20,000	20,000	20,000
Total	**439,949**	**329,402**	**179,548**	**129,677**	**133,290**	**146,803**

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our bank and other borrowings amounted to RMB31.0 million, RMB90.8 million, RMB61.0 million, RMB70.0 million and RMB89.1 million, respectively. Such bank and other borrowings were all denominated in RMB and bore a weighted average interest rate of 5.2475%, 4.7699%, 4.6758%, 5.6691% and 5.5795% respectively and were guaranteed by certain parties, including our Company, Mr. Wang, the chairman of the Board and a member of the Single Largest Group of Shareholders, companies within our Group and Mr. Yang Ling, a substantial shareholder and legal representative of Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司), a subsidiary of our Group. For further details, see Note 32 to the Accountant's Report as set out in Appendix I. The guarantees provided by Mr. Wang and Mr. Yang Ling are expected to be released prior to [**REDACTED**]. Our other borrowings represent a borrowing from a non-bank financial institution, wholly-owned by a financial services institution established by the Shenzhen government and an Independent Third Party, in 2021, which is secured by a charge over certain intellectual property rights of Shenzhen Youbaokesi. The borrowing is interest-bearing at a fixed rate of 4.9% per annum, and has been repaid as it fell due in July

2022. The borrowing was entered into by our Group having considered that pursuant to relevant policies promulgated by the Shenzhen government, by taking out such a loan from this financial institution, we could benefit from a certain loan interest subsidy from the Shenzhen government which renders the actual interest rate of such loan lower than the average interest rate of our bank borrowings.

As of the Latest Practicable Date, we had unutilized banking facilities of RMB411.0 million.

We recognized total lease liabilities of RMB408.9 million, RMB238.6 million, RMB118.6 million, RMB59.7 million and RMB44.2 million as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively. For further information regarding our lease liabilities, see Note 17 to the Accountant's Report as set out in Appendix I. Among our total lease liabilities, RMB393.1 million, RMB209.5 million, RMB57.2 million, RMB6.5 million and RMB1.6 million as of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, respectively, were guaranteed by Mr. Wang. Such guarantees provided by Mr. Wang are expected to be released prior to [**REDACTED**]. See Note 36(d) to the Accountant's Report as set out in Appendix I.

Except for our indebtedness as disclosed above, as of August 31, 2023, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, finance lease commitments, hire purchase commitments, any guarantees or other material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, the agreements for our bank borrowings or other borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in payment of our liabilities, and/or breaches of financial covenants during the Track Record Period, and there is no material change in our indebtedness since August 31, 2023 up to the Latest Practicable Date. We currently do not have any plans for material additional external financing other than the [**REDACTED**].

CONTINGENT LIABILITIES

As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures primarily consist of payments for purchase of property and equipment, payments for purchase of intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payments for purchase of property and equipment	420,628	76,655	223,847	145,749	45,720
Payments for purchase of intangible assets	59,742	4,625	–	143	–
Total	**480,370**	**81,280**	**223,847**	**145,892**	**45,720**

During the Track Record Period and up to the Latest Practicable Date, we had funded our capital expenditures principally from cash generated from our business operations, bank borrowings and capital contributions from our shareholders. We plan to fund our planned capital expenditures using cash generated from operating activities and net [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]" for further details. We may reallocate the fund to be utilized on capital expenditures based on our ongoing business needs.

Capital Commitments

The following table sets forth our capital commitments contracted for but not yet incurred as of the dates indicated:

	As of December 31,				As of June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment	30,000	19,526	–	–	–

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions in relation to sales and purchase of goods and services. See Note 36 to the Accountant's Report as set out in Appendix I for details.

The following table sets forth our major related party transactions by nature for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods						
Associates of the Group	**2,365**	**7,099**	**7,576**	**6,664**	**2,979**	**2,837**
Provision of services						
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 Information Technology Co., Ltd.	–	–	–	786	–	445
Ant Hainan	–	–	–	25	25	–
	90,093	**32,649**	**36,446**	**33,320**	**25,305**	**966**
Purchase of goods						
Associates of the Group	2,595	–	–	–	–	–
Ant Hainan	–	–	12,372	–	–	–
Joint ventures of the Group	–	–	–	–	–	2
	2,595	**–**	**12,372**	**–**	**–**	**2**
Purchase of services						
Alipay China	**3,378**	**9,262**	**11,996**	**11,638**	**5,022**	**6,091**
Interest income						
Associates of the Group	**–**	**–**	**–**	**–**	**–**	**502**

The following table sets forth the outstanding balances with related parties as of the dates indicated:

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

Notes:

(i) The balance represents advancement from Hangzhou Huanxu Information Technology Co., Ltd. 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 Technology Co., Ltd. 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 Technology Co., Ltd. on June 6, 2023, pursuant to which the parties have agreed not to proceed with closing under the investment agreement and Hangzhou Penguin Technology Co., Ltd. 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 of June 30, 2023.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance. Our Directors confirm that all loans or guarantees provided by or to our related parties, if any, will be fully repaid or released before the [**REDACTED**]. The non-trade balances with related parties, which represent prepayments of RMB10.0 million made to Hangzhou Penguin Technology Co., Ltd. to subscribe for its further 5.88% equity interest. Pursuant to the investment agreement, we agreed to subscribe for, in aggregate, 20% equity interests in Hangzhou Penguin Technology Co., Ltd. in three tranches at a total cash consideration of RMB60,000,000 subject to the terms and conditions set out therein. As of the Latest Practicable Date, the subscription of 14.12% equity interests in Hangzhou Penguin Technology Co., Ltd. has completed and we held 14.12% of its equity interests. As relevant closing conditions under the investment agreement had not been met, we entered into a supplemental agreement to the investment agreement with Hangzhou Penguin Technology Co., Ltd. on June 6, 2023, pursuant to which the parties have agreed not to proceed with closing to subscribe for the remaining 5.88% equity interests in Hangzhou Penguin Technology Co., Ltd under the investment agreement and Hangzhou Penguin Technology Co., Ltd. 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 of the Latest Practicable Date, two instalments had been settled. As a result, the balance and accrued interest was reclassified to other receivables as of June 30, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

The main risks arising from our financial instruments are market risk, credit risk and liquidity risk. Our Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market Risk

We are exposed to the risk of changes in foreign exchange and fair value interest rate.

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB.

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for cash and cash equivalents and restricted cash. Our exposure to changes in interest rates is mainly attributable to our borrowings. Borrowings carried at floating rates are subject to cash flow interest rate risk whereas those carried at fixed rates are subject to fair value interest rate risk. All of our borrowings were carried at fixed rates which does not expose us to cash flow interest rate risk. As of December 31, 2019, 2020, 2021, 2022 and June 30, 2023, our borrowings which were bearing at fixed rates amounted to approximately RMB31.0 million, RMB90.8 million, RMB61.0 million, RMB70.0 million and RMB89.1 million, respectively.

Credit Risk

We are exposed to credit risk primarily in relation to our cash and cash equivalents and restricted cash, trade receivables and other receivables.

For cash and cash equivalents and restricted cash, our management manage 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, we have policies in place to ensure that sale of goods and service are made to customers with an appropriate credit history. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review 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 our maximum exposure to credit risk in relation to the assets.

We 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 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, we compare 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 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.

For further details of our exposure to credit risk, see Note 3.1(b) to the Accountant's Report as set out in Appendix I.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows.

The table below analyzes our 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.

	Less than 1 year	Between 1 and 5 years	Total contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2019				
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
	792,640	**201,058**	**993,698**	**911,102**

	Less than 1 year	Between 1 and 5 years	Total contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2020				
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
	585,420	**118,131**	**703,551**	**677,703**
As of December 31, 2021				
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
	562,664	**41,353**	**604,017**	**594,608**
As of December 31, 2022				
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
	442,258	**20,984**	**463,242**	**460,179**

	Less than 1 year	Between 1 and 5 years	Total contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of June 30, 2023				
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
	514,406	**14,873**	**529,279**	**524,964**

DIVIDEND

We do not currently have a fixed dividend policy and may declare dividends from time to time as our Board considers appropriate in compliance with our Articles of Association and the applicable laws and regulations. Distribution of dividends will be formulated by our Board at is discretion and will be subject to shareholders' approval. Under the PRC Company Law and our Articles of Association, all of our Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding.

A decision to declare or pay any dividends in the future, and the amount of any dividend, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC Law and other factors that our Directors may consider relevant. In any event, we will pay dividends out of our profit after tax only after we made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the PRC statutory reserve an amount equivalent to 10% of our profit after tax, as determined under PRC GAAP; and
- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the PRC statutory reserve is 10% of our profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this PRC statutory reserve will be required. Any distributable profits that are not satisfied in any given year will be retained and become available for distribution in subsequent years.

As confirmed by our PRC Legal Advisor, according to relevant PRC Law, we cannot pay any dividends considering our accumulated losses position. No dividends were paid to the shareholders of the Company during the Track Record Period. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Group did not have any distributable reserves.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2023 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of June 30, 2023 or any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of the Company as of June 30, 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**]	782,324	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**]	782,324	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Our audited consolidated net tangible assets of the Group attributable to the owners of our Company as of June 30, 2023 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of June 30, 2023 of RMB877,530,000 with an adjustment for the intangible assets of RMB95,206,000.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of [**REDACTED**] and [**REDACTED**] per [**REDACTED**], respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately RMB45,069,000 which have been accounted for during the Track Record Period) paid or payable by our Company and takes no account of any Shares which may be issued upon the exercise of options [granted] under the Pre-[**REDACTED**] Incentive Scheme, any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] have been completed on June 30, 2023 but takes no account of any Shares which may be issued upon the exercise of options [granted] under the Pre-[**REDACTED**] Incentive Scheme, any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

During the six months ended June 30, 2023, the Group granted share options to 27 grantees in accordance with the Pre-[**REDACTED**] Incentive Scheme to subscribe for a total of 37,750,000 shares of the Company at a price of RMB1.99 per share. The grantees will be entitled to exercise the share options by batch after the [**REDACTED**] subject to satisfaction of the relevant conditions of exercise. However, had such 37,750,000 shares issued per the exercise of the share options granted been taken into account, such that [**REDACTED**] shares are in issue following the completion of the [**REDACTED**], the unaudited [**REDACTED**] adjusted net tangible assets per Share would have been [**REDACTED**] (equivalent to [**REDACTED**]) and [**REDACTED**] (equivalent to [**REDACTED**]) based on the [**REDACTED**] of [**REDACTED**] per [**REDACTED**] and [**REDACTED**] per [**REDACTED**], respectively.

(4) For the purpose of this unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.9166 to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirm that there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

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

[**REDACTED**] EXPENSES

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

FUTURE PLANS

See "Business — Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

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

(i) approximately [**REDACTED**]%, or [**REDACTED**], for expanding the coverage and penetration of our POS network. We plan to increase the number of POSs in different consumption scenarios including schools, factories, restaurants, office premises, public places and other high-quality types of sites in tier one, new tier one, tier two and tier three cities in mainland China. We plan to open a total of approximately 23,000 new POSs over the two years following the [**REDACTED**], with approximately 5,000 and 18,000 new POSs in the second half of 2023 and 2024, respectively. We plan to place pick-and-go cabinets in more than 80% of the new POSs. We estimate the costs of setting up a new POS with pick-and-go cabinet will be approximately RMB7,000 to RMB9,000, whereas the costs of a new POS with other kinds of machines, i.e. beverage vending machine, beverage and snack vending machine and freshly brewed beverage vending machine, will range from RMB18,000 to RMB26,000. Our beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines deliver the merchandise or beverages to the customers with their internal mechanical systems, such as structures of motors and sensors, which are more complex than that of the pick-and-go cabinets and lead to the relatively higher production costs and setting up costs. We plan to supplement any shortfall in the estimated expenses with our internal resources and/or bank borrowings;

Set forth below is a breakdown of the proportion of new POSs expected to be opened by city tier for each of 2023 and 2024:

City Tiers	For each of 2023 and 2024
Tier one Cities	25-30%
New Tier one Cities	40-45%
Tier two Cities	25-30%
Tier three Cities	5-10%

According to Frost & Sullivan, vending machines in mainland China covered only 8.8% of the country's potentially available offline sites in 2022. It is expected that there will be sufficient sites available for the Group to expand its POS network from 2023 to 2026 primarily because, according to Frost & Sullivan, there are more than ten million potentially available sites in mainland China for the placement of vending machines. We believe that there will be sufficient demand to support our expansion plan since, according to Frost & Sullivan, (i) the market size of retail sales of consumer goods market, which was RMB44.0 trillion in 2022, is expected to grow with a CAGR of approximately 5.9% from 2022 to 2027; (ii) the market size of unmanned retail market, which was RMB29,916.5 million in 2022, is expected to grow with a CAGR of approximately 20.4% from 2022 to 2027; and (iii) the market size of vending machine retail market, which was RMB28,908.1 million in 2022, is expected to grow with a CAGR of approximately 20.7% from 2022 to 2027. Leveraging our well-established brand recognition and position in the market, we believe that we will be able to further expand our market presence and deepen our market penetration.

(ii) approximately [**REDACTED**]%, or [**REDACTED**], for further developing our operation capabilities and enhancing our warehouse inventory management capabilities by building or upgrading our warehouses and/or logistics systems across the country. In particular, we will lease more premises of various sizes for warehousing to establish a more comprehensive operation network in mainland China at regional, city and front operation levels. We plan to open a total of approximately 25-55 new warehouses over the two years following the [**REDACTED**], with approximately 5-15 and 20-40 new warehouses in 2023 and 2024, respectively. We expect the costs of opening new warehouses will mainly consist of rental expenses, renovation costs and staff costs. We plan to supplement any shortfall in the estimated expenses with our internal resources and/or bank borrowings;

(iii) approximately [**REDACTED**]%, or [**REDACTED**], for further developing our R&D capabilities and enhancing the technologies in our operation systems and vending machines, among which:

- approximately [**REDACTED**]%, or [**REDACTED**], for hardware upgrade. We will expand the capacity of our servers and infrastructure, as well as leasing more cloud servers to support our platform;

- approximately [**REDACTED**]%, or [**REDACTED**], for software enhancement. We plan to upgrade our technology capabilities to better support our services, including technologies relating to, among others, visual identification, inventory management and operations scheduling, as well as data analytics; and

- approximately [**REDACTED**]%, or [**REDACTED**], for recruiting talents. To enhance our research and development capabilities, we will hire, among others, around 20 engineers with suitable experience in relevant algorithm, software and hardware development in the two financial years ending December 31, 2024. We plan to hire engineers with 2 to 5 years of relevant industry experience at the monthly salary in the range of RMB20,000 to RMB50,000. Our total spending in this connection will depend on our business development and revenue growth, among others, in the event that the actual amount of net [**REDACTED**] available for this use is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings; and

(iv) approximately [**REDACTED**]%, or [**REDACTED**], for working capital and other general corporate purposes.

We estimate that we will receive from the [**REDACTED**] net [**REDACTED**], after deducting the [**REDACTED**] fees and estimated expenses payable by us in connection with the [**REDACTED**], in the amount set forth in the following table:

	Based on the low-end of the proposed [REDACTED] range of [REDACTED]	**Based on the mid-point of the proposed [REDACTED] range of [REDACTED]**	**Based on the high-end of the proposed [REDACTED] range of [REDACTED]**
Assuming the [**REDACTED**] is not exercised	Approximately [**REDACTED**]	Approximately [**REDACTED**]	Approximately [**REDACTED**]
Assuming the [**REDACTED**] is exercised in full	Approximately [**REDACTED**]	Approximately [**REDACTED**]	Approximately [**REDACTED**]

The allocation of the [**REDACTED**] as set out above will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed below or above the midpoint of the indicative price range. If the [**REDACTED**] is exercised, the additional net [**REDACTED**] will be applied in accordance with the above allocations on a pro rata basis.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit those net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and mainland China (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant PRC Law).

If any part of our development plan does not proceed as planned for reasons such as the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**]. We will issue announcements, where required, if there is any material change in the use of [**REDACTED**] mentioned above.

IMPLEMENTATION TIMELINE

The table below sets forth the expected implementation timetable of our planned use of [**REDACTED**]:

	For the year ending December 31,			
	2023	**2024**	**Total**	**% of Total**
	(HK$ in millions, except for percentages)			
Implementing our expansion initiatives	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further developing our operation network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our technologies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hardware upgrade	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Software enhancement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Recruiting talents	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and other general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: Our strategies in 2024 will be partially funded by the net [**REDACTED**] from the [**REDACTED**]. The remainder will be funded by our internal resources and/or bank borrowings.

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company [has undertaken] to the Stock Exchange, that within six months from the [**REDACTED**] no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued by our Company or form the subject of any agreement to such issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the [**REDACTED**]), except pursuant to the [**REDACTED**], the [**REDACTED**] and the Pre-[**REDACTED**] Share Option Incentive Scheme or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Single Largest Group of Shareholders

[**REDACTED**]

[**REDACTED**]

Undertakings pursuant to the [**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

Commissions and Expenses

The [**REDACTED**] and the [**REDACTED**] will receive an [**REDACTED**] commission equal to [**REDACTED**]% of the aggregate [**REDACTED**] payable for the [**REDACTED**] (including the Shares to be issued pursuant to the [**REDACTED**]) (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay to one or more [**REDACTED**] or [**REDACTED**] an incentive fee of up to [**REDACTED**]% of the [**REDACTED**] payable for the [**REDACTED**] (including the Shares to be issued pursuant to the [**REDACTED**]) (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable to all [**REDACTED**] and [**REDACTED**] is therefore 75:25. For unsubscribed Hong Kong [**REDACTED**] reallocated to the [**REDACTED**], we will pay an [**REDACTED**] commission at the rate applicable to the [**REDACTED**] and such commission will be paid to the relevant [**REDACTED**] and not the [**REDACTED**].

Assuming the [**REDACTED**] is not exercised, the aggregate commissions and fees, together with Stock Exchange [**REDACTED**] fees, SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, legal and other professional fees and printing and all other expenses relating to the [**REDACTED**], which are currently estimated to amount in aggregate to approximately [**REDACTED**] (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range stated in this document), are payable and borne by our Company.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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.

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.

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]

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.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,				Six months ended June 30,	
	Note	**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)
Gross profit		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)
Operating profit/(loss)		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)
Profit/(loss) before income tax		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)
Profit/(loss) for the year/period		39,649	(1,184,196)	(188,194)	(283,069)	(128,399)	(147,389)

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

		Year ended December 31,				Six months ended June 30,	
	Note	**2019**	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(Unaudited)	
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		(5,493)	(11,735)	(3,194)	1,460	(920)	5,091
		39,650	(1,184,194)	(188,194)	(283,069)	(128,399)	(147,389)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2019	2020	2021	2022	As at June 30, 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS						
Non-current assets						
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
Total non-current assets		1,785,365	1,165,806	1,151,214	1,000,862	895,933
Current assets						
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
Total current assets		1,843,674	1,032,918	785,396	518,007	637,858
Total assets		3,629,039	2,198,724	1,936,610	1,518,869	1,533,791
EQUITY						
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)
Equity attributable to owners of the Company		2,622,357	1,451,666	1,265,012	980,483	877,530
Non-controlling interests		28,987	17,252	19,154	21,453	26,544
Total equity		2,651,344	1,468,918	1,284,166	1,001,936	904,074

	Note	As at December 31, 2019	2020	2021	2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES						
Non-current liabilities						
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
Total non-current liabilities		197,399	114,406	42,957	23,337	17,209
Current liabilities						
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
Total current liabilities		780,296	615,400	609,487	493,596	612,508
Total liabilities		977,695	729,806	652,444	516,933	629,717
Total equity and liabilities		3,629,039	2,198,724	1,936,610	1,518,869	1,533,791

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2019	2020	2021	2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS						
Non-current assets						
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	–	–	–	–
Total non-current assets		1,203,621	883,284	960,914	824,221	807,844
Current assets						
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
Total current assets		2,588,518	1,974,888	1,778,787	1,951,011	2,049,284
Total assets		3,792,139	2,858,172	2,739,701	2,775,232	2,857,128
EQUITY						
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)
Total equity		2,841,045	2,390,926	2,389,902	2,397,087	2,439,965

						As at
			As at December 31,			June 30,
	Note	**2019**	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES						
Non-current liabilities						
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	–	–	–
Total non-current liabilities		153,840	83,066	17,732	3,872	644
Current liabilities						
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	–	–	–	–
Total current liabilities		797,254	384,180	332,067	374,273	416,519
Total liabilities		951,094	467,246	349,799	378,145	417,163
Total equity and liabilities		3,792,139	2,858,172	2,739,701	2,775,232	2,857,128

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings/ (Accumulated losses)	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019		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
Total comprehensive income/(loss) for the year		–	1	45,142	45,143	(5,493)	39,650
Transactions with owners of the Company							
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
Total transactions with owners of the Company		126,316	1,220,128	–	1,346,444	(1,932)	1,344,512
As at December 31, 2019		757,259	1,765,801	99,297	2,622,357	28,987	2,651,344
As at January 1, 2020		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
Total comprehensive income/(loss) for the year		–	2	(1,172,461)	(1,172,459)	(11,735)	(1,184,194)
Transactions with owners of the Company							
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)
Total transactions with owners of the Company		–	1,768	–	1,768	–	1,768
As at December 31, 2020		757,259	1,767,571	(1,073,164)	1,451,666	17,252	1,468,918

		Attributable to owners of the Company					
	Note	**Share capital**	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021		757,259	1,767,571	(1,073,164)	1,451,666	17,252	1,468,918
Loss for the year		–	–	(185,000)	(185,000)	(3,194)	(188,194)
Total comprehensive loss for the year		–	–	(185,000)	(185,000)	(3,194)	(188,194)
Transactions with owners of the Company							
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)	1,726	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
Total transactions with owners of the Company		–	(1,654)	–	(1,654)	5,096	3,442
As at December 31, 2021		757,259	1,765,917	(1,258,164)	1,265,012	19,154	1,284,166
As at January 1, 2022		757,259	1,765,917	(1,258,164)	1,265,012	19,154	1,284,166
(Loss)/profit for the year		–	–	(284,529)	(284,529)	1,460	(283,069)
Total comprehensive (loss)/income for the year		–	–	(284,529)	(284,529)	1,460	(283,069)
Transactions with owners of the Company							
Disposal of a subsidiary	*14(e)*	–	–	–	–	459	459
Capital injection by non-controlling interests		–	–	–	–	380	380
Total transactions with owners of the Company		–	–	–	–	839	839
As at December 31, 2022		757,259	1,765,917	(1,542,693)	980,483	21,453	1,001,936

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,				Six months ended June 30,	
	Note	**2019**	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities							
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)
Net cash generated from/ (used in) operating activities		613,393	(31,948)	178,949	153,918	155,858	186,011
Cash flows from investing activities							
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)	–

	Note	Year ended December 31, 2019	2020	2021	2022	Six months ended June 30, 2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	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	5,135	6,298	1,242	173	44	69
Net cash (used in)/generated from investing activities		(717,349)	189,171	(22,742)	(105,250)	(89,799)	(36,022)
Cash flows from financing activities							
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 payments		–	–	(1,548)	(2,511)	(2,203)	(1,926)
Interest paid	11	(22,518)	(2,461)	(2,898)	(6,246)	(3,018)	(2,611)
Net cash generated from/ (used in) financing activities		20,908	(188,557)	(174,836)	(92,876)	(13,683)	(8,682)

		Year ended December 31,				Six months ended June 30,	
	Note	**2019**	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(Unaudited)	
Net (decrease)/increase in cash and cash equivalents		(83,048)	(31,334)	(18,629)	(44,208)	52,376	141,307
Cash and cash equivalents at beginning of the year/period		305,394	222,347	191,015	172,386	172,386	128,178
Effects of exchange rate changes on cash and cash equivalents		1	2	–	–	–	–
Cash and cash equivalents at the end of the year/period		222,347	191,015	172,386	128,178	224,762	269,485

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:

		Effective for annual periods beginning on or after
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

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.

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,

- 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.

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:

	Useful lives	**Residual values**
• 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.

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.

(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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

(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.

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

As at December 31, 2019	**0-3 months**	**3-6 months**	**6-12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
On collective basis								
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
On individual basis								
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
On individual basis (machines pledged)*								
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)	–	–	–	–	–	–	–	–

As at December 31, 2020	**0-3 months**	**3-6 months**	**6-12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
On collective basis								
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
On individual basis								
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
On individual basis (machines pledged)*								
Expected loss rate	–	–	–	–	–	–	–	–
Gross carrying amount (RMB'000)	4261	4261	8,521	3,728	283	218	270	21,542
Loss allowance (RMB'000)	–	–	–	–	–	–	–	–

As at December 31, 2021	**0-3 months**	**3-6 months**	**6-12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
On collective basis								
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
On individual basis								
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
On individual basis (machines pledged)*								
Expected loss rate	–	–	–	–	–	–	–	–
Gross carrying amount (RMB'000)	682	682	1,364	16	33	–	–	2,777
Loss allowance (RMB'000)	–	–	–	–	–	–	–	–

As at December 31, 2022	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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
On individual basis								
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
On individual basis (machines pledged)*								
Expected loss rate	–	–	–	–	–	–	–	–
Gross carrying amount (RMB'000)	361	361	722	–	–	–	–	1,444
Loss allowance (RMB'000)	–	–	–	–	–	–	–	–

As at June 30, 2023	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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
On individual basis								
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

The Company

As at December 31, 2019	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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
On individual basis								
Expected loss rate	–	–	–	–	–	100.0%	–	100.0%
Gross carrying amount (RMB'000)	–	–	–	–	–	1,238	–	1,238
Loss allowance (RMB'000)	–	–	–	–	–	1,238	–	1,238
On individual basis (machines pledged)*								
Expected loss rate	–	–	–	–	–	–	–	–
Gross carrying amount (RMB'000)	212	212	425	268	1	–	–	1,118
Loss allowance (RMB'000)	–	–	–	–	–	–	–	–

As at December 31, 2020	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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
On individual basis								
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

As at December 31, 2021	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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
On individual basis								
Expected loss rate	–	–	–	–	–	–	100.0%	100.0%
Gross carrying amount (RMB'000)	–	–	–	–	–	–	1,238	1,238
Loss allowance (RMB'000)	–	–	–	–	–	–	1,238	1,238

As at December 31, 2022	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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

As at June 30, 2023	0-3 months	3-6 months	6-12 months	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
On collective basis								
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.

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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	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)	–
At the end of the year/period	31,602	39,480	24,144	22,750	25,606	11,774

The Company

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	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)	–
At the end of the year/period	7,352	7,462	2,698	3,718	2,670	13,850

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:

Category	**Company definition of category**	**Basis for recognition of expected credit loss provision**
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.

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.

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:

			As at December 31, 2019		
Other receivable	**Average expected credit loss rate**	**Stage**	**Gross amount**	**Impairment provision**	**Carrying amount (net of impairment provision)**
			RMB'000	*RMB'000*	*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
			551,250	(24,066)	527,184

			As at December 31, 2020		
Other receivable	**Average expected credit loss rate**	**Stage**	**Gross amount**	**Impairment provision**	**Carrying amount (net of impairment provision)**
			RMB'000	*RMB'000*	*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
			339,427	(55,905)	283,522

Other receivable	Average expected credit loss rate	Stage	As at December 31, 2021 Gross amount *RMB'000*	Impairment provision *RMB'000*	Carrying amount (net of impairment provision) *RMB'000*
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)	–
			257,675	(80,213)	177,462

Other receivable	Average expected credit loss rate	Stage	As at December 31, 2022 Gross amount *RMB'000*	Impairment provision *RMB'000*	Carrying amount (net of impairment provision) *RMB'000*
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)	–
			161,202	(71,975)	89,227

Other receivable	Average expected credit loss rate	Stage	As at June 30, 2023 Gross amount *RMB'000*	Impairment provision *RMB'000*	Carrying amount (net of impairment provision) *RMB'000*
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)	–
			157,471	(64,475)	92,996

(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.

	Less than 1 year	**Between 1 and 5 years**	**Total contractual cash flows**	**Carrying amount Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019				
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
	792,640	201,058	993,698	911,102
As at December 31, 2020				
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
	585,420	118,131	703,551	677,703
As at December 31, 2021				
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
	562,664	41,353	604,017	594,608

	Less than 1 year	Between 1 and 5 years	Total contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022				
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
	442,258	20,984	463,242	460,179

	Less than 1 year	Between 1 and 5 years	Total contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2023				
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
	514,406	14,873	529,279	524,964

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.

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

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**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
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)	217,602	138,387	4,662	(1,236)	(139,321)
Total equity	2,651,344	1,468,918	1,284,166	1,001,936	904,074
Gearing ratio	8.21%	9.42%	0.36%	N/A	N/A

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at December 31, 2020				
Financial assets at FVPL				
Investments in wealth management products *(Note 22(a))*	–	–	132,078	132,078
Investments in unlisted equity securities *(Note 22(b))*	–	–	34,740	34,740
	–	–	166,818	166,818

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at December 31, 2021				
Financial assets at FVPL				
Investments in unlisted equity securities *(Note 22(b))*	–	–	32,800	32,800

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at December 31, 2022				
Financial assets at FVPL				
Investments in unlisted equity securities *(Note 22(b))*	–	–	36,100	36,100

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at June 30, 2023				
Financial assets at FVPL				
Investments in unlisted equity securities *(Note 22(b))*	–	–	34,500	34,500

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

3.3.1 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes to valuation techniques during the Track Record Period.

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.

	Investments in wealth management products	**Investments in unlisted equity securities**
	RMB'000	*RMB'000*
As at January 1, 2019	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	–
As at December 31, 2019	336,866	45,620
As at January 1, 2020	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	–
As at December 31, 2020	132,078	34,740
As at January 1, 2021	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	–
As at December 31, 2021	–	32,800
As at January 1, 2022	–	32,800
Acquisitions	70,000	–
Disposals	(70,000)	–
Interest received	(173)	–
Unrealized changes in fair value	–	3,300
Realized interest income	173	–
As at December 31, 2022	–	36,100

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

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.

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

Description	Fair value as at December 31, 2019	2020	2021	2022	as at June 30, 2023	Unobservable inputs	Range of inputs as at December 31, 2019	2020	2021	2022	as at June 30, 2023	Relationship of unobservable inputs to fair value
	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.

(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.

(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.

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:

	Unmanned retail business	Advertising and system support services	Merchandise wholesale	Vending machine sales and leases	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
Gross profit	683,467	488,280	14,669	15,147	127,633	1,329,196

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

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

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

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

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

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

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

(Unaudited)

	Unmanned retail business	Advertising and system support services	Merchandise wholesale	Vending machine sales and leases	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
Gross profit	413,543	87,918	2,834	2,981	2,961	510,237

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

	Unmanned retail business	Advertising and system support services	Merchandise wholesale	Vending machine sales and leases	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
Gross profit	444,458	55,769	3,990	3,165	10,594	517,976

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:

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue from contract with customers						
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
	2,727,461	1,902,010	2,676,237	2,519,224	1,143,090	1,252,678

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Timing of revenue recognition						
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
	2,727,461	1,902,010	2,676,237	2,519,224	1,143,090	1,252,678

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

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

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 June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*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 June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*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	–	–	–	–

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**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
Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses	2,635,357	2,979,684	2,812,633	2,757,169	1,251,563	1,390,079

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**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

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**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
	17,112	20,199	12,269	12,027	4,140	2,923

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**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)
	11,344	(19,844)	(14,655)	(8,488)	821	(2,920)

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**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
	273,672	465,746	209,415	235,505	120,461	138,503

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
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
	1,532	28,678	2,327	2,417	1,203	8,051

The emoluments fell within the following bands:

	Number of individuals					
	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
					(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	–	–	–	–
	2	1	3	3	3	2

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.

(c) Directors' and chief executive's emoluments

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

	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)*	–	–	–	–	–	–

	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 36, there was no loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(g) Directors' material interests in transactions, arrangements or contract

Save as disclosed in Note 36, there was no significant transactions, arrangements and contracts in relation to the Group's Business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

11 FINANCE COSTS

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Interest expenses on lease liabilities	36,170	29,883	10,619	7,085	4,242	1,973
Interest expenses on borrowings	22,518	2,461	2,898	6,246	3,018	2,611
	58,688	32,344	13,517	13,331	7,260	4,584

12 INCOME TAX EXPENSE

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Current income tax	8,363	5,100	2,665	5,592	3,024	4,174
Deferred income tax *(Note 29)*	(4,167)	7,572	914	5,221	2,913	(3,430)
Income tax expense	4,196	12,672	3,579	10,813	5,937	744

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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*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%.

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**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.

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 December 31, 2019	2020	2021	2022	As at June 30, 2023	As at the date of this report
Directly held by the Company:									
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 (深圳友寶科斯科技有限公司) *(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%

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	Attributable equity interest					
				As at December 31,				As at June 30,	As at the date of this report
			(RMB'000)	2019	2020	2021	2022	2023	
Indirectly held by the Company:									
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

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 December 31, 2019	2020	2021	2022	As at June 30, 2023	As at the date of this report
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

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 December 31, 2019	2020	2021	2022	As at June 30, 2023	As at the date of this report
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%

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 December 31, 2019	2020	2021	2022	As at June 30, 2023	As at the date of this report
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(特殊普通合夥)). 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(普通合夥)). 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(普通合夥)).

(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:

(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.

16 PROPERTY AND EQUIPMENT

The Group

	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*
As at January 1, 2019						
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	311,508	6,669	8,478	3,261	580	330,496
Year ended December 31, 2019						
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	535,914	5,966	32,873	4,102	10,628	589,483
As at December 31, 2019						
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	535,914	5,966	32,873	4,102	10,628	589,483
Year ended December 31, 2020						
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	258,034	4,918	29,143	3,049	10,098	305,242
As at December 31, 2020						
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	258,034	4,918	29,143	3,049	10,098	305,242
Year ended December 31, 2021						
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	363,589	4,115	21,988	2,317	6,786	398,795

	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*
As at December 31, 2021						
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	363,589	4,115	21,988	2,317	6,786	398,795
Year ended December 31, 2022						
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	274,071	3,213	13,857	1,731	3,466	296,338
As at December 31, 2022						
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	274,071	3,213	13,857	1,731	3,466	296,338
(Unaudited) **Six months ended June 30, 2022**						
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	324,173	3,701	18,046	2,144	5,044	353,108
As at June 30, 2022						
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	324,173	3,701	18,046	2,144	5,044	353,108
Six months ended June 30, 2023						
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	208,130	3,095	8,803	1,350	2,192	223,570
As at June 30, 2023						
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	208,130	3,095	8,803	1,350	2,192	223,570

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

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
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
	101,900	158,130	102,035	144,070	70,525	74,120

(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	**Electronic equipment**	**Office equipment and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019				
Cost	184,343	899	302	185,544
Accumulated depreciation	(22,937)	(780)	(270)	(23,987)
Accumulated impairment	(2,006)	–	–	(2,006)
Net book amount	159,400	119	32	159,551
Year ended December 31, 2019				
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	165,978	69	15	166,062

	Vending machines *RMB'000*	Electronic equipment *RMB'000*	Office equipment and others *RMB'000*	Total *RMB'000*
As at December 31, 2019				
Cost	199,537	899	302	200,738
Accumulated depreciation	(30,323)	(830)	(287)	(31,440)
Accumulated impairment	(3,236)	–	–	(3,236)
Net book amount	165,978	69	15	166,062
Year ended December 31, 2020				
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	92,637	46	15	92,698
As at December 31, 2020				
Cost	135,632	899	302	136,833
Accumulated depreciation	(28,817)	(853)	(287)	(29,957)
Accumulated impairment	(14,178)	–	–	(14,178)
Net book amount	92,637	46	15	92,698
Year ended December 31, 2021				
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	192,061	36	15	192,112
As at December 31, 2021				
Cost	236,819	727	302	237,848
Accumulated depreciation	(31,676)	(691)	(287)	(32,654)
Accumulated impairment	(13,082)	–	–	(13,082)
Net book amount	192,061	36	15	192,112
Year ended December 31, 2022				
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	68,412	36	15	68,463
As at December 31,2022				
Cost	109,541	727	302	110,570
Accumulated depreciation	(35,798)	(691)	(287)	(36,776)
Accumulated impairment	(5,331)	–	–	(5,331)
Net book amount	68,412	36	15	68,463

	Vending machines *RMB'000*	Electronic equipment *RMB'000*	Office equipment and others *RMB'000*	Total *RMB'000*
(Unaudited)				
Six months ended June 30, 2022				
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)
Closing net book amount	124,589	36	15	124,640
As at June 30, 2022				
Cost	174,358	727	302	175,387
Accumulated depreciation	(37,624)	(691)	(287)	(38,602)
Accumulated impairment	(12,145)	–	–	(12,145)
Net book amount	124,589	36	15	124,640
Six months ended June 30, 2023				
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)
Closing net book amount	32,325	36	15	32,376
As at June 30, 2023				
Cost	65,226	727	302	66,255
Accumulated depreciation	(30,743)	(691)	(287)	(31,721)
Accumulated impairment	(2,158)	–	–	(2,158)
Net book amount	32,325	36	15	32,376

17 LEASES

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

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*
Right-of-use assets					
– 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
	570,852	446,249	359,487	289,070	247,138
Lease liabilities					
– Current	214,675	126,199	77,543	38,390	29,481
– Non-current	194,274	112,359	41,025	21,287	14,759
	408,949	238,558	118,568	59,677	44,240

The Company

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

The Group

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

	Vending machines	Buildings	Warehouse	Cars	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020					
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	399,452	30,498	14,482	1,817	446,249
Year ended December 31, 2021					
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	321,437	20,730	15,957	1,363	359,487
As at December 31, 2021					
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	321,437	20,730	15,957	1,363	359,487
Year ended December 31, 2022					
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	248,652	13,727	25,958	733	289,070
As at December 31, 2022					
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	248,652	13,727	25,958	733	289,070
(Unaudited)					
Six months ended June 30, 2022					
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	282,430	16,619	23,188	894	323,131

	Vending machines	Buildings	Warehouse	Cars	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2022					
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	282,430	16,619	23,188	894	323,131
Six months ended June 30, 2023					
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	214,875	8,733	22,988	542	247,138
As at June 30, 2023					
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	214,875	8,733	22,988	542	247,138

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

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
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	–	–	–	–

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

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

	Vending machines	Buildings	Warehouse	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019				
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	467,823	251	–	468,074
As at December 31, 2019				
Cost	728,297	853	–	729,150
Accumulated depreciation	(260,474)	(602)	–	(261,076)
Net book amount	467,823	251	–	468,074
Year ended December 31, 2020				
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	273,591	–	–	273,591
As at December 31, 2020				
Cost	589,695	853	–	590,548
Accumulated depreciation	(300,993)	(853)	–	(301,846)
Accumulated impairment	(15,111)	–	–	(15,111)
Net book amount	273,591	–	–	273,591
Year ended December 31, 2021				
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	200,546	–	341	200,887
As at December 31, 2021				
Cost	553,297	853	396	554,546
Accumulated depreciation	(339,989)	(853)	(55)	(340,897)
Accumulated impairment	(12,762)	–	–	(12,762)
Net book amount	200,546	–	341	200,887

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

18 INTANGIBLE ASSETS

The Group

	Goodwill	Internally generated software	Purchased software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019				
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	26,267	65,373	16,315	107,955
Year ended December 31, 2019				
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	195,182	56,382	66,802	318,366
As at December 31, 2019				
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	195,182	56,382	66,802	318,366
Year ended December 31, 2020				
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	36,796	36,771	62,589	136,156
As at December 31, 2020				
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	36,796	36,771	62,589	136,156

	Goodwill	Internally generated software	Purchased software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021				
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	36,796	28,306	53,478	118,580
As at December 31, 2021				
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	36,796	28,306	53,478	118,580
Year ended December 31, 2022				
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	36,796	21,045	45,040	102,881
As at December 31, 2022				
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	36,796	21,045	45,040	102,881
(Unaudited)				
Six months ended June 30, 2022				
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	36,796	24,656	49,151	110,603
As at June 30, 2022				
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	36,796	24,656	49,151	110,603
Six months ended June 30, 2023				
Opening net book amount	36,796	21,045	45,040	102,881
Amortization charge	–	(3,632)	(4,043)	(7,675)
Closing net book amount	36,796	17,413	40,997	95,206

	Goodwill	Internally generated software	Purchased software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2023				
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	36,796	17,413	40,997	95,206

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

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB;000*
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
	13,167	17,545	17,423	15,842	8,045	7,675

(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:

	Freshly brewed beverage vending machine business	Karaoke booth service business	Other vending machine business
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2019			
Opening	–	10,813	15,454
Additions *(Note 33)*	168,348	–	567
Closing	168,348	10,813	16,021

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

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 ("FVLCOD") 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. FVLCOD 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.

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 FVLCOD, 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 FVLCOD, 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:

	Karaoke booth service business/ Others	**Freshly brewed beverage vending machine business/ Unmanned retail business**
	RMB'000	*RMB'000*
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

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 FVLCOD, 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 FVLCOD, 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.

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:

	Freshly brewed beverage vending machine business	**Karaoke booth service business**	**Other vending machine business**
	RMB'000	*RMB'000*	*RMB'000*
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:

	Freshly brewed beverage vending machine business	**Karaoke booth service business**	**Other vending machine business**
As at December 31, 2019			
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%
As at December 31, 2020			
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%
As at December 31, 2021			
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%
As at December 31, 2022			
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%

	Freshly brewed beverage vending machine business	Karaoke booth service business	Other vending machine business
As at June 30, 2023			
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:

	Freshly brewed beverage vending machine business	Karaoke booth services business	Other vending machine business
As at December 31, 2019			
Decrease in revenue growth rate p.a. during the projection period	0.05%	4.58%	39.51%
Decrease in terminal value growth rate	0.01%	2.82%	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As at December 31, 2020			
Decrease in revenue growth rate p.a. during the projection period	N/A	N/A	50.23%

	Freshly brewed beverage vending machine business	**Karaoke booth services business**	**Other vending machine business**
Decrease in terminal value growth rate	N/A	N/A	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As at December 31, 2021			
Decrease in revenue growth rate p.a. during the projection period	6.23%	N/A	40.86%
Decrease in terminal value growth rate	3% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately RMB15,648,000	N/A	3% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%
As at December 31, 2022			
Decrease in revenue growth rate p.a. during the projection period	5.80%	N/A	39.51%
Decrease in terminal value growth rate	2.5% decrease in terminal value growth rate will decrease the headroom of freshly brewed beverage vending machine business by approximately RMB11,665,000	N/A	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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%

	Freshly brewed beverage vending machine business	Karaoke booth services business	Other vending machine business
As at June 30, 2023			
Decrease in revenue growth rate p.a. during the projection period	5.31%	N/A	42.17%
Decrease in terminal value growth rate	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately RMB12,496,000	N/A	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately 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

	Goodwill	Internally generated software	Purchased software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019				
Cost	11,476	34,594	6,510	52,580
Accumulated amortization	–	(7,203)	(5,640)	(12,843)
Net book amount	11,476	27,391	870	39,737
Year ended December 31, 2019				
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	11,476	23,371	2,316	37,163
As at December 31, 2019				
Cost	11,476	34,594	8,348	54,418
Accumulated amortization	–	(10,632)	(6,032)	(16,664)
Accumulated impairment	–	(591)	–	(591)
Net book amount	11,476	23,371	2,316	37,163

	Goodwill *RMB'000*	Internally generated software *RMB'000*	Purchased software *RMB'000*	Total *RMB'000*
Year ended December 31, 2020				
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	11,476	12,542	5,038	29,056
As at December 31, 2020				
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	11,476	12,542	5,038	29,056
Year ended December 31, 2021				
Opening net book amount	11,476	12,542	5,038	29,056
Amortization charge	–	(2,043)	(1,079)	(3,122)
Closing net book amount	11,476	10,499	3,959	25,934
As at December 31, 2021				
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	11,476	10,499	3,959	25,934
Year ended December 31, 2022				
Opening net book amount	11,476	10,499	3,959	25,934
Amortization charge	–	(1,820)	(1,050)	(2,870)
Closing net book amount	11,476	8,679	2,909	23,064
As at December 31, 2022				
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	11,476	8,679	2,909	23,064
(Unaudited)				
Six months ended June 30, 2022				
Opening net book amount	11,476	10,499	3,959	25,934
Amortisation charge	–	(910)	(525)	(1,435)
Closing net book amount	11,476	9,589	3,434	24,499

	Goodwill	Internally generated software	Purchased software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2022				
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	11,476	9,589	3,434	24,499
Six months ended June 30, 2023				
Opening net book amount	11,476	8,679	2,909	23,064
Amortisation charge	–	(910)	(475)	(1,385)
Closing net book amount	11,476	7,769	2,434	21,679
As at June 30, 2023				
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	11,476	7,769	2,434	21,679

19 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,				As at June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
	432,864	338,731	388,731	398,731	420,378

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.

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group

	As at December 31,				As at June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	54,573	61,023	76,457	62,702	58,881

(a) Investments in a joint venture

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*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	3,918	2,755	1,404	2,615	2,647	2,595

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:

			Proportion of equity interests held by the Group					
Company Name	Place of incorporation and operation	Principal activities	As at December 31, 2019	2020	2021	2022	As at June 30, 2023	As at the date of this report
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.

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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
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)
	50,655	58,268	75,053	60,087	70,524	56,286

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:

				Proportion of equity interests held by the Group					
Company Name	**Place of incorporation and operation**	**Principal activities**	**Registered/ issued capital** ('000)	**As at December 31, 2019**	**2020**	**2021**	**2022**	**As at June 30, 2023**	**As at the date of this report**
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%

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*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	(7,087)	(2,309)	(2,741)	(14,966)	(4,529)	(3,801)

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.

The Company

	As at December 31,				As at June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	24,495	21,229	36,517	34,289	31,867

21 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

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

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.

The Company

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

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

The Company

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

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

The Group

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
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	–	–	–	–
At the end of the year/period	336,866	132,078	–	–	–	–

The Company

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
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	–	–	–	–
At the end of the year/period	186,584	88,114	–	–	–	–

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 June 30,	
	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	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	45,620	34,740	32,800	36,100	36,200	34,500

The Company

	Year ended December 31,				Six months ended June 30,	
	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	600	590	–	–	–	–
Changes in fair value *(Note 9)*	(10)	(590)	–	–	–	–
At the end of the year/period	590	–	–	–	–	–

23 INVENTORIES

The Group

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
	231,158	150,163	186,779	143,887	126,834

(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:

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
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	–	–	–	–
	1,258,740	1,112,552	1,466,389	1,368,474	597,483	720,726

The Company

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
	103,250	65,875	63,380	45,512	38,888

(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.

24 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	361,990	200,654	144,477	77,443	75,918
Less: Allowance for impairment *(Note 3.1(b))*	(31,602)	(39,480)	(24,144)	(22,750)	(11,774)
Trade receivables – net *(a)*	330,388	161,174	120,333	54,693	64,144
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	17,631	10,741	16,225	15,293	4,281
Prepayments	254,423	188,600	214,765	249,940	253,978
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)*	(24,066)	(55,905)	(80,213)	(71,975)	(64,475)
Deposits and other receivables – net	624,795	349,938	211,967	115,680	116,434
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	(79,317)	(135,551)	(123,285)	(177,106)	(196,143)
Current portion	1,103,535	559,662	423,731	243,207	238,413

The Company

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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.

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

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	361,990	200,654	144,477	77,443	75,918

The Company

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	556,561	650,011	908,972	1,279,669	1,431,438

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	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*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	24,066	55,905	80,213	71,975	82,348	64,475

The Company

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*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	2,689	3,486	1,062	678	1,851	615

25 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	222,347	191,015	172,386	128,178	269,485

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

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	222,330	191,015	174,886	130,913	272,611
USD	17	–	–	–	–
	222,347	191,015	174,886	130,913	272,611

The Company

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	80,692	45,491	39,103	1,982	11,228

26 SHARE CAPITAL

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

	Number of ordinary shares	Share capital *RMB'000*
As at January 1, 2022 and December 31, 2022	757,258,933	757,259
As at January 1, 2023 and June 30, 2023	757,258,933	757,259

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

	Share premium *RMB'000*	Exchange reserves *RMB'000*	Other reserves *RMB'000*	Total reserves *RMB'000*
(Unaudited)				
As at January 1, 2022 and June 30, 2022	1,723,563	–	42,354	1,765,917
As at January 1, 2023	1,723,563	–	42,354	1,765,917
Share-based compensation expenses *(Note 28)*	–	–	49,527	49,527
As at June 30, 2023	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

	Share premium *RMB'000*	Other reserves *RMB'000*	Total reserves *RMB'000*
As at January 1, 2019	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
As at December 31, 2019	1,723,563	372,630	2,096,193
As at January 1, 2020	1,723,563	372,630	2,096,193
Exercise of the share options of the Company *(Note 28)*	–	(209,150)	(209,150)
Share-based compensation expenses *(Note 28)*	–	210,918	210,918
As at December 31, 2020	1,723,563	374,398	2,097,961
As at January 1, 2021	1,723,563	374,398	2,097,961
Exercise of the share options of the Company *(Note 28)*	–	(1,768)	(1,768)

	Share premium	Other reserves	Total reserves
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2021	1,723,563	372,630	2,096,193
As at January 1, 2022 and December 31, 2022	1,723,563	372,630	2,096,193
(Unaudited) **As at January 1, 2022 and June 30, 2022**	1,723,563	372,630	2,096,193
As at January 1, 2023	1,723,563	372,630	2,096,193
Share-based compensation expenses *(Note 28)*	–	49,527	49,527
As at June 30, 2023	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;

(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

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 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.

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:

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	23,814	18,673	24,896	19,568	18,282
Net deferred income tax assets	50,168	42,346	41,761	36,665	40,495
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	(131)	(1,596)	–	–	–
Net deferred income tax liabilities	(1,846)	(1,596)	(1,925)	(2,050)	(2,450)

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:

	As at January 1, 2019	Credited/ (Charged) to profit or loss	As at December 31, 2019
	RMB'000	*RMB'000*	*RMB'000*
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
	49,401	16,381	65,782
Set-off of deferred tax assets pursuant to set-off provisions	(5,219)	(10,395)	(15,614)
Net deferred tax assets	44,182	5,986	50,168
Deferred income tax liabilities			
– Right-of-use assets	(5,219)	(10,395)	(15,614)
– Financial assets at FVPL	(27)	(1,819)	(1,846)
	(5,246)	(12,214)	(17,460)
Set-off of deferred tax assets pursuant to set-off provisions	(5,219)	(10,395)	(15,614)
Net deferred tax liabilities	(27)	(1,819)	(1,846)

	As at January 1, 2020	Credited/ (Charged) to profit or loss	As at December 31, 2020
	RMB'000	*RMB'000*	*RMB'000*
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)	–
	65,782	(11,737)	54,045

	As at January 1, 2020 *RMB'000*	**Credited/ (Charged) to profit or loss** *RMB'000*	**As at December 31, 2020** *RMB'000*
Set-off of deferred tax assets pursuant to set-off provisions	(15,614)	3,915	(11,699)
Net deferred tax assets	50,168	(7,822)	42,346
Deferred income tax liabilities			
– Right-of-use assets	(15,614)	3,915	(11,699)
– Financial assets at FVPL	(1,846)	250	(1,596)
	(17,460)	4,165	(13,295)
Set-off of deferred tax assets pursuant to set-off provisions	(15,614)	3,915	(11,699)
Net deferred tax liabilities	(1,846)	250	(1,596)

	As at January 1, 2021 *RMB'000*	**Credited/ (Charged) to profit or loss** *RMB'000*	**As at December 31, 2021** *RMB'000*
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
	54,045	(2,771)	51,274
Set-off of deferred tax assets pursuant to set-off provisions	(11,699)	2,186	(9,513)
Net deferred tax assets	42,346	(585)	41,761
Deferred income tax liabilities			
– Right-of-use assets	(11,699)	2,186	(9,513)
– Financial assets at FVPL	(1,596)	(329)	(1,925)
	(13,295)	1,857	(11,438)
Set-off of deferred tax assets pursuant to set-off provisions	(11,699)	2,186	(9,513)
Net deferred tax liabilities	(1,596)	(329)	(1,925)

	As at January 1, 2022 *RMB'000*	**Credited/ (Charged) to profit or loss** *RMB'000*	**As at December 31, 2022** *RMB'000*
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
	51,274	(4,505)	46,769
Set-off of deferred tax assets pursuant to set-off provisions	(9,513)	(591)	(10,104)
Net deferred tax assets	41,761	(5,096)	36,665
Deferred income tax liabilities			
– Right-of-use assets	(9,513)	(591)	(10,104)
– Financial assets at FVPL	(1,925)	(125)	(2,050)
	(11,438)	(716)	(12,154)
Set-off of deferred tax assets pursuant to set-off provisions	(9,513)	(591)	(10,104)
Net deferred tax liabilities	(1,925)	(125)	(2,050)

	As at January 1, 2022 *RMB'000*	**Credited/ (Charged) to profit or loss** *RMB'000*	**As at June 30, 2022** *RMB'000*
(Unaudited)			
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
	51,274	(1,826)	49,448
Set-off of deferred tax assets pursuant to set-off provisions	(9,513)	(662)	(10,175)

	As at January 1, 2022	Credited/ (Charged) to profit or loss	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*
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)

	As at January 1, 2023	Credited/ (Charged) to profit or loss	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*
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)

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

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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:

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	261,297	168,523	250,093	214,666	234,585

The Company

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

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:

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	–	–
	89,159	6,862	79,339	136,652	153,964

31 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,				As at June 30,
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
	249,137	218,522	210,393	159,475	217,899
Less: Non-current portion – Others	(1,279)	(451)	(7)	–	–
	247,858	218,071	210,386	159,475	217,899

(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, 2019	2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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
	524,125	271,356	193,612	226,201	255,140
Less: Non-current portion – Others	(2,121)	–	–	–	–
	522,004	271,356	193,612	226,201	255,140

32 BORROWINGS

	As at December 31, 2019	2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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
	31,000	90,844	60,980	70,000	89,050

(a) These loans were guaranteed by:

	As at December 31, 2019	2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	–	–
	31,000	90,844	60,980	70,000	89,050

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

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:

	RMB'000
Consideration:	
Cash paid	115,000
Fair value of the investment in Shenzhen Youka held by the Group before business combination	53,513
Total	168,513

Total recognized amounts of identifiable assets acquired and liabilities assumed:

	RMB'000
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)
Net identifiable assets acquired	165
Goodwill	168,348

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.

34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,				Six months ended June 30,	
	2019	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
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

(b) Non-cash investing and financing activities

	Year ended December 31,				Six months ended June 30,	
	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 June 30,	
	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.

	As at December 31,				As at June 30,
Net debt/(cash)	**2019**	**2020**	**2021**	**2022**	**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)

	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*
Net debt as at January 1, 2019	(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
Net debt as at December 31, 2019	(222,347)	–	31,000	408,949	–	217,602
Net debt as at January 1, 2020	(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
Net debt as at December 31, 2020	(191,015)	–	90,844	238,558	–	138,387
Net debt as at January 1, 2021	(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
Net debt as at December 31, 2021	(172,386)	(2,500)	60,980	118,568	–	4,662
Net debt as at January 1, 2022	(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
Net cash as at December 31, 2022	(128,178)	(2,735)	70,000	59,677	–	(1,236)
(Unaudited) **Net debt as at January 1, 2022**	(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
Net cash as at June 30, 2022	(224,762)	(2,685)	100,000	90,396	–	(37,051)
Net cash as at January 1, 2023	(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
Net cash as at June 30, 2023	(269,485)	(3,126)	89,050	44,240	–	(139,321)

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 June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

(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 June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods						
Associates of the Group	2,365	7,099	7,576	6,664	2,979	2,837
Provision of services						
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
Purchase of goods						
Associates of the Group	2,595	–	–	–	–	–
Ant Hainan	–	–	12,372	–	–	–
Joint ventures of the Group	–	–	–	–	–	2
	2,595	–	12,372	–	–	2
Purchase of services						
Alipay China	3,378	9,262	11,996	11,638	5,022	6,091
Interest income						
Associates of the Group	–	–	–	–	–	502

(c) Key management personnel compensation

	Year ended December 31,				Six months ended June 30,	
	2019	**2020**	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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

(d) Provide guarantees to the Group

	As at December 31,				As at June 30,
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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
	424,135	300,318	117,217	76,505	90,648

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.

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

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.

The information set out in this Appendix does not form part of the Accountant's Report from [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited **[REDACTED]** *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2023 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [**REDACTED**] been completed as at June 30, 2023 or at any future dates. The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2023 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2023	**Estimated net [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of the Company as at June 30, 2023**	**Unaudited [REDACTED] adjusted consolidated net tangible assets per Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB$'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of [**REDACTED**] per share	782,324	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of [**REDACTED**] per share	782,324	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2023 of RMB877,530,000 with an adjustment for the intangible assets of RMB95,206,000.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of [**REDACTED**] and [**REDACTED**] per share, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately [**REDACTED**] which have been accounted for during the Track Record Period) paid/payable by the Company takes no account of any Shares which may be issued upon the exercise of options granted under the Pre-[**REDACTED**] Incentive Scheme, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] have been completed on June 30, 2023 but takes no account of any Shares which may fall to be issued upon the exercise of options granted under the Pre-[**REDACTED**] Incentive Scheme, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

During the six months ended June 30, 2023, the Group granted share options to 27 grantees in accordance with the Pre-[**REDACTED**] Incentive Scheme to subscribe for a total of 37,750,000 shares of the Company at a price of RMB1.99 per share. The grantees will be entitled to exercise the share options by batch after the [**REDACTED**] subject to satisfaction of the relevant conditions of exercise. However, had such 37,750,000 shares issued per the exercise of the share options granted been taken into account, such that [**REDACTED**] shares are in issue following the completion of the [**REDACTED**], the unaudited [**REDACTED**] adjusted net tangible assets per Share would have been [**REDACTED**] (equivalent to [**REDACTED**]) and [**REDACTED**] (equivalent to [**REDACTED**]) based on the [**REDACTED**] of [**REDACTED**] per Share and [**REDACTED**] per Share, respectively.

(4) For the purpose of this unaudited [**REDACTED**] adjusted consolidated net tangible assets per share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.9166 to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This Appendix contains the summary of the principal provisions of the Articles of Association adopted by our Company on April 3, 2023. The Articles of Association of the Company shall take effect on the date of the H Shares being [**REDACTED**] on the Stock Exchange. The main purpose of this Appendix is to provide an overview of the Company's Articles of Association for potential investors, so it may not contain all the information that is important.

1. SHARES, REGISTERED CAPITAL AND TRANSFER OF SHARES

The shares of the Company shall take the form of share certificates. All the shares issued by the Company shall have a par value, which shall be RMB1 for each share.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the Shares it/he/she subscribes for.

Unless otherwise specified in the laws, administrative regulations and by the securities regulatory authorities in the place where the shares of the Company are listed, the paid up shares of the Company can be freely transferred in accordance with the laws and are not subject to any lien. The transfer of shares shall be registered with the local stock registration institution entrusted by the Company.

2. INCREASE AND REDUCTION OF SHARES AND REPURCHASE

(1) Capital Increase

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to relevant requirements of the Article of Association and a resolution of the general meeting, by any of the following methods:

(i) a non-public issuance of shares;

(ii) a public offering of shares;

(iii) allotment of bonus shares to existing shareholders;

(iv) conversion of reserve to share capital; or

(v) other methods permitted by laws and administrative regulations and approved by relevant regulatory authorities.

(2) Reduction of Capital

The Company may reduce its registered capital. If the Company reduces its registered capital, it shall do so by the procedures set forth in the Company Law, other relevant regulations and the Articles of Association.

If the Company is to reduce its registered capital, it must prepare a balance sheet and a list of its property.

The Company shall notify its creditors to reduce its registered capital and publish a public announcement in accordance with the Company Law, and pay its debts or provide a corresponding security for repayment as required by the creditors.

(3) Repurchase of Shares

The Company shall not acquire its shares. However, the Company may, in the following circumstances, buy back its own outstanding shares by the procedures provided for in laws and the Articles of Association, and reporting them to the relevant competent authorities for approval:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies that hold shares in the Company;

(iii) to use the shares for employee shareholding schemes or as share incentives;

(iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;

(v) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;

(vi) to safeguard corporate value and shareholders' equity as the Company deems necessary; or

(vii) other methods permitted by laws and administrative regulations and approved by the listing rules of the stock exchange on which the shares of the listed company are listed.

3. REGISTER OF MEMBERS

The Company establishes a register of members based on the certificates provided by the securities registration authority, and the register of members shall be the sufficient evidence of the shareholders' shareholding in the Company. A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations.

The Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory authorities, keep its register of holders of overseas-listed foreign shares outside of the PRC and appoint overseas agent(s) to manage such register. The original copy of the register of holders of overseas-listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

The Company shall ensure the register of holders of overseas-listed foreign shares be made available to shareholders free of charge within business hours at office of the authorized overseas agency. Upon publish of notice through advertisement in designated newspapers or any other newspapers designated by any designated stock exchange, or through any electronic media by any means acceptable to the designated stock exchange, the register of holders of overseas-listed foreign shares may be closed at such times or for such periods not exceeding in the whole 30 days in each year as the board of directors may determine, either generally or in respect of any class of shares.

The Company shall maintain a complete register of members. The register of members shall include the following parts:

(i) the register of members which is maintained at the Company's place of domicile (other than those share registers which are described in paragraphs (ii) and (iii) of this Article);

(ii) the register of members in respect of the holders of overseas-listed foreign shares of the Company which is maintained at the place where the overseas stock exchange on which the shares are listed is located;

(iii) the register of members which is maintained in such other place as the Board of Directors may consider necessary for the purpose of listing of the Company's shares.

All H Shares shall be transferred by an instrument in writing in any usual or common form or any other form which the board of directors accepts (including the prescribed form or transfer form as required by the Hong Kong Stock Exchange from time to time), and the instrument of transfer may only be executed by hand or (if the transferor or the transferee is a company) affixed with the Company's effective seal. If the transferor or the transferee is a recognized clearing house as defined by the relevant regulations of the laws of Hong Kong in effect from time to time or the agent thereof, the instrument of transfer may be executed by hand or by machine imprinted signatures. All transfer instruments shall be kept at the legal address of the Company or any address specified by the board of directors from time to time.

Within 20 days before general meetings or within 5 days before the Company decides to distribute dividends, no changes to the register of members due to share transfers shall be registered. Requirements on the closure of register of members before general meetings or record dates for determining the entitlement to dividends prescribed by laws, regulations or relevant stock exchanges or securities regulatory authorities of the regions where shares of the Company are listed shall be observed.

When the Company intends to convene a general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board of Directors or the convenor of a general meeting shall determine a specific date as equity determination date, registered shareholders at the end of which shall be the shareholders entitled to the relevant rights and interests.

Any shareholder who is registered in, or any person who requests to have his/her name entered in, the register of members may apply to the Company for issue of a replacement share certificate in respect of such shares (the "Relevant Shares") if his/her share certificate (the "Original Certificate") is lost. If a shareholder who has lost his/her share certificate of domestic shares applies for a replacement share certificate, it shall be dealt with in accordance with the relevant provisions of the Company Law. If a shareholder who has lost his/her share certificate of overseas-listed foreign shares applies for a replacement share certificate, it shall be dealt with in accordance with the laws, rules of the stock exchange(s) or other relevant provisions of the place where the original register of holders of overseas-listed shares is kept.

4. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

Shareholders of ordinary shares of the Company shall enjoy the following rights:

(i) the right to receive dividends and other forms of benefit distributions in proportion to their shareholdings;

(ii) the right to request, call, preside over, attend or appoint proxies to attend general meetings and to exercise the corresponding voting right in accordance with the laws;

(iii) the right to supervise, present proposals or raise enquiries in respect of the Company's business operations;

(iv) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations, the listing rules of the Stock Exchange, and the Articles of Association;

(v) the right to inspect the Articles of Association and registers of members;

(vi) the right to inspect the record of company bonds, the minutes of shareholders' general meetings, resolutions of the meetings of the Board of Directors, resolutions of the meetings of the Board of Supervisors and the financial and accounting reports;

(vii) to participate in, upon the Company's termination or liquidation, the distribution of the Company's remaining assets according to the quantity of shares held; and

(viii) other rights granted in laws, administrative regulations, departmental rules, listing rules of the Stock Exchange, and the Company's Articles of Association.

Shareholders of ordinary shares of the Company shall have the following obligations:

(i) to abide by laws, administrative regulations, listing rules of the Stock Exchange, and the Articles of Association;

(ii) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(iii) not to return shares unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

Any shareholder who abuses shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law;

Any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

(v) to assume other obligations required by laws, administrative regulations, listing rules of the Stock Exchange, and the Articles of Association.

Shareholders shall not be liable to make any further contributions to the share capital other than according to the terms agreed by the subscribers at the time of share subscription.

In respect of the joint shareholder of any shares, only the joint shareholder whose name stands first in the register of members has the rights to receive certificates of the relevant shares from the Company or receive notices of the Company. Any notice which is delivered to the aforementioned shareholder shall be deemed to have been delivered to all the joint shareholders of the relevant shares. Any of the joint shareholders may sign a proxy form, provided that if more than one joint shareholders attend a meeting in person or by proxy, the vote of the senior joint shareholder who tenders a vote will be accepted to the exclusion of the vote(s) of the other joint shareholder(s). For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the relevant share.

5. GENERAL MEETING

(1) General Rules for Convening a General Meeting

The general meeting is the organ of the highest authority of the Company and shall exercise the following functions and powers:

(i) to decide on the operating policies and investment plans of the Company;

(ii) to elect and replace directors or supervisors respectively other than a director or supervisor who is an employee representative; and to decide on matters relating to their remuneration;

(iii) to review and approve reports of the Board of Directors;

(iv) to review and approve reports of the Board of Supervisors;

(v) to review and approve the annual financial budgets and final accounts of the Company;

(vi) to review and approve the profit distribution plans and loss recovery plans of the Company;

(vii) to adopt resolutions on increasing or reducing the registered capital of the Company;

(viii) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(ix) to adopt resolutions on the issuance of corporate bonds, other securities and their listing;

(x) to adopt resolutions on the engagement, renewal or non-renewal, or dismissal of the engagement of accounting firms by the Company;

(xi) to amend the Articles of Association;

(xii) to review and approve the guarantees as stipulated in Article 51 of the Articles of Association;

(xiii) to review and approve the purchase or the sale of assets by the Company within one year, the amount of which exceeds 30% of the latest audited total assets of the Company;

(xiv) to consider and approve the changes in the use of proceeds;

(xv) to consider and approve the equity incentive schemes and employee stock ownership schemes;

(xvi) to view other matters that required to be resolved by the general meeting as prescribed by the law, administrative regulations, departmental rules, the listing rules of the Stock Exchange, and the Articles of Association.

The following external guarantees of the Company are subject to review and approval of the general meeting:

(i) any external guarantee by the Company or its subsidiary and any subsequent guarantee, whose total amount exceeds 50% of the Company's audited net assets;

(ii) any external guarantee by the Company and any subsequent guarantee, whose total amount exceeds 30% of the Company's latest audited total assets;

(iii) any guarantee by the Company whose amount within one year exceeds 30% of the Company's latest audited total assets;

(iv) guarantee to be provided to entities with more than 70% debt equity ratio;

(v) a single guarantee whose amount exceeds 10% of the latest audited net assets;

(vi) guarantee to be provided to shareholders, actual controller and its related parties.

The Company shall not conclude any contract with any person other than a director, a supervisor, senior management whereby such person is put in charge of the management of all or a substantial part of the Company's business without the approval of the general meeting.

General meetings include annual general meetings and extraordinary general meetings. In general, general meetings shall be convened by the Board of Directors. Annual general meetings shall be convened once a year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(ii) the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(iii) such is requested in writing by a shareholder alone or shareholders jointly holding no less than 10% of the Company's outstanding voting shares;

(iv) the Board of Directors considers it necessary;

(v) the Board of Supervisors proposes that such a meeting shall be held;

(vi) two or more independent non-executive directors proposes that such a meeting shall be held;

(vii) other circumstances as specified by laws, administrative regulations, the rules and regulations of the departments under the State Council, and the listing rules of the Stock Exchange and the Articles of Association.

A shareholder alone or shareholders jointly holding no less than 10% of the Company's shares shall have the right to make a request to the Board of Directors in writing to convene an extraordinary general meeting. Pursuant to the laws, administrative regulations and the Articles of Association, the Board of Directors shall provide written feedback on whether to agree or not to convene an extraordinary general meeting within 10 days after receiving the request. If the Board of Directors agrees to hold an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board of Directors is made, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to give a response within 10 days after the receipt of the request, the shareholder alone or shareholders jointly holding no less than 10% of the Company's shares shall have the right to propose to the Board of Supervisors in writing to convene an extraordinary general meeting. If the Board of Supervisors fails to issue a notice calling the general meeting by the prescribed deadline, a shareholder who alone or shareholders who jointly holding no less than 10% of the shares of the Company for at least 90 days in succession may himself/herself/themselves convene and preside over such meeting.

If the Board of Supervisors or the shareholders convene a meeting on its/their own initiative as provided in this section, the Board of Directors and the secretary to the Board of Directors shall offer cooperation for the meeting, and the Board of Directors shall provide a register of members as of the record date. Before the announcement of the resolutions of the general meeting, the shareholding ratio of the convening shareholders shall not be less than 10%. The Company shall bear the reasonable expenses incurred in the general meeting convened by the Board of Supervisors or the shareholders themselves.

(2) Proposals of General Meetings

When the Company holds a general meeting, the Board of Directors, the board of supervisors and shareholders individually or jointly holding no less than 3% of the voting shares of the Company shall have the right to put proposals to the Company.

A shareholder alone or shareholders jointly holding no less than 3% of the voting shares of the Company may submit extempore proposals in writing to the convenor 10 days prior to the date of general meeting. The convenor shall issue a supplemental notice of general meeting and make a public announcement of the contents of such extempore proposals within 2 days after receipt of the proposals, and submit such extempore proposals to the general meeting for consideration. The contents of such an extempore proposals shall fall within the authority of general meetings, with definite topics to discuss and specific matters to resolve.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

(3) Notices of General Meetings

Where a general meeting is convened by the Company, it shall issue a notice 20 days prior to the convening of the annual general meeting or 15 days prior to the convening of the extraordinary general meeting to notify shareholders. When calculating the starting date, the date of the meeting shall be excluded. The written notice shall include the date, time and venue of the meeting as well as the matters and proposals to be considered at the meeting, and a clear explanation indicating that all ordinary shareholders are entitled to attend the general meeting and appoint proxies in writing to attend the meeting on their behalf, the record date of shareholders entitled to attend the general meeting, the name and telephone number of the permanent contact person for the meeting affairs, and voting time and voting procedures (if any) on the Internet or in other ways.

Notice of general meeting shall be served to any shareholder (whether has voting right on general meeting or not) either by hand or by post in a prepaid mail, addressed to such shareholder at his/her/its registered address as shown in the register of members, or by publication on the Company's website or other website designated by stock exchange where the Company's shares are listed. Once the notice is published, all holders of overseas-listed foreign shares shall be deemed to have received the notice of the relevant general meeting. For holders of domestic shares, the notice of a general meeting may also be given by public announcement.

(4) Convening of General Meetings

All the shareholders registered on the date of equity registration or their agents shall be entitled to attend the general meeting and exercise his/her voting right in accordance with the law, regulations, and the Company's Articles of Association. Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (whether or not such persons are shareholders) as his/her proxies to attend and vote on his/her behalf.

Shareholders shall appoint their proxies in writing, which shall be signed by the principals or their agents appointed in writing. If the principal is a legal person, the instrument shall be under the seal of the legal person or signed by its director(s) or duly authorised agent(s).

The chairman of the Board of Directors shall serve as the chairman of the meeting. If the chairman of the Board of Directors fails or is unable to perform his or her duties, the meeting shall be convened and presided by the vice chairman (or if the Company has two or more vice-chairmen, the one jointly elected by more than half of directors shall preside) of the board of directors, if the Company does not have a vice chairman or the vice chairman of the Board of Directors fails or is unable to perform his or her duties, the meeting shall be presided over by a director jointly elected by more than half of directors.

(5) Voting and Resolutions of General Meeting

Resolutions of the general meeting include ordinary resolutions and special resolutions. Ordinary resolution at a general meeting shall be adopted by more than half of the voting rights of the shareholders (including proxies) present at the meeting. Special resolution at a general meeting shall be adopted by no less than two-thirds of the voting rights of the shareholders (including proxies) present at the meeting.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. On a poll taken at a meeting, a shareholder (including his/her proxies) entitled to two or more votes need not cast all votes in the same way. Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

Decisions of the general meeting on any of the following matters shall be adopted by special resolution:

(i) the increase or reduction of the registered capital by the Company;

(ii) the division, spin-off, merger, dissolution, and liquidation or change in the corporate form of the Company;

(iii) the amendment to the Articles of Association;

(iv) the purchases or sales of any material assets and guarantee amount of the Company within a year in excess of 30% of the Company's latest total audited assets;

(v) the equity incentive schemes;

(vi) the compulsory winding up or voluntary winding up of the Company;

(vii) other matters which the laws, administrative regulations, the listing rules of the Stock Exchange or the Articles of Association require to be adopted by special resolutions and which the general meeting considers will have a material impact on the Company and therefore require, by an ordinary resolution, to be adopted by special resolution.

6. DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

Directors shall be elected or replaced at the general meeting. Every term of a director is three (3) years, and upon expiry of the term, a director shall be eligible for re-election and re-appointment.

The term of office of the Directors shall be counted from the date of appointment until the expiration of the term of the current Board of Directors. When the Directors' term expires and re-election not be held in time, or where the resignation of a director during his term of office causes the number of board members to be less than the quorum, the original Directors shall still perform their duties as Directors in accordance with laws, administrative regulations, departmental rules, the listing rules of the Stock Exchange, or the Articles of Association before the re-elected Directors take office.

A Director is not required to hold any share in our Company.

(2) Board of Directors

The Company shall set up a board of directors which shall be accountable to the general meetings. The Board of Directors shall consist of nine (9) to eleven (11) directors. At least one-third of member of the Board of Directors of the Company shall be the independent non-executive Directors and the amount shall not be less than three (3).

The Board of Directors exercise the following functions and powers:

(i) to convene general meetings and report to the general meetings;

(ii) to implement resolutions of the general meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the annual financial budgets and final accounts of the Company;

(v) to formulate the Company's profit distribution plans and plans on making up losses;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(vii) to formulate plans for the Company's merger, division, dissolution or change of corporate form;

(viii) to formulate plans for the Company's substantial acquisitions and sale, and repurchase of shares of the Company;

(ix) within the scope authorised by the general meeting, to decide on such matters as the Company's external investments, acquisition and disposal of assets, provision of security on the Company's assets, provision of guarantee, wealth management entrustment, connected transactions and external donations etc.;

(x) to create, incur, or authorize the creation of any debt or to provide any loans or prepayments to any person or entity other than a wholly-owned subsidiary of the company, except for those already covered by purchase and sales accounts or approved annual budgets generated in the normal course of business;

(xi) to decide on establishment of internal management organs of the Company;

(xii) to decide the establishment of special committees of the Board of Directors; appoint or dismiss chairman (convenor) of the special committees of the Board of Directors;

(xiii) to determine the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management; to appoint or dismiss senior management including deputy general manager(s) and the chief financial officer of the Company in accordance with the nominations by general manager, and to decide on their remunerations, rewards and punishment;

(xiv) to formulate the basic management system of the Company;

(xv) to formulate proposals to amend the Articles of Association;

(xvi) to formulate proposals to adopt share incentive plan of the Company;

(xvii) to manage information disclosure of the Company;

(xviii) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;

(xix) to listen to work reports submitted by the general manager of the Company and review his/her work;

(xx) to decide material matters and administrative matters and the entering into of other material agreements other than those matters required to be decided by the general meeting of the Company in accordance with laws, administrative regulations, department regulations, the Article of Association and the listing rules of the stock exchange on which the shares of the Company are listed;

(xxi) other functions and powers provided for in laws, administrative regulations, department regulations, listing rules of the Stock Exchange and the Articles of Association, and conferred at general meetings.

Meetings of the Board of Directors may be held only if more than one half of the directors are present. Vote on Board of Directors resolution shall be carried out on the basis of one person one vote.

If any director is associated with the enterprises that are involved in the matters to be resolved at the meeting of the Board of Directors, he or she shall not exercise his or her voting rights for such matters, nor shall such director exercise voting rights on behalf of other directors. Such meeting of the Board of Directors may be held only if more than one half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the Board of Directors shall be passed by more than one half of the directors without a connected relationship. If the number of non-connected directors present at such meeting is less than three, the matter shall be submitted to the general meeting for consideration.

7. SECRETARY OF THE BOARD

The Company shall have a secretary to the Board of Directors. The secretary to the Board of Directors is a member of the senior management of the Company.

The secretary to the Board of Directors of the Company shall be a natural person with the requisite professional knowledge and experience and shall be appointed by the Board of Directors.

A director or any other senior officer of the company may hold the post of secretary of the Board of Directors concurrently. Any accountant from the accounting firm engaged by the Company shall not concurrently serve as the secretary to the Board of Directors of the Company.

8. GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company has one general manager, several deputy general managers, and one chief financial officer, and they shall serve terms of three years and may serve consecutive terms if reappointed by the Board of Directors.

Directors may concurrently serve as general manager or other senior management personnel.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company, and to report his/her works to the Board of Directors;

(ii) to organise the implementation of the resolutions of the Board of Directors;

(iii) to organise the implementation of the Company's annual business plans and investment plans;

(iv) to draft plans for the establishment of the Company's internal management organisation;

(v) to draft plans for the establishment of the Company's branches;

(vi) to draft the Company's basic management system;

(vii) to formulate the Company's basic regulations;

(viii) to propose the appointment or dismissal of the Company's deputy general manager, chief financial officer or other senior management personnel;

(ix) to determine the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board of Directors;

(x) such other functions and powers conferred by the Articles of Association or the Board of Directors.

9. BOARD OF SUPERVISORS

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of three (3) supervisors, one of which shall be the chairman. The term of office of each supervisor shall be a period of three (3) years, renewable upon re-election. Any directors, general managers and other senior management shall not act concurrently as supervisors.

Shareholders' representative supervisors shall be elected and removed by the general meeting, the employee representative supervisor shall be elected and removed by the employees of the Company democratically and which shall not be less than one-third of the members of the Board of Supervisors.

The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers in accordance with law:

(i) to review the Company's regular reports prepared by the Board of Directors and provide written review opinions;

(ii) to examine the Company's financial matters;

(iii) to supervise the performance by the directors and senior management of their duties to the Company to ensure that there is no violation of laws, administrative regulations, listing rules of the Stock Exchange, and the Articles of Association of the Company during their performance of the duties to the Company; to propose the dismissal of the directors and senior management who violates laws, administrative regulations, listing rules of the Stock Exchange, the Articles of Association of the Company or the resolutions of the general meeting;

(iv) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(v) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings as stipulated by the Company Law;

(vi) to submit motion to the general meetings;

(vii) to communicate or sue directors and senior management on behalf of the Company in accordance with Article 151 of the Company Law;

(viii) to investigate any identified abnormal matters during the business operation of the Company; if necessary, to engage professionals such as accounting firms or law firms to assist it in exercising its functions and powers with expenses being borne by the Company;

(ix) other functions and powers provided by the Articles of Association.

Supervisors may attend the meeting of the Board of Directors, and may raise questions or put forward suggestions about matters to be decided by the Board of Directors.

Resolutions of Board of Supervisors shall be passed by more than half of the Supervisors.

10. FINANCIAL AND ACCOUNTING SYSTEMS

(1) Financial and Accounting Systems

The Company shall formulate its financial and accounting systems in accordance with the laws, administrative regulations, listing rules of the Stock Exchange, and the PRC accounting standards formulated by relevant state authorities.

The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be audited by an accounting firm in accordance with the law.

The Company shall implement an internal audit system which shall be equipped with dedicated audit personnel to conduct internal audit supervision of the Company's financial revenue and expenditure and economic activities.

The Company's internal audit system and the responsibilities of audit personnel are subject to approval by the Board of Directors. The person in charge of audit is accountable and reports to the Board of Directors.

(2) Profit Distributions

Where the Company distributes its after-tax profits for a given year, it shall allocate 10% of the profits to its statutory reserve.

The Company shall no longer be required to make allocations to its statutory reserve once the aggregate amount of such reserve reaches at least 50% of its registered capital.

If the Company's statutory reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory reserve, the Company may, subject to a resolution of the general meeting, make an allocation from its after-tax profits to the discretionary reserve.

After the Company has made up its losses and made allocations to its reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless the Articles of Association provide that distributions are to be made otherwise than proportionally. If the general meeting or the Board of Directors breaches the provisions of the preceding paragraphs by distributing profits to shareholders before the Company has made up its losses and made allocations to the statutory reserve, the shareholders must return to the Company the profits that were distributed in breach of the said provisions.

Shares of the Company that are held by the Company itself shall not participate in the distribution of profits.

The reserve of the Company is used to make up the Company's losses, expand the production operation of the Company or increase the Company's capital. However, capital common reserve shall not be used to make up the Company's losses.

When statutory common reserve is converted into capital, the remaining balance of that reserve shall not fall below 25% of the registered capital of the Company before the conversion.

The Company shall appoint receiving agents for holders of overseas-listed foreign shares to collect on behalf of the relevant shareholders the dividends distributed and other amount payable by the Company in respect of overseas-listed foreign shares.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place or the relevant regulations of the stock exchange where the Company's shares are listed.

(3) Appointment of Accounting Firm

The Company shall appoint a qualified independent accounting firm to audit the Company's annual financial reports and to examine and verify other financial reports.

The term of office of an accounting firm employed by the Company shall be from the end of the current annual general meeting of the Company until the end of the next annual general meeting.

The Company's appointment of an accounting firm must be determined by the general meeting, and the Board of Directors shall not appoint an accounting firm prior to the decision of the general meeting.

Before the convening of the general meeting, the Board of Directors may fill any casual vacancy in the office of the accounting firm but while there is still any such vacancy, any other accounting firm appointed by the Company may continue to act.

The Company's appointment of an accounting firm must be determined by the general meeting, and the Board of Directors shall not appoint an accounting firm prior to the decision of the general meeting, except for the circumstance as prescribed above.

11. DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the general meeting resolves to dissolve the Company;

(iii) dissolution is necessary as a result of the merger or division of the Company;

(iv) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws;

(v) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is dissolved according to the provisions of sub-paragraphs (i), (ii), (v) and (vi) of the preceding Article, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

The liquidation committee shall notify creditors within 10 days of its establishment, and make announcements on the newspapers designated by the stock exchange where the Company's shares are listed within 60 days of its establishment. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or the People's Court for confirmation. The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company's debts shall be distributed by the Company to the shareholders in proportion to the shares they hold.

During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy in accordance with the law. After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report and submit the same to the general meeting or the People's Court for confirmation and to the company registration authority to apply for company deregistration, and announce the Company's termination.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

12. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in accordance with the laws, administrative regulations, listing rules of the Stock Exchange, and the Articles of Association. If an amendment to the Articles of Association involves matters requires the approval from the competent regulatory authority to become effective, it shall be submitted to the competent regulatory authority for approval. If an amendment to the Articles of Association involves a registered item of the Company, registration of the change shall be carried out in accordance with the law.

13. BORROWING POWER

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board of Directors shall be entitled to develop proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the general meeting.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were a company incorporated in the PRC on March 1, 2012. Our Company was converted from a limited liability company into a joint stock company with limited liability on September 10, 2015 and was listed on the NEEQ on February 24, 2016. We have established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 19, 2022. Ms. Hui Yin Shan and Ms. Yuen Wing Yan, Winnie have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong under Part 16 of the Companies Ordinance.

The Company has applied for the Conversion of Unlisted Shares into H Shares, comprising conversion of [**REDACTED**] Unlisted Shares into H Shares. The Conversion of Unlisted Shares into H shares has been filed with the CSRC with the notification issued by the CSRC on completion of the filing procedures published on July 3, 2023 and the [**REDACTED**] of our H Shares is still subject to approval by the Hong Kong Stock Exchange.

As we were incorporated in the PRC, our corporate structure and Articles of Association are subject to the PRC Law. A summary of the relevant PRC Law and of the Articles of Association is set out in "Regulatory Overview" and Appendix III, respectively.

2. Changes in the Share Capital of Our Company

There has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. The Resolutions of the Shareholders of Our Company Passed on April 8, 2022

At the extraordinary general meeting of the Shareholders held on April 8, 2022, the following resolutions, among other things, were duly passed:

(i) the issue by the Company of H Shares with a nominal value of [**REDACTED**] each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange;

(ii) the number of H shares to be issued shall be up to [**REDACTED**], and the grant of the [**REDACTED**] in respect of no more than 15% of the number of H Shares issued pursuant to the [**REDACTED**];

(iii) subjects to the CSRC's filing result, upon completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by [211] Shareholders will be converted into H Shares on a [**REDACTED**] basis;

(iv) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of H Shares on the Hong Kong Stock Exchange; and

(v) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

4. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司)	PRC	October 11, 2021
Shenzhen Youbao Creative Technology Co., Ltd. (深圳友寶創新技術有限公司)	PRC	November 12, 2021

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Shenzhen Youbaokesi

On December 24, 2021, the registered capital of Shenzhen Youbaokesi increased from RMB100,000,000 to RMB150,000,000.

Tianjin Youbao

On April 21, 2022, the registered capital of Tianjin Youbao increased from RMB3,000,000 to RMB5,000,000.

Shenzhen Mibao New Retail Technology Co., Ltd

On January 4, 2022, Shenzhen Youbaokesi disposed 56% equity interest in Shenzhen Mibao New Retail Technology Co., Ltd. to Shenzhen Shengshi Aicai Internet Technology Co., Ltd (深圳市盛世愛彩網路技術有限公司) at an aggregate consideration of RMB250,000.

Foshan Youhemei Technology Co., Ltd.

On April 26, 2022, Zhou Qinghua (周慶華) transferred 19% equity interest in Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司) to Shao Lin (邵林) at a consideration of RMB380,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

So far as is known to any Director or chief executive of the Company, save as disclosed in "C. Further Information about our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests – (c) Interests in Other Members of our Group" of this Appendix IV of this document, as at the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiaries of the Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) the [**REDACTED**]; and

(b) the equity transfer agreement dated December 29, 2021 entered into between Shenzhen Youbaokesi Technology Co., Ltd. (深圳友寶科斯科技有限公司) as transferor and Shenzhen Shengshi Aicai Network Technology Co., Ltd. (深圳市盛世愛彩網絡技術有限公司) as transferee in relation to the transfer of 56% equity interest in Shenzhen Mibao New Retail Technology Co., Ltd. (深圳蜜寶新零售科技有限公司) at a consideration of RMB250,000.

2. Our Material Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
1.	友宝	9	Our Company	PRC	9165111	March 6, 2032
2.	友宝	42	Our Company	PRC	9165148	March 6, 2032
3.	友宝	30	Our Company	PRC	9772350	November 27, 2032
4.	友宝	32	Our Company	PRC	9772446	September 20, 2032
5.	UBOX	30	Our Company	PRC	11588085	April 13, 2024
6.	UBOX	29	Our Company	PRC	11588086	April 13, 2024
7.	UBOX	9	Our Company	PRC	11588087	April 13, 2024
8.	UBOX	7	Our Company	PRC	11588088	March 13, 2024
9.	友宝	41	Our Company	PRC	11588089	March 13, 2024
10.	友宝	38	Our Company	PRC	11588090	March 13, 2024
11.	友宝	36	Our Company	PRC	11588091	July 13, 2024
12.	友宝	35	Our Company	PRC	11588092	April 13, 2025
13.	友宝	9	Our Company	PRC	11588093	May 20, 2024
14.		42	Our Company	PRC	11588094	March 13, 2024
15.		41	Our Company	PRC	11588095	March 13, 2024

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
16.		38	Our Company	PRC	11588096	March 13, 2024
17.		36	Our Company	PRC	11588097	March 13, 2024
18.		35	Our Company	PRC	11588098	March 13, 2024
19.		30	Our Company	PRC	11588176	March 13, 2024
20.		29	Our Company	PRC	11588177	March 13, 2024
21.		9	Our Company	PRC	11588178	April 27, 2024
22.		7	Our Company	PRC	11588179	April 27, 2024
23.	UBOX	41	Our Company	PRC	11588180	August 20, 2024
24.	UBOX	36	Our Company	PRC	11588182	July 13, 2024
25.	UBOX	35	Our Company	PRC	11588183	September 6, 2025
26.		43	Our Company	PRC	12269700	March 20, 2025
27.		39	Our Company	PRC	12269701	August 20, 2024
28.		34	Our Company	PRC	12269702	March 20, 2025
29.		28	Our Company	PRC	12269703	August 20, 2024
30.		27	Our Company	PRC	12269704	August 20, 2024

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
31.		26	Our Company	PRC	12269705	March 20, 2025
32.		25	Our Company	PRC	12269706	March 20, 2025
33.		24	Our Company	PRC	12269707	March 20, 2025
34.		23	Our Company	PRC	12269708	August 20, 2024
35.		22	Our Company	PRC	12269709	August 20, 2024
36.		21	Our Company	PRC	12269710	March 20, 2025
37.		20	Our Company	PRC	12269711	August 20, 2024
38.		18	Our Company	PRC	12269712	August 27, 2024
39.		16	Our Company	PRC	12269713	March 20, 2025
40.		3	Our Company	PRC	12269715	August 20, 2024
41.	UBOX	43	Our Company	PRC	12269716	August 20, 2024
42.	UBOX	39	Our Company	PRC	12269717	August 20, 2024
43.	UBOX	34	Our Company	PRC	12269718	August 20, 2024
44.	UBOX	28	Our Company	PRC	12269719	March 20, 2025
45.	UBOX	27	Our Company	PRC	12269720	August 20, 2024
46.	UBOX	26	Our Company	PRC	12269721	August 20, 2024
47.	UBOX	25	Our Company	PRC	12269722	March 20, 2025

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
48.	UBOX	24	Our Company	PRC	12269723	August 20, 2024
49.	UBOX	23	Our Company	PRC	12269724	August 20, 2024
50.	UBOX	22	Our Company	PRC	12269725	August 20, 2024
51.	UBOX	21	Our Company	PRC	12269726	March 20, 2025
52.	UBOX	20	Our Company	PRC	12269727	March 20, 2025
53.	UBOX	16	Our Company	PRC	12269728	August 20, 2024
54.	UBOX	3	Our Company	PRC	12269729	August 20, 2024
55.	UBOX	14	Our Company	PRC	12269730	August 20, 2024
56.	友宝	43	Our Company	PRC	12269731	August 20, 2024
57.	友宝	39	Our Company	PRC	12269732	August 20, 2024
58.	友宝	34	Our Company	PRC	12269733	August 20, 2024
59.	友宝	27	Our Company	PRC	12269734	August 20, 2024
60.	友宝	26	Our Company	PRC	12269735	August 20, 2024
61.	友宝	24	Our Company	PRC	12269736	August 20, 2024
62.	友宝	23	Our Company	PRC	12269737	August 20, 2024
63.	友宝	22	Our Company	PRC	12269738	August 20, 2024
64.	友宝	14	Our Company	PRC	12269739	August 20, 2024
65.	友宝	9	Our Company	PRC	26563773	September 6, 2028
66.	友宝	11	Our Company	PRC	29038378	January 6, 2029
67.	友咖	43	Our Company	PRC	32302200	April 6, 2029

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
68.		40	Our Company	PRC	32617014	June 13, 2029
69.	友宝	40	Our Company	PRC	32622608	April 6, 2029
70.	UBOX	40	Our Company	PRC	32625784	April 6, 2029
71.	友咖	40	Our Company	PRC	32637194	April 6, 2029
72.	友宝	33	Our Company	PRC	37195636	November 20, 2029
73.		9	Our Company	PRC	39611489	November 6, 2030
74.		38	Our Company	PRC	39626799	February 27, 2030
75.		41	Our Company	PRC	39633359	May 6, 2030
76.	友宝友客云	9	Our Company	PRC	40887664	July 6, 2030
77.	友宝友客云	42	Our Company	PRC	40896429	July 6, 2030
78.	UBOX	35	Our Company	PRC	45000614	January 27, 2031
79.		35	Our Company	PRC	45000630	January 27, 2031
80.	UBOX	7	Our Company	PRC	45009102	January 27, 2031
81.	友宝	7	Our Company	PRC	45013931	November 27, 2030
82.	UBOX	9	Our Company	PRC	45014277	January 27, 2031
83.	友宝	9	Our Company	PRC	45015386	November 27, 2030

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
84.		7	Our Company	PRC	45024184	February 13, 2031
85.		9	Our Company	PRC	45030746	February 20, 2031
86.		11	Shenzhen Youka	PRC	33093116	May 20, 2029
87.	YOUKAFFEE	32	Shenzhen Youka	PRC	33093254	May 13, 2029
88.	YOUKAFFEE	30	Shenzhen Youka	PRC	33097428	May 13, 2029
89.	YOUKAFFEE	43	Shenzhen Youka	PRC	33109535	June 6, 2029
90.	YOUKAFFEE	11	Shenzhen Youka	PRC	33111454	June 20, 2029
91.	YOUKAFFEE	35	Shenzhen Youka	PRC	33111466	May 13, 2029
92.		32	Shenzhen Youka	PRC	33112938	July 27, 2030
93.		35	Shenzhen Youka	PRC	33112939	May 27, 2029
94.	友咖	30	Shenzhen Youka	PRC	33112942	July 27, 2029
95.	YOUKAFFEE	7	Shenzhen Youka	PRC	33129199	July 20, 2029
96.		7	Shenzhen Youka	PRC	33172693	June 6, 2029
97.	友唱	9	Xiamen Technology	PRC	20047595	July 13, 2027
98.	友唱	41	Xiamen Technology	PRC	20047656	July 13, 2027
99.	M-Bar	9	Xiamen Technology	PRC	20109151	July 13, 2027

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
100.	友唱	28	Xiamen Technology	PRC	20446334	August 13, 2027
101.	M-Bar	28	Xiamen Technology	PRC	20446455	August 13, 2027
102.	友唱	35	Xiamen Technology	PRC	20446504	August 13, 2027
103.	M-Bar	38	Xiamen Technology	PRC	20446525	August 13, 2027
104.	M-Bar	35	Xiamen Technology	PRC	20446557	August 13, 2027
105.	友唱	38	Xiamen Technology	PRC	20446636	August 13, 2027
106.		9	Xiamen Technology	PRC	22452504	February 6, 2028
107.		28	Xiamen Technology	PRC	22452657	February 6, 2028
108.	友宝在线	35	Our Company	PRC	37518832	November 20, 2031
109.	友宝	35	Our Company	PRC	41344421	November 20, 2031
110.	友宝在线	35	Our Company	PRC	41350533	January 13, 2032
111.	友唱	9	Xiamen Technology	PRC	53150547	August 27, 2031
112.		7, 9, 11, 35	Shenzhen Youbaokesi	Hong Kong	304459753	March 14, 2028
113.	友宝	7, 9, 11, 35	Shenzhen Youbaokesi	Hong Kong	304459744	March 14, 2028
114.	UBOX	7, 9, 11, 35	Shenzhen Youbaokesi	Hong Kong	304459762	March 14, 2028

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material in relation to our business:

No.	Patent name	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	用於自動售貨機與工業計算機通信的方法	Our Company	PRC	ZL 2012 1 0103693.8	April 10, 2012	April 10, 2032
2.	一種用於自動收貨櫃與工業計算器通信的方法	Our Company	PRC	ZL 2013 1 0495741.7	October 21, 2013	October 21, 2033
3.	一種具有RFID掃描器的用於控制售貨櫃的主控機	Our Company	PRC	ZL 2013 2 0598253.4	September 26, 2013	September 26, 2023
4.	一種具有二維碼模塊的自動售貨機	Our Company	PRC	ZL 2013 2 0635619.0	October 15, 2013	October 15, 2023
5.	一種實現閃付的用於控制售貨櫃的主控機	Our Company	PRC	ZL 2013 2 0636116.5	October 15, 2013	October 15, 2023
6.	一種具有遠程打印模塊的自動售貨機	Our Company	PRC	ZL 2013 2 0638938.7	October 16, 2013	October 16, 2023
7.	一種具有自動修復裝置的自動售貨機	Our Company	PRC	ZL 2013 2 0655963.6	October 23, 2013	October 23, 2023
8.	一種具有人臉識別模塊的自動售貨機	Our Company	PRC	ZL 2013 2 0853667.7	December 23, 2013	December 23, 2023
9.	自動售貨機	Our Company	PRC	ZL 2013 3 0594549.4	December 3, 2013	December 3, 2023
10.	自動售貨機	Our Company	PRC	ZL 2013 3 0595408.4	December 3, 2013	December 3, 2023
11.	自動售貨機	Our Company	PRC	ZL 2013 3 0595624.9	December 3, 2013	December 3, 2023
12.	一種具有體感模塊的自動售貨機	Our Company	PRC	ZL 2014 2 0205912.8	April 25, 2014	April 25, 2024
13.	自動售貨機(5)	Our Company	PRC	ZL 2014 3 0128727.9	May 13, 2014	May 13, 2024
14.	自動售貨機(6)	Our Company	PRC	ZL 2014 3 0128728.3	May 13, 2014	May 13, 2024
15.	自動售貨機(7)	Our Company	PRC	ZL 2014 3 0128829.0	May 13, 2014	May 13, 2024
16.	自動售貨機(2)	Our Company	PRC	ZL 2014 3 0129079.9	May 13, 2014	May 13, 2024
17.	自動售貨機(8)	Our Company	PRC	ZL 2014 3 0460722.6	November 20, 2014	November 20, 2024
18.	自動售賣機(64門型)	Youbao Anglai	PRC	ZL 2014 3 0460623.8	November 20, 2014	November 20, 2024

No.	Patent name	Registered owner	Place of registration	Registration number	Registration date	Expiry date
19.	自動售賣機(40門型)	Youbao Anglai	PRC	ZL 2014 3 0460656.2	November 20, 2014	November 20, 2024
20.	一種具有二維碼顯示裝置的自動售貨機	Our Company	PRC	ZL 2015 2 0040662.1	January 21, 2015	January 21, 2025
21.	茶几式便利櫃	Shenzhen Youbaokesi	PRC	ZL 2015 1 1028164.6	December 31, 2015	December 31, 2035
22.	手機智能回收機	Our Company	PRC	ZL 2016 2 1491524.6	December 29, 2016	December 29, 2026
23.	手機智能回收機	Our Company	PRC	ZL 2016 3 0662214.5	December 31, 2016	December 31, 2026
24.	一種袋式榨汁機及其榨汁方法	Our Company	PRC	ZL 2017 1 0058672.1	January 23, 2017	January 23, 2037
25.	基於升降式手機裝載箱的回收方法和手機自動回收終端	Shenzhen Youbaokesi	PRC	ZL 2017 1 0115734.8	February 28, 2017	February 28, 2037
26.	手機裝載箱提醒方法與手機自動回收終端	Shenzhen Youbaokesi	PRC	ZL 2017 1 0115861.8	February 28, 2017	February 28, 2037
27.	自動售貨裝置	Our Company	PRC	ZL 2017 2 0558908.3	May 18, 2017	May 18, 2027
28.	取貨裝置及自助椰子機	Shenzhen Youbaokesi	PRC	ZL 2017 2 0840676.0	July 11, 2017	July 11, 2027
29.	自動售貨機	Shenzhen Youbaokesi	PRC	ZL 2017 3 0556584.5	November 13, 2017	November 13, 2027
30.	自動售貨機	Shenzhen Youbaokesi	PRC	ZL 2017 3 0556583.0	November 13, 2017	November 13, 2027
31.	自助售貨機的補貨方法、裝置、存儲介質和計算機設備	Shenzhen Youbaokesi	PRC	ZL 2017 1 1491745.2	December 30, 2017	December 30, 2037
32.	一種自動售賣機	Our Company and Shenzhen Shidaozhong Chuangxin Technology Co., Ltd.	PRC	ZL 2018 2 0438810.9	March 29, 2018	March 29, 2028
33.	自動售賣機	Our Company	PRC	ZL 2018 2 1293706.1	August 10, 2018	August 10, 2028
34.	自動售賣機	Shenzhen Youbaokesi	PRC	ZL 2018 2 14174089	August 30, 2018	August 30, 2028
35.	自動售賣機	Shenzhen Youbaokesi	PRC	ZL 2018 2 16213105	September 30, 2018	September 30, 2028

No.	Patent name	Registered owner	Place of registration	Registration number	Registration date	Expiry date
36.	一體式格間組件和自動售貨機	Shenzhen Youbaokesi	PRC	ZL 2018 2 16239618	September 30, 2018	September 30, 2028
37.	防水防蟲售賣展示格間和自動售貨機	Shenzhen Youbaokesi	PRC	ZL 2018 2 16240437	September 30, 2018	September 30, 2028
38.	刷臉模塊(二代)	Our Company	PRC	ZL 2018 3 0721888.7	December 12, 2018	December 12, 2028
39.	攝像模組結構	Our Company	PRC	ZL 2019 2 0290956.8	March 7, 2019	March 7, 2029
40.	刷臉支付智能貨櫃	Our Company	PRC	ZL 2019 3 0198268.4	April 26, 2019	April 26, 2029
41.	自動售貨櫃	Our Company	PRC	ZL 2019 2 09476986	June 21, 2019	June 21, 2029
42.	一種貨櫃	Shenzhen Youbaokesi	PRC	ZL 2019 2 16676402	September 30, 2019	September 30, 2029
43.	售貨機備貨系統	Our Company	PRC	ZL 2019 2 20813794	November 27, 2019	November 27, 2029
44.	貨道支架、貨櫃和售貨機	Our Company	PRC	ZL 2020 2 01366622	January 21, 2020	January 21, 2030
45.	貨物支架和貨櫃	Our Company	PRC	ZL 2020 2 01366618	January 21, 2020	January 21, 2030
46.	框架(友唱娛樂機)	Xiamen Technology	PRC	ZL 2016 3 0445787.2	August 30, 2016	August 30, 2026
47.	帶圖形用戶界面的點唱機(友唱MBAR)	Xiamen Technology	PRC	ZL 2016 3 0556678.8	November 16, 2016	November 16, 2026
48.	錄音練歌吧(友唱2.0)	Xiamen Technology	PRC	ZL 2017 3 0017666.2	January 17, 2017	January 17, 2027
49.	基於話筒的語音點播系統	Xiamen Technology	PRC	ZL 2017 2 0937852.2	July 31, 2017	July 31, 2027
50.	膠囊咖啡機(U0)	Shenzhen Youka	PRC	ZL 2018 3 0533485.X	September 21, 2018	September 21, 2028
51.	自助膠囊咖啡機(U1)	Shenzhen Youka	PRC	ZL 2019 3 0127390.2	March 26, 2019	March 26, 2029
52.	商品派發管理方法及設備和計算機可讀存儲介質	Shenzhen Youbaokesi	PRC	ZL 2019 1 0853541.1	September 10, 2019	September 10, 2039

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our business:

(i) Software (軟件)

No.	Copyright	Version	Owner	Registration number	Registration date	Place of registration
1.	CRM客戶管理系統	1.0	Our Company	2013SR065687	July 15, 2013	PRC
2.	一對一空間機端系統	1.0	Our Company	2019SR0276160	March 25, 2019	PRC
3.	企業數據統計和分析軟件	1.0	Our Company	2015SR260195	December 15, 2015	PRC
4.	友寶售貨機人臉識別系統	1.0	Our Company	2016SR350232	December 2, 2016	PRC
5.	友寶售貨機終端購買系統	1.0	Our Company	2016SR350228	December 2, 2016	PRC
6.	友寶商家服務平台	1.0	Our Company	2019SR0852984	August 16, 2019	PRC
7.	友寶物聯連接管理平台	1.0	Our Company	2019SR1147712	November 13, 2019	PRC
8.	多媒體廣告管理平台系統	1.0	Our Company	2018SR218893	March 29, 2018	PRC
9.	貨櫃數據運營平台	1.0	Our Company	2021SR0820302	June 2, 2021	PRC
10.	友寶商家服務平台	2.0	Our Company	2021SR0815174	June 2, 2021	PRC
11.	智能商品推薦系統	1.0	Our Company	2018SR218923	March 29, 2018	PRC
12.	友寶支付管理系統	1.0	Youbao Anglai	2013SR069967	July 20, 2013	PRC
13.	售貨機控制軟件	1.0	Youbao Anglai	2013SR071517	July 23, 2013	PRC
14.	飲料售貨機系統	1.0	Youbao Anglai	2013SR071915	July 23, 2013	PRC
15.	友寶客服後台管理系統	1.1	Youbao Anglai	2014SR150307	October 11, 2014	PRC
16.	友寶運營客戶端管理系統	1.0	Youbao Anglai	2014SR150840	October 11, 2014	PRC
17.	友寶運營客戶端軟件	1.0	Youbao Anglai	2014SR150856	October 11, 2014	PRC
18.	售貨機基礎服務平台	2.0	Youbao Anglai	2015SR237225	November 30, 2015	PRC
19.	售貨機管理平台	2.0	Youbao Anglai	2015SR236804	November 30, 2015	PRC
20.	基於ARM架構的自動售貨機工控系統	2.0	Youbao Anglai	2015SR236809	November 30, 2015	PRC
21.	在線應用平台	1.0	Youbao Anglai	2017SR334512	June 30, 2017	PRC
22.	獨立櫃控制系統	1.0	Youbao Anglai	2017SR080986	March 16, 2017	PRC
23.	支付中心系統	1.0	Youbao Anglai	2018SR218901	March 29, 2018	PRC
24.	支付中心系統	2.0	Youbao Anglai	2019SR0840253	August 13, 2019	PRC
25.	獨立櫃控制系統	2.0	Youbao Anglai	2019SR0840241	August 13, 2019	PRC
26.	IPVOD	3.0	Xiamen Technology	2000SR2398	November 20, 2000	PRC
27.	前沿IPVOD視頻服務系統	4.0	Xiamen Technology	2005SR12067	October 12, 2005	PRC
28.	前沿IPVOD視頻服務系統	5.0	Xiamen Technology	2009SR052089	November 9, 2009	PRC
29.	前沿娛樂管理系統	1.0	Xiamen Technology	2009SR052088	November 9, 2009	PRC
30.	咖啡機服務器系統	1.32	Shenzhen Youka	2018SR762139	September 19, 2018	PRC

No.	Copyright	Version	Owner	Registration number	Registration date	Place of registration
31.	咖啡機管理系統	1.19	Shenzhen Youka	2018SR759573	September 18, 2018	PRC
32.	咖啡機運維工單系統	1.8	Shenzhen Youka	2018SR811360	October 11, 2018	PRC
33.	智能現磨咖啡機製作售賣軟件	1.1.1.2	Shenzhen Youka	2018SR579135	July 24, 2018	PRC
34.	友寶便利櫃管理系統 (簡稱:便利櫃管理系統)	2.1	Shenzhen Youbaokesi	2016SR147413	June 20, 2016	PRC
35.	售貨機點位管理系統 (簡稱:點位管理系統)	2.1	Shenzhen Youbaokesi	2016SR147391	June 20, 2016	PRC
36.	友寶客戶管理系統 (簡稱:客戶管理系統)	2.2	Shenzhen Youbaokesi	2016SR147400	June 20, 2016	PRC
37.	售貨機管理系統	1.0	Shenzhen Youbaokesi	2017SR429243	August 7, 2017	PRC
38.	商品流向管理系統 (簡稱:商品流向管理)	1.0	Shenzhen Youbaokesi	2018SR218116	March 29, 2018	PRC
39.	友寶數據平台	1.0	Shenzhen Youbaokesi	2019SR0308343	April 8, 2019	PRC
40.	友吧客APP系統	1.0	Shenzhen Youbaokesi	2019SR1104119	October 31, 2019	PRC
41.	智能設備終端平台系統 (簡稱:智能終端平台)	1.0	Shenzhen Youbaokesi	2021SR0803013	May 31, 2021	PRC

(d) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	ipktv.com	Our Company	June 20, 2003	June 20, 2024
2.	uboxol.com	Our Company	July 12, 2011	July 12, 2026
3.	uparty.cn	Our Company	August 6, 2014	August 6, 2027
4.	uboxcdn.cn	Shenzhen Youbaokesi	June 24, 2015	June 24, 2028
5.	uboxcdn.com	Shenzhen Youbaokesi	February 26, 2015	February 26, 2027
6.	uboxwx.com	Shenzhen Youbaokesi	February 26, 2015	February 26, 2027
7.	ubox-wx.com	Shenzhen Youbaokesi	February 26, 2015	February 26, 2027
8.	3woa.cn	Xiamen Technology	February 4, 2013	February 4, 2028
9.	3woa.com	Xiamen Technology	February 4, 2013	February 4, 2028
10.	ipktv-promotions.cn	Xiamen Technology	November 4, 2020	November 4, 2023
11.	ipvod.com	Xiamen Technology	October 5, 1999	October 5, 2031
12.	qy-music.cn	Xiamen Technology	April 5, 2017	April 5, 2027
13.	ucmbar.com	Xiamen Technology	August 26, 2016	August 26, 2027
14.	youcoffee.com.cn	Shenzhen Youka	March 6, 2017	March 6, 2030
15.	Ubox360buy.com	Youbao Anglai	August 23, 2021	August 23, 2031

Save as aforesaid, as at the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and the Chief Executive of Our Company

Immediately following the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company (other than Mr. Wang and Mr. Chen, whose interests in the Company have been disclosed in the "Substantial Shareholders" section) in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, in each case once the Shares are [**REDACTED**] on the Hong Kong Stock Exchange, will be as follows:

(i) Interest in our Company

Name of Director, Supervisor or Chief Executive	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Number of Shares under outstanding options granted	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Ms. Cui Yan	Beneficial owner	H Shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	Unlisted Shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Huang Ronghui	Beneficial owner	H Shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	Unlisted Shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-[**REDACTED**] Incentive Scheme.

(b) Interests of the Substantial Shareholders

For information on the persons who will, immediately following the completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the exercise of any options which may be granted pursuant to the Pre-[**REDACTED**] Incentive Scheme, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders."

(c) Interests in Other Members of our Group

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of subsidiary	Name of shareholder	Approximate % of interest
Shenzhen Youbaohui Advertising Media Co., Ltd. (深圳友寶惠廣告傳媒有限公司)	Diao Duanlin (刁端林)	30%
Shenzhen Youka Technology Co., Ltd. (深圳市友咖科技有限公司)	Ji Bin (季斌)	16.7567%
Sichuan Youlin Kesi Technology Co., Ltd. (四川友鄰科斯科技有限公司)	Chengdu Lancaixuri Trading Co., Ltd. (成都市蘭彩旭日商貿有限公司)	49%

Name of subsidiary	Name of shareholder	Approximate % of interest
Shenzhen Youfu Sharing Trading Co., Ltd. (深圳友富同享商貿有限公司)	Guangzhou Fuyu Intelligent Technology Co., Ltd (廣州富宏智能科技有限公司)	49%
Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司)	Foshan Hemeizhike Technology Co., Ltd. (佛山合美智科技有限公司)	30%
Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司)	Shao Lin (邵林)	19%
Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司)	Gongqingcheng Tongyao Industrial Partnership (Limited Partnership) (共青城通耀實業合夥企業(有限合夥))	16%
Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司)	Wu Mingjie (吳名傑)	14%
Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司)	Yang Ling (楊淩)	13%
Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司)	Cao Shuang (曹爽)	12%
Shenzhen Youbao Online Technology Co., Ltd. (深圳市優寶在線科技有限公司)	Guangdong Youyou Internet Technology Co., Ltd. (廣東優友網絡科技有限公司)	10%
Shenzhen Youye Technology Co., Ltd (深圳友椰科技有限公司)	Lai Hang (賴航)	41%
Shenzhen Youye Technology Co., Ltd (深圳友椰科技有限公司)	Shenzhen Baihang Management Advisory Partnership (Limited Partnership) (深圳市佰航管理諮詢合夥企業(有限合夥))	14.8%

2. Directors' and Supervisors' Service Contracts and Letters of Appointment

We [have entered] into a contract with each of our Directors and Supervisors. The principal particulars of these service contracts include (i) the term of service, and (ii) are subject to termination in accordance with their respective term. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors and Supervisors

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors and Supervisors in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023 was approximately RMB5.5 million, RMB162.9 million, RMB4.6 million, RMB4.2 million and RMB36.2 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in 2019, 2020, 2021, 2022 and the six months ended June 30, 2023, by any of member of the Group to any of our Directors or Supervisors.

Under the arrangements currently in force, save as the options in relation to not more than 37,862,946 Domestics Shares the Company expect to grant under the Pre-[**REDACTED**] Incentive Scheme, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending December 31, 2023 to be approximately RMB4.5 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this Appendix and in sections headed "Directors, Supervisors and Senior Management" and "Substantial Shareholders" in this document:

(a) none of our Directors or Supervisors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are [**REDACTED**] on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or Supervisors or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors or Supervisors nor any of the persons listed in "Other Information – Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or Supervisors nor any of the persons listed in "Other Information – Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with [**REDACTED**], none of the persons listed in "– E. Other Information – 5. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors or Supervisors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the [**REDACTED**], none of our Directors or Supervisors or their respective associates (as defined under the Hong Kong Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEME

1. Pre-[REDACTED] Incentive Scheme

The following is a summary of the principal terms of the Pre-[**REDACTED**] Incentive Scheme approved and adopted by our then Shareholders on May 31, 2021 (the "**Adoption Date**"). The purpose of the Pre-[**REDACTED**] Incentive Scheme is to further refine the incentive system of our Company by linking the personal interests of our officers, directors and employees, and to attract technical and managerial talents in the industry to join our Company.

(a) Who may participate

The scope of the eligible participants ("**Eligible Participants**") is determined, having taken into account the actual situation of the Company, in accordance with the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association.

The Participants include senior management, key technical personnel, other personnel of our Company approved by the Board, or other personnel who have direct impact on the overall results and continuous development of our Company and our subsidiaries, and the aforesaid Participants shall have worked for our Company or our subsidiaries or branches for at least three years and shall not include independent directors and supervisors of our Company.

(b) Grant of Options

An option ("**Option**") shall be granted to an Eligible Participant by signing an option award agreement (the "**Option Agreement**") with the Company, specifying the number of shares and any other terms and conditions (including, without limitation, any attainment of performance milestones upon which the exercise of the option shall be conditional) on which it is granted. The Option Agreement shall serve as evidence of the grant of the Option to the Eligible Participant (the "**Grantee**"), and all Options shall be granted and vested in accordance with the terms of the rules of the Pre-[**REDACTED**] Incentive Scheme.

(c) Maximum number of Shares in respect of which Options may be granted

The maximum aggregate number of underlying Shares which may be issued upon exercise of all Options is 37,862,946 Unlisted Shares. Such maximum number of Shares will be adjusted in the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, to proportionally reflect any capitalization of profits or reserves, rights issue, sub-division, or consolidation of shares or reduction of share capital of our Company.

(d) Exercise price

Subject to the rules of the Pre-[**REDACTED**] Incentive Scheme, the exercise price in respect of any Options granted shall be RMB1.99.

(e) Duration of the Pre-[**REDACTED**] *Incentive Scheme*

The Pre-[**REDACTED**] Incentive Scheme shall be valid and effective for the period of time commencing from the date of grant of Options (the "**Effective Date**") and expiring on the day when all Options granted under the Pre-[**REDACTED**] Incentive Scheme is exercised or cancelled, and shall in any event no later than the date which is ten years after the Effective Date. No Options may be granted from the [**REDACTED**].

(f) Vesting and Exercise of Options

The Options shall not be exercised before the [**REDACTED**]. Subject to satisfaction of the relevant conditions of exercise, the Options shall be exercisable after the [**REDACTED**] in three batches and in accordance with the following arrangement:

Exercise period	**Duration**	**Proportion of exercisable Share Options to the total number of Share Options granted**
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%
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%

Exercise period	Duration	Proportion of exercisable Share Options to the total number of Share Options granted
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%

If the relevant conditions of exercise in respect of the relevant exercise period are not fulfilled, the relevant batch of the Options shall not be exercised or become exercisable in the next exercise period, and shall be cancelled by the Company.

(g) Lock-up

The Unlisted Shares to be issued to the Grantees pursuant to the exercise of the Options are subject to lock-up restrictions in accordance with Company Law, the Securities Law and other relevant laws and regulations and the Articles of Association, in particular, where the Grantee is a Director, supervisor or a member of the senior management of our Company, the number of Shares which may be transferred by the Grantee each year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Grantee shall not transfer any Shares held by him/her within (x) one year from the [**REDACTED**] and (y) six months after his/her resignation from the positions held in our Group.

(h) Ranking of the Shares

The Unlisted Shares to be allotted and issued upon the exercise of an Option will be subject to the provisions of the Articles of Association and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the Option subject to the rules of the Pre-[**REDACTED**] Incentive Scheme.

(i) Transfer of Options

After exercising the right and subscribing the shares of the Company after the [**REDACTED**], the Grantee can obtain the proceeds through secondary market reduction after the expiration of the lock-up period, which is subject to the prerequisites stipulated the Pre-[**REDACTED**] Incentive Scheme.

(j) Arrangements for Special Circumstances the Pre-[**REDACTED**] *Incentive Scheme*

In the event that the Grantee retires, dies (naturally or due to injuries sustained from work) or became incapacitated, all his/her Options which are exercisable but not yet exercised shall remain exercisable and shall be exercised within three months after the occurrence of such circumstance(s), and his/her Share Options which are not exercisable shall be cancelled.

(k) Alteration of the Pre-[**REDACTED**] *Incentive Scheme*

The Board may in special circumstances amend the Pre-[**REDACTED**] Incentive Scheme provided, however, that our Company shall comply with all necessary approval, registration and filing requirements and make relevant disclosures in accordance with all applicable laws and regulations.

(l) Outstanding Options granted under the Pre-[**REDACTED**] *Incentive Scheme*

As of the Latest Practicable Date, Options to subscribe for a total of 37,750,000 Unlisted Shares, representing approximately [**REDACTED**] of the total issued share capital of our Company immediately after completion of the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the Options granted have not been exercised and remain outstanding) have been granted to 27 Grantees under the Pre-[**REDACTED**] Incentive Scheme. Assuming full vesting and exercise of the outstanding Options, the shareholding percentage of our Shareholders immediately following the [**REDACTED**] would be diluted by approximately [**REDACTED**] as calculated based on [**REDACTED**] Shares then in issue (assuming the [**REDACTED**] is not exercised). The Company will not grant further Options under the Pre-[**REDACTED**] Incentive Scheme after the [**REDACTED**].

The table below sets out the details of options granted to the connected persons and key employees of our Group under the Pre-[**REDACTED**] Incentive Scheme:

Name of Grantee	Address	Relationship with the Group/Positions Held in Our Company	Date of Grant	Total Number of Shares Underlying the Options Granted	Vesting Period(Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Connected person							
Mr. Wang Bin	Unit C15, Chunshui'an Townhouse, Overseas Chinese Town, Nanshan District, Shenzhen, PRC	Chairman of our Board, chief executive officer and executive Director of our Company and director and general manager of our subsidiary	January 10, 2023	15,000,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]

Name of Grantee	Address	Relationship with the Group/Positions Held in Our Company	Date of Grant	Total Number of Shares Underlying the Options Granted	Vesting Period(Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Mr. Chen Kunrong	Unit 8B, 2nd Floor, Block 4, Bolin Tianrui, No. 4088 Liuxian Avenue, Shenzhen, PRC	President and executive Director of our Company and director, general manager and supervisor of our subsidiaries	January 10, 2023	6,000,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Cui Yan	Room 1912, Block C, Building 1, Fanhai City Plaza, Nanshan District, Shenzhen, PRC	Executive Director, deputy general manager and a joint company secretary of our Company and supervisor of our subsidiaries	January 10, 2023	4,700,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Huang Heming	Room 301, Unit B1, Building 314, District 3, Wangjing West Park, Chaoyang District, Beijing	Vice president of our Company and director, general manager and supervisor of our subsidiaries	January 10, 2023	1,550,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Huang Ronghui	No. 17-601, Moon Bay Park, Lane 288 Chengfeng Road, Chuansha Town, Pudong New Area, Shanghai, PRC	Assistant to chief operating officer and supervisor of our Company and director and general manager of our subsidiary	January 10, 2023	400,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Cheng Ling	Room 11A, Building 4, Phase I, Haiyin Great Wall, Nanshan District, Shenzhen	Chief officer of our Company and supervisor of our subsidiaries	January 10, 2023	300,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. You Dong	Room 402, No. 12 Hengshan Yili, Houxi Town, Jimei District, Xiamen, Fujian Province	Regional marketing manager of our Company and director and general manager of our subsidiary	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Ou Zuoqiang	Room 202, Floor 2, Building 8, Times Bund, No. 400, Shaxi Avenue, Panyu District, Guangzhou	Regional marketing manager of our Company and director and general manager of our subsidiary	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]

Name of Grantee	Address	Relationship with the Group/Positions Held in Our Company	Date of Grant	Total Number of Shares Underlying the Options Granted	Vesting Period(Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Mr. Zhu Ji	Room 302, No. 35 Lane 111, West Guilin Street, Xuhui District, Shanghai	Vice president of our Company and supervisor of our subsidiary	January 10, 2023	200,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Lai Xianmei	Room 403, No. 69, Lane 645, Fengshun Road, Minhang District, Shanghai	General manager of our Company and director and supervisor of our subsidiaries	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Li Shuhua	Room 2001, No. 18 Yihe Shengshi Fifth Street, Huadou District, Guangzhou	General manager of our Company and supervisor of our subsidiaries	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Shen Xuebin	Room 19-3103, Lijing Harbour, No. 88 Tongxing East Road, Yongquan, Wenjiang District, Chengdu	General manager of our Company and director, general manager and supervisor of our subsidiaries	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. He Bensheng	Room 1001, Unit 2, Flat 30, Mingjing Mansion, Capital City, Xinzhuang Town, Jinnan District, Tianjin	General manager of our Company and director and general manager of our subsidiary	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Zhou Hongxing	Room 1703, Block 41, Phase 1, Xinchengzhi Plaza, Jimei District, Xiamen	General manager of our Company and supervisor of our subsidiary	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Key Employee							
Mr. Wang Ge	E1003, Meijia Plaza, Nanshan District, Shenzhen	Chief financial officer of our Company and a member of our senior management	January 10, 2023	4,700,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Chao Hua	Room 405, Building C, Xinghe Zhihui, No. 1 Yinhai Street, Yuanshan Street, Longgang District, Shenzhen	deputy general manager of our Group and a member of our senior management	January 10, 2023	800,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]

Name of Grantee	Address	Relationship with the Group/Positions Held in Our Company	Date of Grant	Total Number of Shares Underlying the Options Granted	Vesting Period(Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Mr. Li Xuebing	Room 27A, Block 6, Phase 1, The Peninsula, No. 1, Jinshiji Road, Shekou Street, Nanshan District, Shenzhen	Chief officer and marketing manager of our Group	January 10, 2023	800,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Li Ping	Room 18A, Building J, Baoneng City Garden, Tanglang Community, Taoyuan Street, Nanshan District, Shenzhen	General manager of our Group	January 10, 2023	800,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Guo Yonglin	Room 27B, Building 2, Bolin Tianrui, Nanshan District, Shenzhen	General manager of our Group	January 10, 2023	700,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Qi Bailing	Room 1706, Building B, Fengjingju, Guifangyuan, Nanwan Street, Longgang District, Shenzhen	Chief officer of our Group	January 10, 2023	300,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Ms. Zhou Chuanjiao	C802, Xicheng Yazhu, Xincheng Street, Baoan District, Shenzhen	Chief officer of our Group and general partner of Shenzhen Youhui	January 10, 2023	400,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Yao Sida	Room 1305, Block B, Hongzhou Xindu, Nanshan District, Shenzhen	Deputy chief officer of our Group	January 10, 2023	500,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]
Mr. Gu Xiufu	Room 1003, Building 10, Hefeng Xihua Yayuan, No. 33, Qunli Road, Loufeng Street, Suzhou Industrial Park	Regional marketing manager of our Group	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[REDACTED]

Name of Grantee	Address	Relationship with the Group/Positions Held in Our Company	Date of Grant	Total Number of Shares Underlying the Options Granted	Vesting Period(Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital(Note 2)
Mr. Du Jinning	Room 1103, Unit 2, Building 2, Phase I, Jinxiu Mansion, No. 19 East Paotai Street, Nanjing City, Jiangsu Province	Regional marketing manager of our Group	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[**REDACTED**]
Mr. Long Xiangxin	Room 104, Unit 2, Building 3, Qinghe New Town, Haidian District, Beijing	Regional marketing manager of our Group	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[**REDACTED**]
Mr. Wan Yi	Room 1801, No. 2515, Pudong Avenue, Shanghai	Regional marketing manager of our Group	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[**REDACTED**]
Mr. Zong Jun	Room 1907, Building 24, Zhangpuyu Garden, Zhangpu Town	General manager of our Group	January 10, 2023	50,000	3 years from the First Exercise Date	1.99 per Share	[**REDACTED**]
Total				37,750,000			[**REDACTED**]

Notes:

1. 40%, 30% and 30% of the total numbers of the Options granted shall vest on the first, second, and third anniversary of the date 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**"). For further details, see "— D. Share Incentive Scheme — 1. Pre-[**REDACTED**] Incentive Scheme — (f) Vesting and Exercise of Options" in this section.

2. The calculation on the total number of [**REDACTED**] Shares in issue immediately following the completion of the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares that may be issued pursuant to the exercise of options which have been granted under the Pre-[**REDACTED**] Incentive Scheme.

(m) General

The Pre-[**REDACTED**] Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve grant of options by us after [**REDACTED**].

2. 2020 Incentive Scheme

In 2020, our Company adopted the 2020 Incentive Scheme and established Shenzhen Youhui as platform to hold Shares for the option grantees under 2020 Incentive Scheme. The terms of the 2020 Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as there are no outstanding options under the 2020 Incentive Scheme and no options will be granted by our Company after [**REDACTED**]. Given that all the underlying Shares had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the options under the 2020 Incentive Scheme. No further awards will be granted after [**REDACTED**].

The purpose of 2020 Incentive Scheme was to incentivize our management members and core employees to further promote our development and in recognition of their contributions.

Eligible participants of the 2020 Incentive Scheme include senior management, mid-level management and core business personnel of our Company. The number of option grantees under 2020 Incentive Scheme should not exceed 10% of the total number of employees of our Company.

The maximum number of Shares may be granted to option grantees shall be 22,438,106 Shares. Upon grant of the options, option grantees shall exercise their options during the one-month period from December 23, 2020. The grant price of such options was RMB0.10 per Share.

As of the Latest Practicable Date, options to acquire a total of 22,438,106 Shares were granted, pursuant to which each of Mr. Wang, Mr. Chen, Ms. Cui Yan (an executive Director) and Mr. Wang Ge (a senior management of our Group) was granted options to directly acquire 7,000,000 Shares, 4,000,000 Shares, 3,000,000 Shares and 3,000,000 Shares, respectively, while the remaining 5,438,106 Shares were held by Shenzhen Youhui. As at the Latest Practicable Date, there was no outstanding option granted under the 2020 Incentive Scheme and all options which were granted had been exercised.

Zhou Chuanjiao is currently the sole general partner of Shenzhen Youhui, and Shenzhou Youhui had 23 limited partners, all of whom were employees of our Group who had obtained their respective limited partnership interests as a result of exercising their options granted under the 2020 Incentive Scheme.

The option grantees are not permitted to sell any Shares granted under the 2020 Incentive Scheme until the [**REDACTED**] and be further subject to the following lock-up periods depending on the rank of the employee in our Company:

(a) For senior management option grantees:

Lock-up Duration	**Proportion of Shares granted to the total number of Share granted**
One year after [**REDACTED**]	40%
Two years after [**REDACTED**]	30%
Three years after [**REDACTED**]	30%

(b) For mid-level management option grantees:

Lock-up Duration	**Proportion of Shares granted to the total number of Share granted**
One year after [**REDACTED**]	50%
Two years after [**REDACTED**]	50%

(c) Shares held by core business personnel will not be subject to lock-up after [**REDACTED**].

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the [**REDACTED**] of, and permission to deal in, the H Shares to be issued pursuant to the [**REDACTED**] (including the H Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and the H Shares to be converted from the Unlisted Shares upon completion of the [**REDACTED**]. [All necessary arrangements have been made to enable our H Shares to be admitted into [**REDACTED**].]

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$1.2 million for acting as the sponsors for the [**REDACTED**].

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
China Securities (International) Corporate Finance Company Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) as defined under the SFO

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Han Kun Law Offices	Legal advisors as to PRC Law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "E. Other Information – 5. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

8. Preliminary Expenses

The Company did not incur any preliminary expenses for the purpose of the Hong Kong Listing Rules.

9. Agency Fees or Commissions Paid or Payable

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within two years immediately preceding the date of this document.

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "– Changes in the Share Capital of Our Company" and "– Changes in the Share Capital of Our Subsidiaries", neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as in connection with the [**REDACTED**], no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) no commission has been paid or payable (except commission to sub-[**REDACTED**]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since June 30, 2023 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(iii) our Company has no outstanding convertible debt securities or debentures.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the material contracts referred to in "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV; and

(b) the written consents referred to in "Statutory and General Information – E. Other Information – 6. Consents of Experts" in Appendix IV.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.uboxol.com** up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountant's Report and the report on the unaudited [**REDACTED**] financial information of the Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II, respectively;

(c) the audited consolidated financial statements of our Company for the Track Record Period;

(d) the legal opinions issued by Han Kun Law Offices, our PRC legal advisor, dated [**REDACTED**] in respect of certain aspects of our Group;

(e) Frost & Sullivan Report;

(f) the PRC Company Law, the Trial Measures together with their unofficial English translations;

(g) the material contracts referred to in "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV;

(h) the written consents referred to in "Statutory and General Information – E. Other Information – 6. Consents of Experts" in Appendix IV;

(i) service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 2. Directors' and Supervisors' Service Contracts and Letters of Appointment" in Appendix IV; and

(j) the rules of the Pre-[**REDACTED**] Incentive Scheme, including the list of grantees of the Pre-[**REDACTED**] Incentive Scheme.