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)

Stock Code : 2429

ANNUAL REPORT 2023

CONTENTS

"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-IPO Incentive Scheme" in the Prospectus
"AGM"	the annual general meeting of the Company to be held on Tuesday, May 21, 2024
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Auditor"	the auditor of the Company
"Board" or "Board of Directors"	the board of Directors
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the PRC Company Law
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Company," "our Company" or "the 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
"COVID-19"	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
"Director(s)"	the director(s) of the Company
"FMCG"	fast-moving consumer goods
"Global Offering"	the global offering of the Shares in connection with the Listing
"GMV"	gross merchandise value, the total value (inclusive of value-added tax) of all merchandise sold at Ubox POSs under our unmanned retail business
"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)

"H Share(s)"	overseas listed foreign Shares in the share capital of our Company with a nominal value of RMB1.0 each, which are traded in HK dollars and are listed on the Hong Kong Stock Exchange
"HK$" "Hong Kong dollars", "HK dollars" or "cents"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"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
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules
"Latest Practicable Date"	April 25, 2024, being the latest practicable date prior to the publication of this annual report
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 3, 2023, on which the H Shares were listed on the Hong Kong Stock Exchange and from which dealings in the Shares were permitted to commence on the Hong Kong Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"mainland China"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"merchandise wholesale customer(s)"	primarily being vending machine operator(s) that purchase(s) merchandise from us on a wholesale basis
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee under the Board

"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
"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
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"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
"Pre-IPO 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-IPO Incentive Scheme" in Appendix IV to the Prospectus
"Pre-IPO Investment(s)"	the pre-IPO investment(s) undertaken by the Pre-IPO Investors, details of which are set out in "History and Development – Pre-IPO Investments" in the Prospectus
"Pre-IPO Investor(s)"	holder(s) of Shares pursuant to the Pre-IPO Investments, the details of which are set out in "History and Development – Pre-IPO Investments" in the Prospectus
"Prospectus"	the prospectus of the Company dated October 24, 2023
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2023
"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
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"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, supplemented or otherwise modified from time to time
"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-IPO Investors
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Single Largest Group of Shareholders"	Mr. Wang Bin and Mr. Chen Kunrong. See the section headed "Relationship with Our Single Largest Group of Shareholders" in the Prospectus for detailed information
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of our Company
"Ubox POS(s)"	POS(s) operated by us under our direct operation model and partner model
"Unlisted Shares"	ordinary Shares in the share capital of our Company with a nominal value of RMB1.0 each, which are not listed on any stock exchange
"%"	percent

In this report, the terms "associate," "close associate," "connected person," "connected transaction," "continuing connected transaction," "controlling shareholder," "core connected person," "subsidiary", "insignificant 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 report and their English translations, the Chinese names shall prevail. The English translations of such Chinese names are provided for identification purposes only.

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Bin *(Chairman and Chief Executive Officer)*
Mr. Chen Kunrong
(resigned with effect from January 11, 2024)
Mr. Yu Lizhi
Ms. Cui Yan

Non-executive Directors

Mr. Zhu Chao
Ms. An Yufang

Independent non-executive Directors

Mr. Wang Xiaochuan
Ms. Guo Wei
Mr. Zhang Chen

AUDIT COMMITTEE

Ms. Guo Wei *(Chairlady)*
Mr. Wang Xiaochuan
Mr. Zhang Chen

REMUNERATION COMMITTEE

Mr. Wang Xiaochuan *(Chairman)*
Mr. Yu Lizhi
Ms. Guo Wei

NOMINATION COMMITTEE

Mr. Wang Bin *(Chairman)*
Ms. Guo Wei
Mr. Wang Xiaochuan

SUPERVISORS

Ms. Qin Yi
Mr. Huang Ronghui
Mr. Qi Rupeng

JOINT COMPANY SECRETARIES

Ms. Cui Yan
Ms. Hui Yin Shan

AUTHORIZED REPRESENTATIVES

Ms. Cui Yan
Ms. Hui Yin Shan

HONG KONG LEGAL ADVISORS

Han Kun Law Offices LLP
Rooms 3901-05, 39/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building,
Central,
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
26/F-28/F Low Block Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Room 128
Yunkai Real Estate Office Building
No. 8 Kangbao Road
Economic Development Zone
Miyun District
Beijing
PRC

HEADQUARTER

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

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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

STOCK CODE

2429

FINANCIAL SUMMARY AND OPERATING METRICS

Condensed consolidated statement of comprehensive income

	For the year ended December 31, 2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**2,672,020**	2,519,224	2,676,237	1,902,010	2,727,461
Cost of Sales[(1)]	**(1,583,351)**	(1,442,488)	(1,575,113)	(1,343,449)	(1,398,265)
Gross profit	**1,088,669**	1,076,736	1,101,124	558,561	1,329,196
Operating (loss)/profit[(2)]	**(299,457)**	(243,670)	(167,006)	(1,135,708)	109,702
(Loss)/profit before income tax	**(313,998)**	(272,256)	(184,615)	(1,171,524)	43,845
(Loss)/profit for the year	**(319,473)**	(283,069)	(188,194)	(1,184,196)	39,649
(Loss)/profit attributable to:					
– Owners of the Company	**(327,295)**	(284,529)	(185,000)	(1,172,461)	45,142
– Non-controlling interests	**7,822**	1,460	(3,194)	(11,735)	(5,493)
Adjusted EBITDA (non-HKFRS measure)	**65,516**	**21,024**	**66,600**	**(634,048)**	**319,369**
Adjusted net (loss)/profit (non-HKFRS measure)	**(203,194)**	**(260,992)**	**(170,283)**	**(973,278)**	**39,649**

Notes:

1. Consists of (i) cost of inventories sold, (ii) subcontractor cost of advertising resources, (iii) taxes and surcharges and others.

2. Operating 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 losses, net.

Condensed consolidated statement of financial position

	For the year ended December 31, 2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Assets					
Non-current assets	**740,328**	1,000,862	1,151,214	1,165,806	1,785,365
Current assets	**772,330**	518,007	785,396	1,032,918	1,843,674
Total assets	**1,512,658**	1,518,869	1,936,610	2,198,724	3,629,039
Liabilities					
Non-current liabilities	**13,643**	23,337	42,957	114,406	197,399
Current liabilities	**527,080**	493,596	609,487	615,400	780,296
Total liabilities	**540,723**	516,933	652,444	729,806	977,695
Total equity	**971,935**	1,001,936	1,284,166	1,468,918	2,651,344

OPERATING METRICS

	As of December 31,				
	2023	2022	2021	2020	2019
Ubox POSs by city tier					
Tier one cities	**19,117**	19,929	21,572	15,836	16,625
New tier one cities	**20,546**	23,077	30,580	17,725	21,462
Tier two cities	**12,719**	14,405	22,097	15,228	15,838
Tier three cities	**5,030**	5,820	7,042	5,718	6,420
Others	**2,309**	3,001	3,848	3,960	3,106
Total	**59,721**	66,232	85,139	58,467	63,451

	As of December 31,				
	2023	2022	2021	2020	2019
Ubox POSs by consumption scenario					
Schools	**16,230**	18,706	19,738	18,195	14,611
Factories	**15,911**	16,998	17,695	13,528	16,197
Office premises	**12,381**	13,876	14,113	11,059	12,797
Public venues[(1)]	**7,550**	8,751	9,877	9,063	11,321
Transportation hubs	**1,618**	2,265	3,587	3,773	3,884
Restaurants	**723**	1,636	16,490	129	183
Others[(2)]	**5,308**	4,000	3,639	2,720	4,458
Total	**59,721**	66,232	85,139	58,467	63,451

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.

Dear Shareholders,

On behalf of the Board of Directors of Beijing UBOX Online Technology Corp. (hereinafter referred to as "UBOX" or "the Company"), I would like to report to you our consolidated results of the Company for the year 2023, and share with you our business developments and future strategic plans.

Over the past year, UBOX has demonstrated its resilience and growth in a market environment characterized by both challenges and opportunities. Despite the complex and volatile global economic environment, especially the impact of the COVID-19 pandemic, we continued to innovate and optimize our services in the sector of ubiquitous unmanned retail, and achieved the total revenue of RMB2,672 million, representing an increase of 6.1% as compared with that of the previous year, and demonstrating strong operational resilience and business potential.

With regard to the primary business, the unmanned retail business, benefiting from the adjustments in domestic pandemic prevention and control policies as well as the recovery in economic activity, we managed to boost merchandise sales in our POS network, resulting in a 3.0% year-on-year increase in revenue for this segment. Meanwhile, by the implementation of the shared warehouse strategy, the wholesale merchandise business performed particularly well, with a significant revenue growth of 117.9%. Despite the decline in the advertising and system support services due to the prudent market environment, we responded proactively and ensured the stable operation of our overall business.

During the year, although the scale of our operations was adjusted, with the total number of Ubox POSs dropping to 59,721, we have become more precise in our layout in first-tier cities, new first-tier cities and other cities at all levels, and are committed to deepening the penetration into a wide range of consumption scenarios, such as campuses, factories, office premises and public places. In response to future market trends, we will continue to increase our investment in technology research and development, upgrade the intelligence level of hardware facilities and software systems, expand the recruitment of outstanding talents, and consolidate working capital management and expenses for general purposes to drive the digitization process and the expansion in market share of UBOX.

At the corporate governance level, although the roles of Chairman of the Board of Directors and Chief Executive Officer of the Group are currently held by Mr. Wang Bin, we believe that such role integration is beneficial to enhancing the Group's business prospects and operational efficiency in view of his extensive experience and profound contribution to the Group. Although there is a certain deviation from the corporate governance code, the Board of Directors has taken steps to ensure the sound decision-making mechanism and the parity of authority and responsibility, and will continue to review and optimize the corporate governance structure.

In addition, what we would like to emphasize is that UBOX has always followed the strict financial audit system and the transparent information disclosure principle. Our audited consolidated financial statements, which have been critically reviewed by an independent audit committee and confirmed by the professional opinions from PricewaterhouseCoopers, give a true and fair view of the financial condition and performance of the Company for the year ended December 31, 2023.

Looking ahead, UBOX will continue to seize the huge opportunities in China's unmanned retail market, further enhance data analysis capabilities and back-end algorithm optimization with the help of artificial intelligence and big data technology, and strengthen product iteration and service upgrade of unmanned vending machines to adapt to more diversified consumer needs and application scenarios. Furthermore, we will further deepen our market penetration and expand our POS coverage in tier one, new tier one and tier two cities, so as to realize the scale economies effect and enhance operational efficiency and overall profitability.

Finally, I would like to express my sincere thanks to all shareholders for your support and trust. In the new year, all employees of UBOX will uphold the innovative spirit and pragmatic attitude, and work together to create more brilliant results. We are convinced that with a solid business foundation, ever-improving digital technology and refined operation management, UBOX will live up to the expectations and create long-term and sustainable value returns for its shareholders.

Please stay tuned for our future developments and may UBOX continue to scale new heights in its journey of the unmanned retail industry!

Thank you all!

Best regards.

Wang Bin

Hong Kong, March 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2023, the Group recorded total revenue of RMB2,672.0 million, representing a year-on-year growth of 6.1%; the Group recorded gross profit of RMB1,088.7 million, representing a year-on-year growth of 1.1%; loss for the year attributable to equity shareholders of the Company amounted to RMB327.3 million, representing a year-on-year increase of 15.0%; the Group's adjusted EBITDA (non-HKFRS measure) amounted to RMB65.5 million, representing a year-on-year growth of 211.6%; the Group's adjusted net loss (non-HKFRS measure) amounted to RMB203.2 million, representing a year-on-year decrease of 22.1%. The Group recorded positive operating cash inflow of RMB106.6 million, which was in a good cash flow condition.

As of December 31, 2023, the number of our Ubox POSs was 59,721, representing a year-on-year decrease of 9.8%; the number of our POS partners (excluding restaurant model partners) was 1,932, representing a year-on-year increase of 3.0%; the number of restaurant model partners was 704, representing a year-on-year decrease of 56.5%; the number of Non-Ubox POSs was 17,909, representing a year-on-year increase of 3.7%.

Unmanned retail business

In 2023, we continued to engage in the sales of FMCG through vending machines through our vast network of Ubox POSs across mainland China, supported by our data-driven operation system. We continued to offer consumers swift and convenient access to a broad selection of FMCG, including bottled beverages, snacks and freshly brewed coffee and other beverages.

The major categories of our vending machines included:

- *Pick-and-go cabinet*, our latest vending machine model that is equipped with the latest hardware technologies, structure design and lighting and combined use of biometric authentication, credit assessment algorithm and IoT technologies. It automatically detects merchandise that has been removed and check out when the consumer closes the door, simplifying the transaction process and creating a new, hassle-free consumption experience.

- *Beverage vending machine*, a vending machine that is equipped with a touch screen and biometric authentication device, it is designed to offer consumers an optimal experience in purchasing canned and bottled beverages. Our beverage vending machine is equipped with built-in biometric authentication device, allowing it to interact with the consumers' electronic wallets which support biometric authentication. 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.

- *Beverage and snack vending machine*, a vending machine that 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.

- *Freshly brewed beverage vending machine*, a machine developed by us, that can serve consumers with a wide selection of freshly brewed beverages on demand, including freshly ground and capsule coffee, tea, juice, chocolate and other special drinks such as milk tea and Chinese sweet soup.

The table below sets forth the number of Ubox POSs by type of vending machines as of the dates indicated:

	As of December 31,		Year-on-year
	2023	2022	change
			%
Vending machines by type			
Pick-and-go cabinets	**36,861**	37,660	(2.1)
Beverage vending machines	**17,330**	23,760	(27.1)
Beverage and snack vending machines	**2,781**	2,056	35.3
Freshly brewed beverage vending machines	**2,363**	2,353	0.4
Others[(1)]	**386**	403	(4.2)
Total	**59,721**	66,232	(9.8)

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

Despite 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 2023, the number of our Ubox POSs decreased from 2022 to 2023, which was mainly because our Company, the 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.

Despite the decrease in the number of our Ubox POSs, our overall operation result had improved after the relaxation of the travel restrictions and quarantine requirements in 2023 and the average monthly GMV of our vending machines had increased significantly 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:

	As of December 31,		Year-on-year
	2023	2022	change
			%
	(RMB per machine per month)		
Monthly GMV by type of vending machines			
Pick-and-go cabinets	**2,746**	2,192	25.3
Beverage vending machines	**4,172**	3,608	15.6
Beverage and snack vending machines	**3,149**	2,365	33.2
Freshly brewed beverage vending machines	**947**	934	1.4
Others[(1)]	**1**	12	(91.7)
Total	**3,154**	2,700	16.8%

Note:

(1) Others include other types of machines such as orange juice machines and coconut juice machines.

The overall average monthly GMV of our vending machines, in particular, our pick-and-go cabinets, beverage vending machines and beverage and snack vending machines, increased during the Reporting Period primarily due to the recovery of consumer traffic and sales in 2023 following the relaxation of COVID-19 policies and the strategic closure of some under-performing POSs.

Advertising and system support services

In 2023, we continued to leverage our technology and data analytics capabilities to support our digital advertising platform, which consisted primarily of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. Our retail platform allowed us to provide advertisers with extensive reach across the country. We continued to allow advertisers to deliver engaging advertising experience to consumers, which was further complemented by our ability to precisely push advertising content to consumers' mobile devices to provide optimal marketing results. As of December 31, 2023, we had 142 digital advertising service customers.

Merchandise wholesale

In 2023, in addition to selling directly to consumers through our retail platform, we also continued to sell merchandise to customers (who are typically vending machine operators) on a wholesale basis as our buyers rather than agents. We continued to leverage our data-driven operation network, procurement cost advantage resulting from bulk purchase and storage facilities to provide merchandise wholesale, which mainly comprised beverages and snacks, to our merchandise wholesale customers. As of December 31, 2022 and 2023, we had 496 and 1,196 merchandise wholesale customers, respectively. The number of our merchandise wholesale customers increased from 2022 to 2023 primarily due to our active expansion in our shared warehouse business. The increase in the merchandise wholesale customers was in line with the increase in the segment revenue from merchandise wholesale during the Reporting Period.

Some of our merchandise wholesale customers were also our Non-Ubox POS operators, who operated vending machines that were connected to our operation system. As of December 31, 2022 and 2023, 216 and 312 of our merchandise wholesale customers were also our Non-Ubox POS operators, respectively. Such increase during the Reporting Period was primarily due to our active expansion in the shared warehouse business, some of our merchandise wholesale customer, by using of our platform, became our Non-Ubox POS operators.

Vending machine sales and leases

In 2023, we continued to sell, lease and/or provide hardware support services, including machine installation and maintenance services, for vending machines to our Non-Ubox POS operator. In 2022 and 2023, the average selling price of vending machines sold was RMB7,130 and RMB5,010, respectively. The average selling price of vending machines decreased in 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

In 2023, we continued to offer 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

In 2023, we continued our non-exclusive distribution arrangement with mobile phone manufacturers and offered unmanned mobile phones and accessories retail solutions to authorized resellers of major mobile phone manufacturers with our digitalization capabilities and our extensive experience in vending machine operations. In particular, we digitalized 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) for the sales of mobile phones and accessories, and (ii) U-Buy Cloud Warehouse (優寶雲倉) for storage of mobile phones and accessories. 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 December 31, 2023, we had launched three U-Buy Cloud Cabinets and 623 U-Buy Cloud Warehouses in 502 offline stores operated by authorized resellers of major mobile phone manufacturers across mainland China. As of December 31, 2023, we cooperated with 16 resellers in our mobile device distribution services.

Karaoke Booth Services, Karaoke Booth Sales and Leases, and Karaoke Booth Operation System Support

In 2023, we continued to operate our network of karaoke booths. 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. As of December 31, 2023, we had a total of 1,148 karaoke booths POSs under the direct operation model and 1,720 karaoke booths POSs under franchising model, situated in 262 cities in mainland China. As of December 31, 2023, our music library consisted of more than 28,000 songs in different categories.

In 2023, we continued to (i) sell, lease and/or provide hardware support services, including machine installation and maintenance services, for karaoke booths to karaoke booth franchisees and (ii) provide operation system support to karaoke booth franchisees by allowing them to connect their machines to our operation system, under which the karaoke booth franchisees could access our music library over the cloud operated by third-party cloud service providers and entertainment system that supported interactive functions such as ordering songs and scoring. As of December 31, 2023, we had 580 franchisees operating the karaoke booths under franchising model.

BUSINESS REVIEW AND OUTLOOK

Revenue

We generated revenue during the Reporting Period from (i) unmanned retail business, (ii) advertising and system support services, (iii) merchandise wholesale, (iv) vending machine sales and leases and (v) others. Others mainly include 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 for the periods presented:

	For the year ended December 31,				Year-on-year change
	2023		2022		
	RMB'000	%	RMB'000	%	%
Unmanned retail business	**2,034,322**	**76.1**	1,974,657	78.4	3.0
Advertising and system support services	**115,556**	**4.3**	194,271	7.7	(40.5)
– Digital advertising services	**101,854**	**3.8**	176,216	7.0	(42.2)
– Operation system support	**13,702**	**0.5**	18,055	0.7	(24.1)
Merchandise wholesale	**287,214**	**10.7**	131,795	5.2	117.9
Vending machine sales and leases	**27,502**	**1.0**	33,840	1.3	(18.7)
Others	**207,426**	**7.9**	184,661	7.4	12.3
Total	**2,672,020**	**100.0**	2,519,224	100.0	6.1

- *Unmanned retail business.* Our revenue from unmanned retail business for the year ended December 31, 2023 amounted to RMB2,034.3 million, representing a year-on-year increase of 3.0%. The increase was 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.

- *Advertising and system support services.* Our revenue from advertising and system support services for the year ended December 31, 2023 amounted to RMB115.6 million, representing a year-on-year decrease of 40.5%. The decrease was primarily because the demand for our digital advertising services from advertisers had not fully recovered in 2023 despite the relaxation of COVID-19 policies as the advertisers generally adopted a prudent approach towards their marketing strategies and the placing of advertisements.

- *Merchandise wholesale.* Our revenue from merchandise wholesale for the year ended December 31, 2023 amounted to RMB287.2 million, representing a year-on-year increase of 117.9%. The increase was primarily due to the significant increase in the number of merchandise wholesale customers as a result of the active implementation of our shared warehouse initiative 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.* Our revenue from vending machine sales and leases for the year ended December 31, 2023 amounted to RMB27.5 million, representing a year-on-year decrease of 18.7%. The decrease was primarily due to the decrease in the average selling price of vending machines sold and the decrease in number of vending machines leased in 2023.

- *Others.* Our other segment results mainly include mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support across mainland China. Our revenue from other segments for the year ended December 31, 2023 amounted to RMB207.4 million, representing a year-on-year increase of 12.3%. The increase was primarily due to the increase in revenue of our mobile phones distribution service following the recovery of the downstream mobile device retail market in 2023.

Cost of sales

Our cost of sales 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, and (v) taxes and surcharges. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,				Year-on-year change
	2023		2022		
	RMB'000	%	RMB'000	%	%
Cost of inventories sold	**1,555,461**	**98.2**	1,368,474	94.9	13.7
Subcontractor cost of advertising resources	**1,790**	**0.1**	33,507	2.3	(94.7)
Depreciation of property and equipment	**7,338**	**0.5**	15,428	1.1	(52.4)
Depreciation of right-of-use assets	**10,092**	**0.6**	18,095	1.3	(44.2)
Taxes and surcharges	**8,670**	**0.6**	6,984	0.4	24.1
Total	**1,583,351**	**100.0**	1,442,488	100.0	9.8

Our cost of sales increased by 9.8% from RMB1,442.5 million for the year ended December 31, 2022 to RMB1,583.4 million for the year ended December 31, 2023. The increase was primarily due to the increase 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

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,				
	2023		2022		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Year-on-year change %
Unmanned retail business	**931,561**	**45.8**	891,398	45.1	4.5
Advertising and system support services	**113,391**	**98.1**	160,225	82.5	(29.2)
– Digital advertising services	**99,734**	**97.9**	142,233	80.7	(29.9)
– Operation system support	**13,657**	**99.7**	17,992	99.7	(24.1)
Merchandise wholesale	**11,049**	**3.8**	5,225	4.0	111.5
Vending machine sales and leases	**6,683**	**24.3**	10,792	31.9	(38.1)
Others	**25,985**	**12.5**	9,096	4.9	185.7
Total	**1,088,669**	**40.7**	1,076,736	42.7	1.1

For the year ended December 31, 2023, we recorded a consolidated gross profit of RMB1,088.7 million, representing a year-on-year increase of 1.1%. Our consolidated gross profit margin for the year ended December 31, 2023 was 40.7%, representing a year-on-year decrease of 2.0 percentage points.

The above year-on-year changes in our gross profit and gross profit margin for the year ended December 31, 2023 were primarily due to the decrease in revenue contribution from advertising and system support services which typically recorded higher gross profit margin than other business segments and an increase in revenue contribution from merchandise wholesale and mobile device distribution services which typically recorded lower gross profit margin than other business segments.

Selling and marketing expenses

Our selling and marketing expenses decrease by 2.6% from RMB1,155.7 million for the year ended December 31, 2022 to RMB1,125.7 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in employee benefit expenses as we downsized our internal sales team in 2023.

General and administrative expenses

Our general and administrative expenses increased by 67.4% from RMB127.4 million for the year ended December 31, 2022 to RMB213.3 million for the year ended December 31, 2023. The increase was primarily due to the increase in share-based compensation expenses of RMB73.7 million in relation to the share options granted to our directors, supervisors or members of senior management on January 10, 2023 pursuant to the Pre-IPO Incentive Scheme.

Research and development expenses

Our research and development expenses decreased by 8.0% from RMB31.6 million for the year ended December 31, 2022 to RMB29.0 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in employee benefit expenses as a result of the decrease in average headcount and number of research projects in 2023.

Net impairment losses on financial assets

Our net impairment losses on financial assets, which primarily comprised impairment losses on trade and other receivables, decreased by 43.2% from RMB9.3 million for the year ended December 31, 2022 to RMB5.3 million for the year ended December 31, 2023. The decrease was primarily because the outlook for macroeconomic conditions in 2023 was more optimistic than 2022, resulting in the decrease in the expected credit loss rate for trade receivables aged 0-12 months and other receivables and 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 2023.

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. Our other income decreased by 55.1% from RMB12.0 million for the year ended December 31, 2022 to RMB5.4 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in government grants.

Other losses, net

Our other net losses consists of (i) net losses on disposal of property and equipment, (ii) net losses on disposal of subsidiaries, (iii) fair value change on financial assets at fair value through profit or loss, (iv) net foreign exchange losses, and (v) others. Our other net losses increased by 138.4% from RMB8.5 million for the year ended December 31, 2022 to RMB20.2 million for the year ended December 31, 2023. The increase was primarily due to the losses from the disposal of 51% equity interests in Sichuan Youlin Kesi Technology Co., Ltd. (四川友鄰科斯科技有限公司) and the disposal of fixed assets in 2023.

Finance costs

Our finance costs decreased by 35.5% from RMB13.3 million for the year ended December 31, 2022 to RMB8.6 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in interest expense on lease liabilities as a result of the expiration of finance lease contracts.

Income tax expenses

Our income tax expenses decreased by 49.4% from RMB10.8 million for the year ended December 31, 2022 to RMB5.5 million for the year ended December 31, 2023. The decrease in the income tax expenses was primarily due to the increase in utilization of tax losses and temporary differences previously not recognized.

Loss for the year

As a result of the foregoing reasons, our net loss for the year increased by 12.9% from RMB283.1 million for the year ended December 31, 2022 to RMB319.5 million for the year ended December 31, 2023.

Non-HKFRS Measures: adjusted EBITDA and adjusted net loss

To supplement our financial information which are presented in accordance with HKFRS, we use non-HKFRS measures, namely, adjusted EBITDA and adjusted net 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 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 loss for the year 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 adjusted by adding (i) share-based compensation expenses and (ii) listing expenses. We define adjusted net loss (non-HKFRS measure) as loss for the year adjusted for (i) share-based compensation expenses and (ii) listing expenses.

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

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loss for the year	(319,473)	(283,069)
Add		
Depreciation of property and equipment, right-of-use assets	239,277	242,030
Amortization of intangible assets	15,357	15,842
Income tax expenses	5,475	10,813
Interest expenses on borrowings and lease liabilities	8,601	13,331
EBITDA	(50,763)	(1,053)
Add		
Share-based compensation expenses	84,026	–
Listing expenses	32,253	22,077
Adjusted EBITDA (non-HKFRS measure)	65,516	21,024
Loss for the year	(319,473)	(283,069)
Add		
Share-based compensation expenses	84,026	–
Listing expenses	32,253	22,077
Adjusted net loss (non-HKFRS measure)	(203,194)	(260,992)

For the year ended December 31, 2023, our adjusted EBITDA (non-HKFRS measure) amounted to RMB65.5 million, representing an increase of RMB44.5 million or 211.6% as compared with RMB21.0 million for the year ended December 31, 2022, which was mainly due to (i) the increase in the average monthly GMV of our vending machines as a result of the overall recovery of consumer traffic and business activities following the relaxation of COVID-19 policies since December 2022 and (ii) the expansion of our merchandise wholesale business in 2023.

For the year ended December 31, 2023, our adjusted net loss (non-HKFRS measure) amounted to RMB203.2 million, representing a decrease of RMB57.8 million or 22.1% as compared with RMB261.0 million for the year ended December 31, 2022, which was mainly due to (i) the increase in the average monthly GMV of our vending machines as a result of the overall recovery of consumer traffic and business activities following the relaxation of COVID-19 policies since December 2022 and (ii) the expansion of our merchandise wholesale business in 2023.

Liquidity and capital resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management. We manage and maintain our liquidity through the use of internally generated cash flows from operations, bank borrowings and proceeds from the Global Offering. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

For the year ended December 31, 2023, we funded our working capital and other capital expenditure requirements through a combination of income generated from our business operations, bank borrowings and capital contributions from our shareholders. The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	106,618	153,918
Net cash used in investing activities	(53,765)	(105,250)
Net cash generated from/(used in) financing activities	169,086	(92,876)
Net increase/(decrease) in cash and cash equivalents	221,939	(44,208)
Cash and cash equivalents at the beginning of the year	128,178	172,386
Effects of exchange rate changes on cash and cash equivalents	(2,554)	–
Cash and cash equivalents at the end of the year	347,563	128,178

Cash and cash equivalents

For the year ended December 31, 2023, our net cash generated from operating activities was RMB106.6 million, which was primarily attributable to our loss before income tax of RMB314.0 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 RMB144.8 million, share-based compensation expenses of RMB84.0 million and depreciation of right-of-use assets of RMB94.5 million, (ii) changes in working capital, (iii) interest received, and (iv) income taxes paid.

For the year ended December 31, 2023, our net cash used in investing activities was RMB53.8 million, which was primarily attributable to (i) payments for purchase of property and equipment of RMB49.0 million in relation to the purchase of machines, which mainly comprise pick-and-go cabinets, (ii) payments for purchase of financial assets at fair value through profit or loss of RMB40.0 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 RMB40.0 million in relation to our disposal of wealth management products.

For the year ended December 31, 2023, our net cash flows generated from financing activities was RMB169.1 million, primarily attributable to (i) the net proceeds from the Global Offering, (ii) principal elements and interest element of lease payments of RMB43.3 million, and (iii) repayments of borrowings of RMB70.0 million, as adjusted by proceeds from borrowings of RMB79.1 million.

As a result of the foregoing, our cash and cash equivalents, which were mainly held in HK dollars as of December 31, 2023, increased by 171.2% from RMB128.2 million as of December 31, 2022 to RMB347.6 million as of December 31, 2023.

Our presentation and functional currency were RMB. During the Reporting Period, we conducted business in mainland China, and most of our transactions were settled in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. The majority of our non-RMB assets are bank deposits denominated in Hong Kong Dollars. We managed our foreign exchange risk by regularly reviewing net foreign exchange exposures, and conducted risk management. During the Reporting Period, the Group had not entered into any derivative instruments to hedge its foreign exchange exposures. The management of the Group continued to pay attention to the market environment and the Group's own foreign exchange risk profile, and considered to taking appropriate hedging measures when necessary.

Indebtedness

As of December 31, 2023, our bank and other borrowings amounted to RMB79.1 million, which were at fixed interest rates. Such bank and other borrowings were all denominated in RMB and bore a weighted average interest rate of 5.8%. As of December 31, 2023, we did not have any unutilized banking facilities. We recognized total lease liabilities of RMB28.5 million as of December 31, 2023.

Gearing ratio

The Group monitored capital on the basis of the gearing ratio. That ratio is calculated using total debt divided by total equity and multiplied by 100%. As of December 31, 2023, the total debt was RMB107.6 million, total equity was RMB971.9 million, the gearing ratio was 11.1%.

Capital expenditures

During the Reporting Period, our capital expenditures primarily consisted of payments for purchase of property and equipment, and payments for purchase of intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Payments for purchase of property and equipment	**49,011**	145,749
Payments for purchase of intangible assets	**17,285**	143
Total	**66,296**	145,892

Contingent liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

Significant investments and future plans for material investments or capital assets

As of December 31, 2023, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, we have no future plans for material investments or capital assets.

Material acquisitions and disposals

During the Reporting Period, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges on group assets

As of December 31, 2023, we did not have any charged assets.

BUSINESS OUTLOOK

As a vending machine operator in mainland China with strong operation and digitalization capabilities and over a decade of experience, 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. Further, 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.

We have endeavoured to cultivate the unmanned retail industry in mainland China and developed digitalization and operation capabilities, covering merchandise procurement, logistics and inventory management. We strive to refine the traditional retail industry with technology and to further digitalize and automate businesses along the retail value chain. To achieve these goals, among others, we will continue to 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.

Looking forward, leveraging our core capabilities, we will expand our POS network and improve our digitalized operating efficiency to empower and provide services to the participants along the unmanned retail industry value chain. For consumers, we strive to 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 allow them to capitalize on their POS resources and local expertise and tap into our digitalization and operation capabilities by joining us as our POS partners. For those who already operate vending machines, we will continue to 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 will continue to provide a vast and inter-connected platform for them to reach consumers.

In addition, we plan to further deepen our market penetration and expand our POS coverage in tier one, new tier one and tier two cities. We also plan to gradually tap into tier three cities and below with higher economic growth rates. Through the expansion of our POS network coverage, we target to enhance our economy of scale and improve our operational efficiency and overall profitability. 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.

Amid the robust development and prominent real-life applications of the artificial intelligence and big data technologies these days, we plan to focus our research and development on furthering our data analytics capability, optimizing algorithms, and expanding the application of data in our operations. We will endeavor to develop and introduce artificial intelligence recognition technology and back-end algorithms related to unmanned retailing with vending machines to further improve customer experience and fuel our business expansion. On the other hand, we will also continue the research and development of our hardware and further enhance the structural design and features of our vending machines to increase their durability, versatility, usability, energy efficiency and adaptability to a wider range of consumption scenarios.

PRE-IPO INCENTIVE SCHEME

The Pre-IPO Incentive Scheme was approved and adopted by our then Shareholders on May 31, 2021. The purpose of the Pre-IPO 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.

The participants of the Pre-IPO Incentive Scheme 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.

The maximum aggregate number of underlying Shares which may be issued upon exercise of all options under the Pre-IPO Incentive Scheme is 37,862,946 Unlisted Shares, representing 4.86% of the of the issued shares as at the date of this report.

Subject to the rules of the Pre-IPO Incentive Scheme, the exercise price in respect of any options granted under the Pre-IPO Incentive Scheme shall be RMB1.99.

Subject to the satisfaction of the relevant conditions of exercise, the options under the Pre-IPO Incentive Scheme shall be exercisable after the Listing Date in three batches and in accordance with the following arrangement:

Exercise period	Duration	Proportion of exercisable share options under the Pre-IPO Incentive Scheme to the total number of options granted
Exercise period in respect of the first batch of the options under the Pre-IPO Incentive Scheme	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 Listing Date (the "First Exercise Date")	40%
Exercise period in respect of the second batch of the options under the Pre-IPO Incentive Scheme	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 in respect of the third batch of the options under the Pre-IPO Incentive Scheme	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 of the relevant participants in respect of the relevant exercise period are not fulfilled, the proportion of 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.

As disclosed in the Prospectus, the Pre-IPO Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve grant of options by the Company after the Listing. The Company did not and will not grant further options under the Pre-IPO Incentive Scheme after the Listing.

As of the date of this report, options to subscribe for a total of 37,750,000 Unlisted Shares, representing approximately 4.84% of the total issued share capital of our Company have been granted to 27 grantees under the Pre-IPO Incentive Scheme.

There is no maximum entitlement of each participant under the Pre-IPO Incentive Scheme.

No amount is payable on application or acceptance of an option under the Pre-IPO Incentive Scheme.

The Pre-IPO Incentive Scheme commenced from the date of grant of options (i.e. January 10, 2023) and shall expire on the day when all options granted under the Pre-IPO Incentive Scheme is exercised or cancelled, and shall in any event expire no later than the date which is ten years after January 10, 2023. As of the date of this report, the remaining life of the Pre-IPO Incentive Scheme is approximately eight years and nine months.

The table below sets out the details of options granted to the Directors and other employees of our Group under the Pre-IPO Incentive Scheme:

Name or category of grantee	Date of Grant	Total Number of Shares Underlying the options Granted as of the Date of Grant	Vesting Period (Note 1)	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital (Note 2)	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying the outstanding option as of December 31, 2023	Closing price of the Shares before the date on which the options were exercised
Directors											
Mr. Wang Bin	January 10, 2023	15,000,000	3 years from the First Exercise Date	1.99 per Share	1.92%	-	-	-	-	15,000,000	N/A
Mr. Chen Kunrong	January 10, 2023	6,000,000	3 years from the First Exercise Date	1.99 per Share	0.77%	-	-	-	-	6,000,000	N/A
Ms. Cui Yan	January 10, 2023	4,700,000	3 years from the First Exercise Date	1.99 per Share	0.60%	-	-	-	-	4,700,000	N/A
Sub-total		25,700,000			3.30%	-	-	-	-	25,700,000	
Other employees of the Group											
In aggregate	January 10, 2023	12,050,000	3 years from the First Exercise Date	1.99 per Share	1.55%	-	-	-	-	12,050,000	N/A
Total		37,750,000			4.84%	-	-	-	-	37,750,000	

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 Listing Date (the "First Exercise Date"). For further details, see "– D. Share Incentive Scheme – 1. Pre-IPO Incentive Scheme – (f) Vesting and Exercise of Options" in the Prospectus.

2. The calculation on the total number of 779,835,433 issued Shares as of the date of this report.

OVERVIEW

Our Board currently consists of eight Directors, comprising three 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. Our Directors are appointed for a term of three years and are eligible for re-election and re-appointment upon expiry of their term of office.

Our Supervisory Committee currently consists of three Supervisors, it is primarily responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. Our Supervisors are appointed for a term of three years, renewable upon re-election.

The senior management is responsible for the management of day-to-day operations of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chairman, executive director and chief executive officer

Mr. Wang Bin, aged 58, was appointed as a Director in March 2012 and was redesignated as an executive Director in May 2021. He is also currently the chairman of the Board and the chief executive officer of the Company. He is primarily responsible for formulating the overall development strategies and overseeing the operation of the Group. Mr. Wang is also a member of the Single Largest Group of Shareholders and founded the Group in 2011.

Mr. Wang has over 21 years of experience in the research and development of software and retail platform. Prior to establishing the 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.

Executive Directors

Mr. Yu Lizhi, aged 57, 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 24 years of experience in the information technology industry. Prior to joining the 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 the 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, 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.

Ms. Cui has over 18 years of experience in financial and accounting. Prior to joining the 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 the Company in January 2011 as a financial director, and has been the secretary of the Board and one of the 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, 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 18 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, 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 14 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, aged 45, 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 has over 21 years of experience in the internet and related services industry. From July 2003 to October 2012, Mr. Wang 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 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 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 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 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).

Mr. Wang Xiaochuan will retire as an independent non-executive Director at the conclusion of the AGM due to personal work arrangement. Mr. Wang Xiaochuan has confirmed that he has no disagreement with the Board and there are no matters relating to his retirement that need to be brought to the attention of the Shareholders and the Stock Exchange.

Ms. Guo Wei, 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 26 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, 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 Chen has over 10 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 Chen 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.

Supervisors

Ms. Qin Yi, aged 53, 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 30 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, 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 20 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 successively 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, 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.

Senior management

Mr. Wang Bin. See "－Directors, Supervisors and Senior Management – Chairman, Executive Director and Chief Executive Officer".

Ms. Cui Yan. See "－Directors, Supervisors and Senior Management – Executive Director".

Mr. Wang Ge aged 46, was appointed as our chief financial officer in September 2016. He is primarily responsible for managing the financial functions of the company.

Mr. Wang Ge has over 12 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 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 23 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 has been appointed as one of our joint company secretaries with effect from March 17, 2022. See "– Directors, Supervisors and Senior Management – Executive Director".

Ms. Hui Yin Shan 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), the company secretary of MicroPort NeuroTech Limited, a company whose shares are listed on the Stock Exchange (stock code: 2172) and the company secretary of J&T Global Express Limited, a company whose shares are listed on the Stock Exchange (stock code: 1519).

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.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

BUSINESS

Principal activities

We are a vending machine operator in mainland China. 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. We strive to refine the traditional retail industry with technology and to further digitalize and automate businesses along the retail value chain.

Results of operations

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss in this annual report.

Business review

A pertinent review of the Group's business, including an analysis of the Group's financial performance, indicators of the likely future development of the Group's business are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report. These discussions form part of the Group's business review.

DIVIDEND POLICY AND FINAL DIVIDEND

The Company is a joint stock limited company incorporated under the laws of the People's Republic of China. Pursuant to the Article of Association, the Company may apply cash or by way of shares to distribute dividends. Any distribution of dividends shall be formulated a distribution plan by the Board and subject to consideration and approval on general meeting of the Company.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023.

MAJOR RISKS AND UNCERTAINTIES

We are subject to the following major risks and uncertainties:

- 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. 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.

- 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.

- 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.

- 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 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.

As the major risks and uncertainties mentioned above are not exhaustive, please refer to the section headed "Risk Factors" in the Prospectus for detailed information.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is not exposed to significant environmental risks. During the Reporting Period, no fines or other penalties were imposed on the Group for non-compliance with environmental regulations.

Details of the Group's environmental policy and performance are set out in the Company's environmental, social and governance report (the "ESG Report") on pages 58 to 104 of this report.

RELATIONSHIP WITH STAKEHOLDERS

Employees

As of December 31, 2023, the Group had a total of 1,012 full-time employees. The Group also uses some third-party contractors, primarily responsible for delivery of merchandise, restocking and conducting regular check on the physical condition of the vending machines and merchandise. Our employees are based in different provinces of mainland China.

The Group emphasizes employee diversity, including but not limited to gender, age, educational background, socio-economic background, work experience, etc. The Group provides an inclusive work environment that embraces diversity such as the strengths of individuals, and seeks to provide opportunities to unleash their full potential. 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 December 31, 2023, among the above 1,012 employees (including senior management), approximately 69% were male and 31% were female. The Company recognizes the benefits of having diverse employees and maintains and promotes employee diversification (especially gender diversification) whenever practicable.

The Group hires and promotes our staff based on their personal on-the-job performance and development potential. The remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of us and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and benefit plans. 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.

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. As of December 31, 2023, Shenzhen Youhui held 5,438,106 Shares, representing approximately 0.7% 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 to the Prospectus.

Further, we adopted the Pre-IPO 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. As of December 31, 2023, the Company had granted share options to subscribe for an aggregate of 37,750,000 Unlisted Shares under the Pre-IPO Incentive Scheme, representing approximately 4.84% of our total number of issued Shares. For further information about the Pre-IPO Incentive Scheme, see "– Management discussion and analysis – Pre-IPO Incentive Scheme" of this report and "Statutory and General Information – D. Share Incentive Scheme – 1. Pre-IPO Incentive Scheme" in Appendix IV to the Prospectus.

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.

Customers and suppliers

The Group has a broad customer base. The 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.

For the year ended December 31, 2023, the revenue contribution from the Group's top five customers (mainly "customers of our advertising and system support services, merchandise wholesale and/or mobile device distribution services categorized under others") were less than approximately 5.25% and our largest customer generated approximately RMB79 million of revenue, accounting for approximately 2.96% of our total revenue, whereas the purchase out of total purchase from top five suppliers (mainly "beverages and food manufacturers, distributors and machine manufacturers in mainland China") were less than approximately 28.39% and our purchases from our largest supplier accounted for approximately 9.56%, of our total purchases.

During the year ended December 31, 2023, to the knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

PROPERTY AND EQUIPMENT

During the Reporting Period, details of changes in the Group's property and equipment are set out in Note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended December 31, 2023 are set out in Note 24 to the financial statements of this annual report.

CAPITAL RESERVES AND DISTRIBUTABLE RESERVES

Details of the changes in reserves during the Reporting Period are set out in the consolidated statement of changes in equity in Note 25 of the financial statements. For the year ended December 31, 2023, the Company has no distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans or other borrowings of the Group for the year ended December 31, 2023 are set out in Note 30 to the consolidated financial statements.

ISSUANCE OF DEBENTURES

During the Reporting Period, no debentures were issued by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the Listing Date up to December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INITIAL PUBLIC OFFERING OF H SHARES ON THE HONG KONG STOCK EXCHANGE AND USE OF PROCEEDS

The Company was listed on the Stock Exchange on November 3, 2023. A total of 22,576,500 new H Shares were issued at HK$10.35 each for a total of approximately HK$233.7 million. The net proceeds (after deduction of the underwriting fees and commissions and other expenses paid and payable by the Company in connection with the Global Offering) raised from the Global Offering amounted to approximately HK$154.9 million. The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) will be utilized in accordance with the intended use of the proceeds set out in the Prospectus. The following table sets forth the status of the use of net proceeds from the Global Offering[1]:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Actual usage between the Listing Date and December 31, 2023 (In HKD millions)	Unutilized net proceeds as of December 31, 2023 (In HKD millions)	Timeframe for the unused balance
Implementing our expansion initiatives	80.0	123.9	0	123.9	By December 31, 2025
Further developing our operation network	5.0	7.7	0	7.7	By December 31, 2025
Enhancing our technologies	7.0	10.8	0	10.8	By December 31, 2025
Hardware upgrade	1.5	2.3	0	2.3	By December 31, 2025
Software enhancement	4.0	6.2	0	6.2	By December 31, 2025
Recruiting talents	1.5	2.3	0	2.3	By December 31, 2025
Working capital and other general corporate purposes	8.0	12.4	0	12.4	By December 31, 2025
Total	100.0	154.9	0	154.9	By December 31, 2025

Note:

(1) The figures in the table are approximate figures.

As of the date of this report, the Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan as disclosed in the Prospectus, which is primarily because of the process of foreign exchange registration and filing, which was completed in January 2024. We currently have no intention to change the use of the unutilized net proceeds and have been actively monitoring the market environment for appropriate timing to implement our plans. It is currently expected that the unutilized net proceeds will be fully utilized by December 31, 2025, subject to changes in market conditions and policies and the timing when appropriate opportunities arise in the industry.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit those net proceeds 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). We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

PRE-EMPTIVE RIGHTS

In 2023, the Company had no arrangement for pre-emptive rights. Neither the Articles of Association nor the PRC laws stipulates that the Company shall give priority to existing shareholders in offering new shares in proportion to their shareholdings.

TAX CONCESSION AND EXEMPTION

The Company is not aware of any tax concession or exemption for any Shareholders who hold securities of the Company. Shareholders are advised to consult an expert if they are in any doubt about the tax implications of purchasing, holding, disposing of and trading in shares or exercising any of their rights in relation to them, including any right to tax concession.

EMOLUMENT POLICY

Our Directors believe that the ability to attract, motivate and retain a sufficient number of qualified employees is of significant importance to the long-term successful development of our Group. The remuneration package for our employees generally includes basic wages, variable wages, bonuses and other staff benefits. We made contributions to mandatory employee benefit plans (including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans and housing fund). We also granted share options pursuant to the Pre-IPO Incentive Scheme and the 2020 Incentive Scheme with the purpose of incentivizing the management members and core employees of the Group to further promote the development and in recognition of their contributions, details of which are set out under the sections headed "Pre-IPO Incentive Scheme" in this report and "Statutory and General Information – D. Share Incentive Scheme – 2. 2020 Incentive Scheme" in Appendix IV to the Prospectus. Our Group has established a remuneration committee to review the policy and structure of the remuneration for our Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, our Group determines the emolument payable to our Directors based on each Director's time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in our Group.

Details of the remuneration of the Directors and the five highest paid individuals during the Reporting Period are set out in Note 10 to the consolidated financial statements.

COMPETING BUSINESS

During the Reporting Period and up to the Latest Practicable Date, none of the Single Largest Group of Shareholders, Directors, Supervisors, chief executives of the Company or their respective associates was deemed to be directly or indirectly interested in a business which competed or might compete with the businesses of the Group (as defined under the Hong Kong Listing Rules).

MANAGEMENT CONTRACT

During the Reporting Period, no contracts were entered into in relation to the management and administration of the whole or any substantial part of the business of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company, and to the best of the Directors' knowledge, public float of the Company is approximately 48.51% as of the Latest Practicable Date. Our Directors confirm that the Company has maintained the aforementioned minimum public required by the Hong Kong Stock Exchange as at the Latest Practicable Date.

LEGAL PROCEEDINGS AND COMPLIANCE

The Group may from time to time be involved in various legal procedures, arbitrations or proceedings in the course of its ordinary business. During the Reporting Period, the Group was not involved in any legal procedures, arbitrations or proceedings that we believe would have a material adverse effect on the ordinary business, financial condition or business performance, and to the best of our knowledge, there was no risk of any such legal procedures, arbitrations or proceedings.

The Group's business operations are subject to applicable Chinese laws and regulations. During the Reporting Period, the Group has not been involved in, nor does it involve in any non-compliance incidents resulting in fines, enforcement actions or other penalties that may individually or collectively have a material adverse impact on the Group's business, financial condition or operating performance, and the Group has complied with applicable laws and regulations in all material respects.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no material event subsequent to December 31, 2023 which could have a material impact on our operating and financial performance as of the date of this report.

2023 ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, May 21, 2024. A notice convening the annual general meeting of the Company will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS AND ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Wednesday, May 1, 2024 to Tuesday, May 21, 2024, both days inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, April 30, 2024.

THE BOARD

The Board consists of the following members during the Reporting Period and up to the Latest Practicable Date.

Chairman of the Board, executive Director and chief executive officer

Mr. Wang Bin

Executive Directors

Mr. Chen Kunrong (resigned with effect from January 11, 2024)
Mr. Yu Lizhi
Ms. Cui Yan

Non-executive Directors

Mr. Zhu Chao
Ms. An Yufang

Independent non-executive Directors

Mr. Wang Xiaochuan
Ms. Guo Wei
Mr. Zhang Chen

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

We enter into contracts 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)).

Details of Directors and Supervisors' remuneration for the year ended December 31, 2023 are set out in Note 10 to the consolidated financial statements of this annual report.

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the significant related party transactions as disclosed in note 33 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this report of the board of directors, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director, Supervisor and/or any of his/her connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2023.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "The Interests and Short Positions of each of Our Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures"in this annual report, at any time, during the Reporting Period and up to the Latest Practicable Date, none of the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, have entered into any arrangement to enable the Directors or Supervisors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other corporate body, and none of the Directors and Supervisors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during such period.

According to code provision E.1.5 of the CG Code, the annual remuneration range (including share-based compensation) for senior management members for the year ended 31 December 2023 is as follows:

Remuneration range	Number of Individuals
Nil to RMB1,000,000	1
RMB3,000,001 to RMB3,500,000	1
RMB13,000,001 to RMB13,500,000	2
RMB41,500,001 to RMB42,000,000	1

No payment amount made by the Company in 2023 to procure such person with high emolument to join in our Company.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 10 to the consolidated financial statements of this annual report.

During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained Directors liability insurance to protect the Directors against any losses that may arise out of their actual or alleged misconduct.

THE INTERESTS AND SHORT POSITIONS OF EACH OF OUR DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2023, the interests and short positions of each of our Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO) which is required 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 short positions which they were taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which is required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) were as follows:

Shareholder	Position	Class of Shares	Number of Shares	Nature of interest	Approximate Percentage of shareholding In the relevant class of Shares[2]	Approximate percentage of shareholding in the total issued Shares of the Company[2]
Mr. Wang Bin[3]	Chairman of our Board, executive Director and chief executive officer	H Shares	94,901,170	Beneficial owner	14.91%	12.17%
			30,949,306	Interests held jointly with another person	4.86%	3.97%
		Unlisted Shares	55,671,930	Beneficial owner	38.87%	7.14%
			6,000,000	Interests held jointly with another person	4.19%	0.77%
Mr. Chen Kunrong[3]	Executive Director (resigned with effect from January 11, 2024)	H Shares	30,949,306	Beneficial owner	4.86%	3.97%
			94,901,170	Interests held jointly with another person	14.91%	12.17%
		Unlisted Shares	6,000,000	Beneficial owner	4.19%	0.77%
			55,671,930	Interests held jointly with another person	38.87%	7.14%
Ms. Cui Yan	Executive Director	H Shares	3,000,000	Beneficial owner	0.47%	0.38%
		Unlisted Shares	4,700,000	Beneficial owner	3.28%	0.60%
Mr. Huang Ronghui	Supervisor	Unlisted Shares	400,000	Beneficial owner	0.28%	0.05%

Notes:

1. All interests stated above are long positions.

2. The calculations are based on the number of Unlisted Share in issue, the number of H Share in issue, and the total number of Shares in issue, being 143,219,624 Unlisted Shares, 636,615,809 H Shares and 779,835,433 Shares, respectively.

3. Pursuant to the deed of acting in concert dated July 18, 2019 entered into between Mr. Wang Bin and Mr. Chen Kunrong ("Deed of Acting in Concert"), Mr. Wang Bin and Mr. Chen Kunrong are parties acting in concert. As such, each of Mr. Wang Bin and Mr. Chen Kunrong is deemed to be interested in the Shares held by the other party.

Save as disclosed above, as of December 31, 2023, none of the Directors, Supervisors and chief executive of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 their interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2023, to the best of Directors' knowledge, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares, which would be required to be notified to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Shareholder	Long Position/ Short Position	Class of Shares	Number of Shares	Nature of interest	Approximate Percentage of shareholding In the relevant class of Shares[2]	Approximate percentage of shareholding in the total issued Shares of the Company[2]
Ant Group Co., Ltd. ("Ant Group")[2]	Long position	H Shares	126,315,789	Interest in controlled corporation	19.84%	16.20%
Shanghai Yunxin Venture Capital Company Limited ("Shanghai Yunxin")[2]	Long position	H Shares	126,315,789	Beneficial owner	19.84%	16.20%
Wei Lin[3]	Long position	H Shares	125,850,476	Interest of spouse	19.77%	16.14%
		Unlisted Shares	61,671,930	Interest of spouse	43.06%	7.91%
Chunhua Qiushi (Tianjin) Equity Investment Management Co., Ltd. ("Chunhua Qiushi")[4]	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Chunhua Rongshun (Tianjin) Equity Investment Fund Partnership (Limited Partnership) ("Chunhua Rongshun")[4]	Long position	H Shares	42,104,884	Beneficial owner	6.61%	5.40%

Shareholder	Long Position/ Short Position	Class of Shares	Number of Shares	Nature of interest	Approximate Percentage of shareholding In the relevant class of Shares[(2)]	Approximate percentage of shareholding in the total issued Shares of the Company[(2)]
Chunhua Xingkang (Tianjin) Investment Center (Limited Partnership) ("Chunhua Xingkang")[(4)]	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Mingde Chunhua (Tianjin) Asset Management Co., Ltd. ("Mingde Chunhua") [(4)]	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Hu Yuanman[(4)]	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Qiushi (Tianjin) Equity Investment Management Partnership ("Qiushi Equity Investment")[(4)]	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
China International Capital Corporation Limited[(5)]	Long position	H Shares	35,563,500	Interest in controlled corporation	5.59%	4.56%
	Short position		500	Interest in controlled corporation	0.00%	0.00%
CICC Capital Operation Co., Ltd.[(5)]	Long position	H Shares	35,563,000	Interest in controlled corporation	5.59%	4.56%

Notes:

1. The calculations are based on the number of Unlisted Share in issue, the number of H Share in issue, and the total number of Shares in issue, being 143,219,624 Unlisted Shares, 636,615,809 H Shares and 779,835,433 Shares, respectively.

2. Shanghai Yunxin is a company established under the PRC Law, which is wholly-owned by Ant Group.

3. Pursuant to the Deed of Acting in Concert, Mr. Wang Bin and Mr. Chen Kunrong are parties acting in concert. As such, each of Mr. Wang Bin and Mr. Chen Kunrong is deemed to be interested in the Shares held by the other party. Ms. Wei Lin is spouse of Mr. Chen Kunrong and is therefore deemed to be interested in the Shares held by Mr. Chen Kunrong.

4. Chunhua Rongshun is a limited liability partnership established under the PRC law, which is owned as to 67.67% by its limited partner Chunhua Xingkang. The general partner of Chunhua Rongshun is Qiushi Equity Investment, which is owned as to 83.33% by its general partner, Chunhua Qiushi. Chunhua Qiushi is wholly owned by Mingde Chunhua, which is in turn ultimately controlled by Mr. Hu Yuanman, an Independent Third Party.

5. CICC Capital Operation Co., Ltd is 100% controlled by China International Capital Corporation Limited. CICC Capital Operation Co., Ltd is the general partner of CICC Generation (Suzhou) Emerging Industries Equity Investment Fund Partnership (Limited Partnership) and 100% controls CICC Jia Cheng Investment Management Company, which is the general partner of Zhongjin Qiyuan National Emerging Industry Venture Capital Guidance Fund (Hubei) Equity Investment Enterprise (Limited Partnership). Zhongjin Qiyuan National Emerging Industry Venture Investment Guidance Fund(L.P.) is the 99.99% limited partner of the above limited partnership.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register to be kept by the Company under section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the the Pre-IPO Incentive Scheme and the 2020 Incentive Scheme, the Company did not enter into, and did not have, any equity-linked agreements which would or might result in the issue of Shares by the Company, or require the Company to enter into any agreements which would or might result in the issue of Shares by the Company, during the Reporting Period and up to the Latest Practicable Date.

CONTINUING CONNECTED TRANSACTIONS

Overview

We have entered into a number of continuing connected transactions with Alipay China (as defined below), a connected person of our Company, in our ordinary and usual course of business. Such transactions continue after Listing and therefore constitute our continuing connected transactions under the Listing Rules.

Relevant connected persons

The following party with whom had entered into transactions is regarded as a connected person of our Company under the Listing Rules:

Connected Person	Connected Relationship
Alipay.com Co., Ltd. ("Alipay China")	Shanghai Yunxin, one of our Pre-IPO Investors, which is a wholly-owned subsidiary of Ant Group, holds approximately 16.20% of the issued Shares upon Listing and therefore is 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.

Partially-exempt continuing connected transactions

Below set out the details of the partially-exempt continuing connected transactions entered by our Company with Alipay China.

1. **Payment Services Framework Agreement**

   On October 17, 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.

   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 period comprising the financial years ended December 31, 2019, 2020, 2021, 2022 and the six months ended June 30, 2023.

Purpose of the transaction

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.

2. **Advertising Cooperation Framework Agreement**

On October 17, 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.

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.

Purpose of the transaction

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.

Annual review by independent non-executive Directors

The independent non-executive Directors have reviewed aforementioned continuing connected transactions, and confirmed such transactions are:

(i) entered into in the ordinary and usual course of business of our Group;

(ii) conducted on normal commercial terms or better; and

(iii) conducted pursuant to agreements of relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed in the section headed "Connected Transactions" of this report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which were required to be disclosed pursuant to the provisions of Chapter 14A of the Listing Rules relating to the disclosure of connected transactions and continuing connected transactions.

Confirmation by the auditor

The auditor of the Company has performed the relevant procedures regarding the continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

The auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2023:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate actual transaction amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the actual transaction amount of the transactions has exceeded the annual cap as set by the Company.

Related party transactions

During the year ended December 31, 2023, save as disclosed above, no related party transactions disclosed in note 33 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

AUDITORS

The Company's accompanying financial statements prepared in accordance with HKFRS, have been audited by PricewaterhouseCoopers.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and set its terms of reference in compliance with 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.

Following discussions with the auditor, the Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2023. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters relating to the Company's risk management and internal controls. There were no disagreements between the Board and the Audit Committee with respect to the accounting treatment method adopted by the Company.

The Company has prepared its annual results for the year ended December 31, 2023 in accordance with HKFRS.

On behalf of the Board
Chairman
Mr. Wang Bin

Hong Kong, March 26, 2024

REPORT OF THE SUPERVISORY COMMITTEE

In 2023, in strict accordance with the Company Law, the Articles of Association of the Company and relevant laws and regulations, the Supervisory Committee supervised and inspected the legal operation, financial position, operation and implementation of the management policy in a responsible manner to the Company and all Shareholders, conscientiously performing its due duties and promoting the operation and development of the Company. The 2023 Report of the Supervisory Committee is set out below:

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

A total of two meetings of the Supervisory Committee were convened during the Reporting Period. The details of such meetings and relevant resolutions are as follows:

Session of the Meeting	Convening Date	Resolutions considered and approved
3rd meeting of the 3rd session of the Supervisory Committee	January 10, 2023	Resolutions on: (i) proposal regarding the grant of share options to participants under the Pre-IPO Incentive Scheme
4th meeting of the 3rd session of the Supervisory Committee	June 10, 2023	Resolutions on: (i) 2022 work report of the Supervisory Committee; (ii) 2022 annual report and its summary of the Company; (iii) 2022 final financial report of the Company; (iv) 2023 financial budget report of the Company; (v) 2022 profit distribution plan of the Company; (vi) the reappointment of PricewaterhouseCoopers Zhong Tian LLP as the Auditor of the Company for the year 2023 (vii) the supplemental confirmation of incidental related party transactions in 2022; and (viii) the supplemental forecast of the related party transactions of the Company in its ordinary business in 2023

INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON MATTERS RELATING TO THE OPERATION AND MANAGEMENT OF THE COMPANY FOR 2023

Basic evaluation of the operation and management behavior plus performance for 2023

From the perspective of effectively safeguarding the interests of the Company and the rights and interests of Shareholders, the Board conscientiously performed its supervisory duties. The Supervisory Committee was of the view that the Board had conscientiously implemented the resolutions of the general meetings and diligently performed its duties. The resolutions were in compliance with the Company Law and the Articles of Association, without detriment to the interests of the Company and the Shareholders. The management of the Company conscientiously implemented the Board resolutions, without incurring illegal and unlawful acts in the operation, and successfully completed the business plans formulated at the beginning of the year.

Inspection of the Company's financial position

During the Reporting Period, the Supervisory Committee carefully supervised, inspected and audited the financial position and the financial management system of the Company. It was concluded that the Company had a sound financial system, a perfect financial management system and standardized financial operations, and there were no false records or material omissions. PricewaterhouseCoopers audited the Company's annual financial report for the year ended December 31, 2023 and issued a "standard unqualified" auditor's report, which truly and accurately reflected the financial position and operating results of the Company.

Use of proceeds

During the Reporting Period, the Supervisory Committee supervised the use of the proceeds of the Company and is of the opinion that the management of the proceeds of the Company are in compliance with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Supervisory Committee will continue to supervise and monitor the use of proceeds. There were no changes in the use of proceeds or acts that were detrimental to the interests of Shareholders.

External investments

During the Reporting Period, the Supervisory Committee supervised the external investments of the Company and is of the opinion that the Company performed the corresponding decision-making procedures on external investments without prejudice to the interests of the Company.

Continuing Connected transactions

During the Reporting Period, the continuing connected transactions of the Company were tailored to the operation and development needs of the Company, with legal and compliant decision-making procedures and fair pricing. There were no acts that were detrimental to the interests of the Company and its Shareholders, particularly minority Shareholders, which served the overall interests of the Company and all Shareholders.

Acquisition and disposal of assets

The verification of the Company's transactions reveals that there were no material acquisitions or disposals of assets during the Reporting Period.

Opinions on the evaluation of the Company's internal control

The Supervisory Committee reviewed the establishment and operation of the internal control system of the Company and is of the opinion that the Company has established a relatively complete internal control system, which is in compliance with the requirements of relevant laws and regulations and meets the actual demands of the production, operation and management of the Company and were effectively implemented. The establishment of the internal control system can better prevent and control the risks in various processes of the operation and management of the Company. To the best knowledge of the Supervisory Committee, there is no material internal control deficiencies. The design and operation of the internal control of the Company are effective.

Preparation and review of annual report of the Company

The preparation and review procedures of the 2023 annual report of the Company conformed to all the relevant regulations of the China Securities Regulatory Commission and the Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

In the coming year, the Supervisory Committee will continue to perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and sustainable profitability of the Company and to protect the interests of shareholders and the Company.

HIGHLIGHTS OF THE WORK OF THE SUPERVISORY COMMITTEE IN 2024

Within the spectrum of duties set forth in the Company Law and the Articles of Association, the Supervisory Committee will earnestly perform its due functions with an objective and impartial attitude and in a realistic and practical manner, to safeguard the rights and interests of Shareholders. It will increase its daily attention to and supervision of the Directors, managers and other senior management in performing their duties, executing resolutions and complying with regulations and systems, and promote the smooth reform and innovation plus operation of the Company. According to the Company's 2024 operation objectives and priorities, the Supervisory Committee will focus on the following tasks:

Supervising and inspecting of decision-making on major matters

By attending the meetings of the Board, we understand the process of making relevant major decisions, and check whether the Company's decision-making procedures comply with the provisions of laws and regulations, and whether the Directors and senior management of the Company make decisions prudently and perform duties diligently. We approve, assist and procure the Board and the management to make decisions by following the procedures, to ensure the achievement of the Company's annual business objectives.

Strengthening inspection and execution

The Supervisors' inspection focuses on the fulfillment of the policies of relevant units and management departments of the Company, particularly the handling of certain key links, key parts and more prominent issues. For example, we strengthen the control of accounts receivable and payable and establish a feasible reconciliation system; check whether the Company's financial work is in strict compliance with the relevant accounting policies, systems and regulations, and whether financial accounting is carried out in a timely and accurate manner based on the financial system and accounting standards, and whether there is any insider trading or damage to the rights and interests of certain Shareholders, causing losses to the Company's assets, etc.

Supervising and inspecting the performance of duties by the management

The Supervisors check whether the Directors and senior management of the Company make decisions prudently and work perform duties diligently and faithfully; whether there is any violation of laws, regulations, the Articles of Association or damage to the interests of the Company in performing their duties.

Strengthening the self-construction of the Supervisory Committee

The business level of the Supervisors is an important guarantee for the performance of their duties. In the year ahead, all members of the Supervisory Committee will further strengthen the learning of financial, legal and business knowledge and the study of relevant laws and regulations of listed companies, to continuously improve our ability to perform our duties.

On behalf of the Supervisory Committee
Chairman of Supervisory Committee
Ms. Qin Yi

Hong Kong, March 26, 2024

BOARD STATEMENT

The Board of Directors of the Group (the “Board”) is the supreme responsible and decision-making institution for environmental, social and governance (“ESG”) matters and has ultimate responsibility for the Group’s ESG strategy and reporting, and monitors ESG related matters that may affect the Group’s business or operations, shareholders and other stakeholders[1]. The ESG Committee of the Board is responsible for identifying and assessing ESG risks associated with the Group, ensuring that the Group has in place appropriate and effective ESG risk management and internal control system, reporting and reviewing to the Board the progress made in achieving the relevant ESG objectives. For details, please refer to “Environmental, Social and Governance Strategy and Management”.

The Group attaches importance to the suggestions and opinions of various stakeholders, ensures adequate channels for communication with key stakeholders to discuss and identify the Group’s important ESG issues and possible ESG risks, and continuously improves the ESG related strategy and policy system. The Board has reviewed the major ESG issues in 2023, and has adopted adjustment proposals corresponding to the importance of each ESG issue, ensuring the timeliness and rationality of the major issues matrix. For details, please refer to “Stakeholder Communication and Materiality Assessment”.

The Group has developed an ESG target management system with respect to carbon emissions, pollutant emissions, energy consumption, water resources management and other indicators, the Board reviews the progress of the targets on an annual basis and reviews any necessary adjustments or improvements to ensure the Group’s continuous progress in achieving the ESG targets. For details, please refer to “Practicing Green Operations”.

The Board of Directors and all the Directors warrant that the contents of this report are free from any false records, misleading statements or material omissions, and assume responsibility for the truthfulness, accuracy and completeness of the report. This report provides detailed information on the progress and effectiveness of the Group’s ESG work in 2023, and undertakes to ensure that all data presented in this report are accurate and reliable and managed through the establishment of internal control and formal review procedures. This report was confirmed and approved by the Board of Directors on March 26, 2024.

1 "Stakeholders", refer to groups and individuals who have a significant impact on or will be affected by the business of an enterprise, including the internal board of directors, management, administrative staff and general employees, as well as external shareholders, business partners, customers, government and regulatory agencies, banks and investors and community groups.

REPORT PREPARATION SPECIFICATION

This Report is the first ESG report issued by Beijing Ubox Online Technology Corp. and its subsidiaries ("Ubox", "the Group" or "We"), outlining the Group's corporate social responsibility principles and sustainable development philosophy, and summarising the Group's relationship with its key stakeholders. To provide stakeholders with an understanding of the ESG policies, initiatives and performance of Ubox and its subsidiaries beyond financial results and business operations, and to share the vision and commitment to social responsibility.

PREPARATION BASIS

This Report is prepared in accordance with the four reporting principles (Materiality, Quantitative, Balance and Consistency) of the Appendix C2 – "Environmental, Social and Governance Reporting Guide" ("the Guide") of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited.

Reporting Principle	Paraphrase
Materiality	Environmental, social and governance issues that have a significant impact on the Group and its various stakeholders are focused.
Quantitative	Key performance data must be measurable and, where appropriate, compared.
Balance	The issuers should report objectively and truthfully on their environmental, social and governance performance for the year.
Consistency	The disclosure in this report should be based on a consistent statistical approach to disclosure so that key performance indicators related to environment, society and governance can be compared to understand corporate performance.

REPORTING TIME AND SCOPE

This Report covers the overall performance of sustainable development practices and corporate social responsibility from January 1, 2023 to December 31, 2023 (the "Reporting period"). The selection of the scope of the report follows the financial threshold principle in the standards. As the Group has just been listed, the ESG Report is prepared in a hurry, and there are a large number of 140 branches and subsidiaries of the Group. In this year, major branches and subsidiaries accounting for more than 50% of the Group's revenue* were selected as the reporting scope, and multi-dimensional data indicators were combined to comprehensively evaluate the Group's ESG performance during the year.

REPORTING LANGUAGE

This Report is published in Traditional Chinese and English versions. In case of any discrepancy, the Traditional Chinese version shall prevail.

* Major branches and subsidiaries accounting for more than 50% of the Group's revenue: The scope of the report prioritizes the branches and subsidiaries whose revenue accounts for a large proportion of the Group, and the total revenue accounts for more than 50% of the group's revenue, and a total of 25 important branches and subsidiaries are selected.

1. ABOUT UBOX ONLINE

1.1. Group portfolio

Beijing Ubox Online Technology Corp. is committed to becoming a global trusted smart retail professional platform service provider and an important strategic partner of Alibaba Economy. Founded in 2011, Ubox adheres to the Internet business philosophy and actively promotes the wisdom of retail with cloud platform management and offline intelligent operation models. As of December 31, 2023, there were approximately 60,000 vending machines in our network across 148 cities and 28 provincial-level administrative regions in China Mainland, of which 87.7% were concentrated in first-tier, new first-tier and second-tier cities. Ubox provides intelligent retail products including pick-and-go cabinets, beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines. At the same time, Ubox provides clients with professional services such as operations, advertising and marketing.

2. ESG MANAGEMENT AND STRATEGY

2.1. Environmental, social and governance strategy and management

Ubox understands the importance of ESG to the sustainable development of the Group's business. To improve and standardize the mechanisms and policies of Ubox ESG to comply with the ESG requirements of The Stock Exchange of Hong Kong, and ensure that the relevant requirements have been met when the company went public, in accordance with relevant national laws, regulations, regulatory documents, Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Guidelines on Environmental, Social and Governance Reporting in Appendix C2 (collectively referred to as the "Hong Kong Listing Rules"), etc., and based on the actual situation of the company, develop the Management System for Environmental, Social and Governance (ESG) Requirements.

The Board of Directors of the Group is responsible for the supervision of ESG matters, the identification, evaluation and management of important ESG matters, as well as the setting of ESG related objectives and the monitoring of the achievement of objectives. The ESG Committee consists of the directors of the Group's board of directors. The term of office of a member shall be the same as that of a member of the Board of Directors. If any member ceases to hold the office of Director of the Group during the period, he/she will automatically lose his/her membership and the number of members shall be supplemented by the Committee in accordance with relevant provisions. The Committee may set up a working group as an executive institution to fully implement the ESG work of the Group.

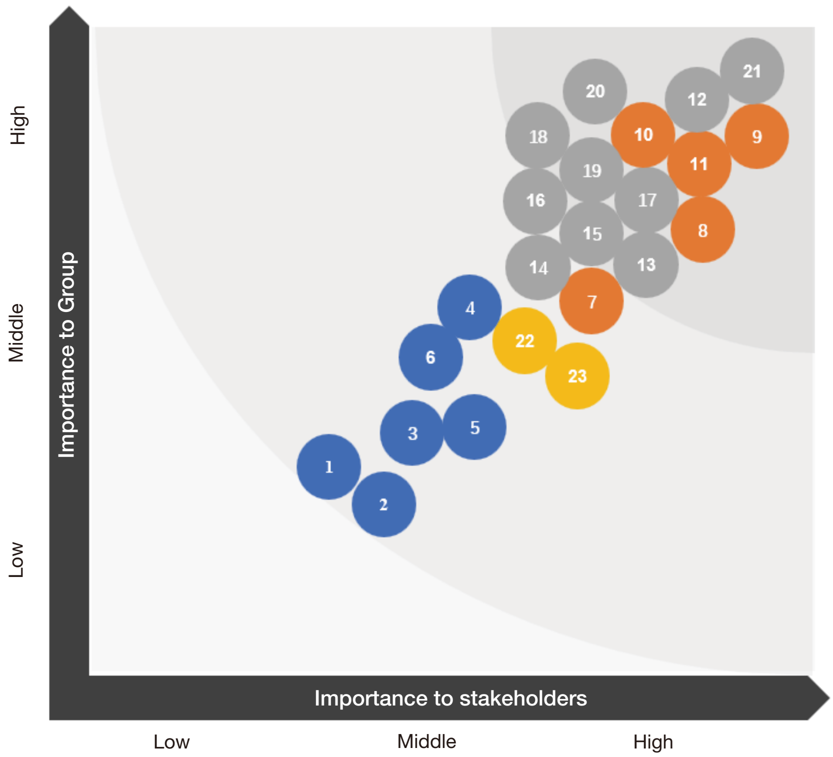
2.2. Stakeholder communication and materiality assessment

Ubox strives to receive the views of its stakeholders (including shareholders and investors, customers, employees, suppliers, regulators and the public) through constructive communication, actively listen to views to protect each other's rights and interests, so as to determine the long-term direction of the Group and maintain a close relationship with stakeholders. We arrange for the management and staff of various departments of the company to review the operation of the company in their functions, identify ESG related matters and assess the importance/relevance of relevant matters to our business.

Stakeholder groups, expectations and typical channels of communication with the Group are as follows:

Major Stakeholders	Expectations and Requirements	Main Communication Channels
Shareholders and Investors	Return on investment Protect shareholders' rights and interests Accuracy and timeliness of information disclosure Fight corruption and advocate integrity	General meeting of shareholders Corporate annual reports, announcements and other public information Call/email the Investor Relations section of the official website Investor meeting Information disclosure of listed companies
Customers	Ensure product quality and safety Quality and efficient service Protect customer privacy	Hotline Customer service center Customer satisfaction surveys and feedback forms Online service platform
Employees	Remuneration and benefits Career development and opportunities Safe working environment Vocational training Humanistic care	Work evaluation Employee activity Training Employee research
Suppliers	Integrity and reciprocity Supply chain management A sustainable partnership	Supplier evaluation system Field trip Supplier meeting
Regulatory Agency	Compliance operation Ensure product quality and safety Promote economic development	Compliance report Written response to enquiry Community participation
The public	Employment opportunity Efficient use of resources Support social development Reduce pollutant discharge Ecological environment	Recruiting Community participation

We communicate with different types of stakeholders through different channels to understand their views and expectations of the Group and build a long-term and trusting relationship to determine the areas that should be covered in this Report. At the same time, through communication with stakeholders, the Group can understand the views and requirements of stakeholders on the Group in a timely manner. We arrange the management and staff of various departments of the Group to review the operation of the Group within the scope of their functions, identify ESG related issues, and after careful analysis by the Board and management, and assess the importance and relevance of these ESG issues to the Group, The following materiality assessment results were obtained:



Environment

1. Exhaust gas emissions management
2. Greenhouse gas emissions management
3. Waste management
4. Energy use and management
5. Use and management of non-renewable resources
6. Climate change response

Employee

7. Employee benefits and talent attraction
8. Employee training and career development
9. Employee health and safety
10. Employee compliance
11. Diversity, equality and inclusion

Product

12. Product quality and safety
13. Risk assessment and governance
14. Responsible investing
15. Intellectual property management
16. Excellent customer service
17. Sustainable supply chain management
18. Industry cooperation and ecological co-construction
19. Business ethics and anti-corruption
20. Information security and trade secret protection
21. Research, development and technological innovation

Society

22. Social contribution
23. Public input

Based on these results, Ubox will continue to improve its ESG performance to meet stakeholders' expectations and address the risks faced by the Group. Details of our ESG activities during the reporting period are presented in the following sections: "Our Business", "Our Employee", "Our Environment" and "Our Community".

3. OUR BUSINESS

Ubox is committed to improving the traditional retail industry through technology and further digitalizing and automating many business activities along the retail value chain. Ubox's main business segments are as follows:

- Unmanned Retail Business: With a nationwide network of locations and data-driven operating systems, Ubox digitalizes and automates the retail sales of FMCG products through vending machines in a wide range of consumer scenarios. Ubox's vending machines mainly include pick-and-go containers, beverage vending machines, beverage and snack vending machines and ready-to-drink vending machines. Ubox's vending machines carry out retail sales of bottled beverages, snacks, freshly ground coffee and other beverages.

- Advertising and System Support Services: With a broad and unique customer touch point, Ubox provides advertisers with digital advertising services that drive traffic and sales, mainly including (i) display advertising services, (ii) post-payment advertising services, (iii) product display advertising services and (iv) machine body advertising services. We also provide operational system support to non-Ubox point operators by allowing them to connect their machines to our operational system for a number of functions, including real-time monitoring of the operation of their machines and receiving replenishment alerts and suggestions on replenishment routes and timetables.

- Wholesale goods: Ubox mainly provides wholesale goods to wholesale customers and certain non-Ubox point operators.

- Vending machine sales and rental: Ubox sells, leases and/or provides vending machine hardware support services to non-Ubox point operators. Our hardware support services include machine installation and repair services.

- Other: Ubox also provides other services, which primarily include our mobile device distribution services, Mini KTV services, Mini KTV sales and rental, and Mini KTV operating system support in China Mainland.

All of Ubox's vending machines are customized by the Group to the factory, the products in the vending machines are provided by the suppliers, and Ubox does not involve product development and production.

3.1. Supply chain management

Ubox strictly formulates quality control standards in many aspects to ensure the safe and stable operation of the platform and ensure product quality and service quality. The Group is in strict compliance with government requirements and develops procedural manuals and policies on business procurement and supplier management. The Group regulates the behavior of suppliers and requires suppliers to sign the Commodity Purchase and Sale Contract and the Letter of Commitment for Honest and Fair Trading.

Vending Machine Procurement

Ubox attaches great importance to the business procurement of various business departments, in order to standardize the group's vending machine procurement process, strengthen the management of the group's centralized procurement, give full play to the company's overall advantages, reduce procurement costs, and avoid procurement risks, developed and "Product Department procurement management norms", clear the responsibility of each department in the vending machine equipment and accessories procurement process:

- Procurement team: Responsible for new supplier review and assessment; Test sample contract signing, purchase, payment related work; Order bulk purchase, accounting, record management; Reduce procurement cost and price management; Order follow-up and exception handling; Check the accounts and apply for payment; Receipt of goods, delivery of accounts.

- Product team: Responsible for new supplier review, assessment, development, product research and development contract signing, payment application and other related work.

- Quality team: Responsible for new supplier review, assessment and material quality inspection, exception handling, quality work promotion.

- Marketing department and other demand departments: Responsible for the application of machine and parts requirements.

The Group has also formulated the "Bidding and Procurement Management Standards" to clarify the responsibilities of various departments in the bidding and procurement process of vending machines:

- The company set up a bidding management team: It is led by product department, and composed of the project leader of the product department, the procurement representative, the quality representative, the project division leader, the audit department representative and the legal department representative. The bidding management team is responsible for formulating the project bidding plan and project proposal, organizing meetings of the bidding management team, conveying the decision documents of the bidding management team, receiving and reporting the documents of each bidding company, leading and making decisions on the bidding and procurement work of the company, approving the shortlist of bidders, examining the bidding documents, inspecting the bidders, evaluating bids and approving the final winners.

- Product department: It is responsible for leading the organization and work related to economic bidding (referring to bidding and quotation), such as collecting information of bidders and establishing information base; Preparing bidding plan according to project schedule; Submitting bids for project approval according to the bidding plan; Preparation of bidding documents, of which: technical standards need to be prepared with the assistance of the demand department (referring to product design, scheme, technical indicators, etc.), business standards (referring to enterprise qualification, reputation, performance, quotation, quality, organization, management system, etc.) part by the product department; Preparing the bottom price of economic tenders; Publish bidding documents; Organizing bid opening and evaluation; Responsible for reporting bid evaluation to senior management; Be responsible for issuing the notification of winning the bid; Responsible for organizing contract negotiation and signing.

- Demand department: As the demand department of the bidding products, the demand department submits the function, technology, application and other requirements of the bidding products; Participate in the bidding meeting; Be responsible for the examination and approval of bidding documents; Participate in bid evaluation; Participate in bid opening.

- Audit and legal department: As the supervision and review department of bidding work, the audit and legal department is responsible for the review of bidding documents; Participates in the bidding meeting; Participates in, supervise and evaluate bids; Participates in bid opening.

Merchandise in Vending Machine Procurement

For the procurement of merchandise in vending machines, the Group has formulated the "Procurement Management System". The Group set up the procurement management department, mainly responsible for the group pre-packaged food, drinks and snacks procurement management. The procurement management department consists of three regional procurement and one procurement support group. Among them, the three regional procurement are responsible for the negotiation and signing of contract with different brands, in the North, East and South regions, and the procurement contracts of brand goods in different regions, contract execution and feedback, contract file management, price and supplier management, market activities and cost recovery. The procurement support team is responsible for the relevant process management and continuous optimization of the procurement department, order management, maintenance and management of commodity material master data of the supplier management system, commodity price maintenance and management of the supplier management system, supplier data maintenance and management, contract execution and feedback tracking, national procurement contract and related advertising contract management.

The Supplier Management System in the Procurement Management System sets out how the Group selects qualified commodity suppliers and continuously monitors them to ensure that they can provide qualified products and services to the company. The Group establishes and improves the supplier management system and coordinates supplier relations to achieve the purpose of continuously improving the quality and efficiency of procurement.

The procurement management department is responsible for the development, supervision, evaluation and management of commodity suppliers, that is, the formulation and implementation of supplier development plans; Carry out regular market research, collect market information and sort out the situation of suppliers; Responsible for visiting and evaluating potential suppliers, screening and recommending potential suppliers; Establish a supplier management platform and provide a list of suppliers that meet the company's requirements; Improve the supplier file, real-time update, use various ways and channels to collect the supplier and market dynamics; Conduct grade management based on supplier's product and service quality and assessment results. The procurement management department should adopt different negotiation strategies for different types of suppliers according to the group and company procurement strategies; Suppliers should be selected according to the process of market research, qualification review, price comparison and negotiation system; Pay attention to the quality of suppliers' products and services, and promptly request rectification of non-conforming situations.

Supplier Assessment

In order to regulate the management of the Group's suppliers, strengthen risk prevention and ensure the smooth operation of business activities, in accordance with the provisions of the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China and other relevant laws and regulations, combined with the current actual situation of the Group, the Group has formulated the "Supplier Management Assessment Mechanism", which provides for the Company's vending machines and the products in the vending machines; Require all relevant departments to be responsible for business negotiations, agreement signing and data preservation with the corresponding suppliers within the scope of their functions and powers; Responsible for supplier quality assurance system and quality performance evaluation, responsible for the quality assurance ability evaluation of the other party, responsible for supplier quality problems feedback, improvement tracking, response and closure coordination, supervision and verification of the implementation of corrective and preventive measures on supplier quality.

For vending machine suppliers, the procurement group, quality group and product group need to conduct a comprehensive evaluation of the supplier every month and according to the high and low score of the evaluation total score, the supplier will be classified as "A, B, C, D" four grades, the specific grade standards are as follows:

Grade	Comprehensive Performance	Reward and Punishment Situation
A	91~100 scores	For Tier 1 suppliers, they can increase the purchase volume, special circumstances can be exempted from inspection, and they enjoy the priority of new product introduction.
B	71~90 scores	For Tier 2 suppliers, there are normal procurement process, rectification of the inadequate part to be, submitted in writing, and verification of the rectification results.
C	60~70 scores	For Tier 3 suppliers, they are required to conduct counseling, reduce or suspend procurement, submit a written improvement plan, and verify the rectification results.
D	Below 60 scores	For Tier 4 suppliers, they are required to submit a written improvement plan, and improve within a time limit. The rectification plan is verified. They will enter a three-month observation period, and will be eliminated if there is still no improvement.

For the supplier of merchandise in the vending machine, the procurement management department is responsible for a comprehensive evaluation. The investigation and evaluation of suppliers include qualification evaluation, price evaluation, shipment evaluation, quality evaluation and so on. Supplier evaluation should be conducted at least once a year. In addition to periodic evaluation, supplier evaluation should be completed one to two months before the expiration of each purchase and sales contract for the company to consider whether to renew the contract. When the supplier's delivery time, quality, price or service changes significantly, the company needs to re-evaluate in time. After the evaluation, the company classifies the suppliers into strategic suppliers, preferred suppliers, general suppliers, temporary suppliers, eliminated suppliers and blacklist suppliers, and implements the relevant management regulations.

Supplier Situation

During the year, the Group's major suppliers were divided by region as follows:

Region	Quantity
Northeast China	10
North China	49
East China	101
South China	79
Central China	30
Northwest China	12
Southwest China	25

Since Ubox vending machines are located in 148 cities and 28 provincial administrative regions in the mainland, in order to streamline the control process, save transportation costs, flexibly control the vending machine operation, and also manage carbon emissions from the ESG level, the Group is equipped with suppliers nearby in the operating points of each city, and the branches or sub-warehouses of suppliers around the country directly supply to the operating points. The implementation of local procurement at the same time to promote the development of local unmanned retail services to achieve convenience.

In order to fulfill its responsibility to the environment and society, when selecting suppliers, the Group conducts a survey on the supplier's environmental and social performance in advance, investigates the supplier's environmental conditions including exhaust gas emissions, waste water discharge and resource use, and investigates the supplier's industry evaluation and social evaluation for professional products and services. The Group hopes that its suppliers will monitor each other and work hand in hand with the Group in the coming years to achieve multi-dimensional improvement in environment, society and governance.

Health Purchasing and Diversified Purchasing

The Group understands the market direction, this year, the Group procured more healthy products, such as sugar-free, sugar-free tea drinks, and NFC[2] juice without additives, and placed them in vending machines around the country to practice healthy procurement while responding to market feedback.

Based on market feedback, the Group adopts a diversified procurement model tailored to local conditions, purchases characteristic brands for taste preferences in different regions, and places different types of products in vending machines in different regions, such as spicy snacks sold in Sichuan and Chongqing regions and sweet snacks sold in Jiangsu and Zhejiang regions.

2 NFC is the abbreviation of Not From Concentrate, is the fresh fruit after cleaning and pressing out the juice, after instant sterilization directly canned (without concentration and recovery), completely retain the original fresh flavor of the fruit.

3.2. Product liability

Maintain Product Quality and Safety

As the products in the Group's vending machines are provided by suppliers, the Group does not involve product development and production. The Group complies with the product safety laws and regulations of the People's Republic of China, including but not limited to:

- Product Quality Law of the People's Republic of China
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests
- Cybersecurity Law of the People's Republic of China
- Advertising Law of the People's Republic of China
- Trade Descriptions Ordinance

During the reporting period, the Group did not receive any reports or complaints of any serious violations of laws and regulations related to product safety and had no products sold or shipped subject to recalls for safety and health reasons.

The Group conducts surveys and assessments of suppliers at the time of procurement in order to supervise, monitor and control the quality of their products. Among them, the factors to be considered in the qualification evaluation and quality evaluation are as follows:

- Qualification assessment: Verification and assessment of enterprise-related qualifications provided by suppliers, such as business license, account opening license, food circulation license, industrial product production license, trademark certificate, power of attorney, other relevant certificates, commodity related third-party quality inspection reports;
- Quality assessment: Evaluation of the latest third-party quality inspection report issued by the supplier.

The Group has also formulated the "Inventory Management Process", which makes clear provisions on commodity procurement, commodity warehousing, commodity delivery, winning exchange, commodity return and exchange, warehouse inventory, warehouse standard management, and commodity management responsibility punishment measures to ensure that there are no quality and safety problems in the Group's operating network warehouses and vending machines.

In order to prevent the occurrence of expired food and beverage or storage quality problems, the Group carries out strict shelf life and quality control of the purchased goods. Specific controls are as follows:

- Purchase of goods: Orders are placed in small quantities and at multiple times as to avoid the backlog of goods; If the goods need to be transferred across the company, the goods with the remaining shelf life of less than 45 days are prohibited.

- Goods warehousing: After the goods arrive, on-site acceptance shall be carried out. If the goods are found to be older than 1/3 of the total warranty period upon arrival, the goods will be rejected; At least 2 pieces sampling inspection of goods are carried out in each batch of goods, if the goods have swelling, bulging, penetration, packaging damage and other quality problems, they are rejected and require replacement.

- Goods out of the warehouse: According to the principle of first-in, first-out, goods are transported to each vending machine for sale.

- Goods return and replacement: If the goods are temporarily off the shelf, the vending machine goods need to be returned to the warehouse, and the warehouse management needs to check the number of returned goods in time, check the shelf life, and whether the outer packaging is intact.

- Warehouse inventory: Daily inventory take requires the warehouse manager to self-check the inventory every day, draw more than 10 kinds of goods for quantity and batch inspection; Monthly inventory take requires the branch company to stock take inventory of all goods in the warehouse at the end of each month.

- Warehouse management standards: Goods must follow the principle of first-in-first-out storage; The storage division must follow the principle of scientific and reasonable, the goods are classified and placed neatly in the warehouse according to different purposes, the shelves are kept clean and sanitary, appropriate temperature and humidity, and a good job of safety management is done; In the process of receiving, counting, placing, warehousing, returning and storing the goods, the warehouse safety principle is followed, damage to the materials is prohibited, and feedback is given if there are abnormal quality problems. Abnormal information of goods, such as inconsistent accounts, quality problems found need to be timely reported.

Advertising Management

Since the Group involves the advertising services of vending machines, in order to regulate the selection of vending machine advertisers, advertising quality control, and maintenance of advertising related product responsibility, the Group has formulated the Advertising Sales Management System. The Advertising Sales Management System regulates vending machines, smart containers, convenience cabinets, integrated machines, cargo lanes, and display positions, and clearly divides the responsibilities of advertising sales management, which the advertising value-added department, procurement management department, operation management department, finance department, and legal department are jointly responsible for.

The placement of advertising needs to go through the compliance review of the content of the advertising. The relevant business position will submit the material provided by the customer or the material designed by itself to the support room for review according to the advertising review standards, and checking on whether the material meets the promotion needs and compliance requirements, and the advertising can be released after the review. Specific advertising review standards include: the need to comply with the "Ubox advertising Example" advertising materials design specifications, prohibition of product promotion that violates the laws and regulations, confirmation by technical personnel for complete development when the projects involves internal technology developments.

Value Customer Opinion

If customers have problems in using the Ubox vending machine, they can contact the group staff by scanning the two-dimensional code of the fuselage and calling the complaint phone.

In order to respond to the failures and problems of customers using Ubox vending machines, the Group has formulated the After-sales Service Policy to promptly deal with customer complaints, avoid expanding the impact, maintain the company's reputation, and promote quality improvement and after-sales service. The After-sales Service Policy effectively prevents the risks of the company's business services, strengthens the management of customer complaints, standardizes the processing process, requires all departments to cooperate, respond quickly, and strive to comprehensively solve the problem in the shortest possible time, give the complainant a timely and satisfactory reply, ensure the timely, fair and reasonable solution of external customer complaints, and promote the continuous improvement of the business service work. When handling customer complaints, the Group requires to determine the responsibility for handling complaints, responsible departments and persons causing customer complaints, and the responsibility for customer complaints not being resolved in a timely and satisfactory manner, and to investigate the responsible persons and departments according to the division of responsibilities after processing.

After-sales Service Policy stipulates that when customers encounter the following situations in the process of consumption, corresponding handling measures will be provided according to different circumstances:

- Goods stuck, coins swallowed, short-change: Need to collect relevant information and verify, apply for a refund for the customer or return the amount through other means;

- Shipping error: Communicate with the customer whether to accept the product, refund the difference (shipped goods with no price difference or the value of the product is greater than the price of the original product need not be returned);

- Goods are damaged, net content is insufficient, near expiration: Notify the local equipment person to go to the site to verify, replace the goods for customers or refund;

- Customers buy expired or deteriorated goods: After-sales department shall notify the local equipment person in charge to check on site; and replace the goods or refund for customers; If the customer does not agree to replace the product or refund, compensation will be processed in accordance with Article 148 of the Food Safety Law of the People's Republic of China. A consumer who suffers damage due to food that does not meet food safety standards may demand compensation for losses from the business operator or from the producer. Where a consumer produces food that does not meet the food safety standards or knowingly markets food that does not meet the food safety standards, in addition to demanding compensation for losses, he may also demand compensation from the producer or business operator of 10 times the price or three times the losses; If the amount of additional compensation is less than RMB 1,000, it shall be RMB 1,000;

- Customer has abdominal pain, diarrhea, vomiting and other conditions due to drinking or eating the products sold by the machine: The customer is advised to seek medical attention immediately and notify the local city manager; The customer shall present the identification certificate of the local top three hospital, and the city person in charge shall arrange the customer for friendly medical treatment and relevant matters such as compensation in goods or value.

The Group keeps a detailed record of every customer complaint, organizes a review in a timely manner, learns lessons, summarizes complaint handling experience, and strengthens complaint management. The Group regularly reviews and assesses customer complaints, conducts graded and classified analysis of customer complaints, and focuses on the analysis of key issues, the upgrading and reform of common problems, and individual problems are solved individually. For the complaint information, it should be understood and resolved in a timely manner. Communication is performed in a timely manner, the key links that cause problems and their direct responsible persons are determined, and solutions are proposed to ensure to solve the problem promptly. After the treatment is completed, the relevant departments shall summarize and sort out the problems in a timely manner, notify the group in a timely manner, and hold regular online meetings to summarize and discuss the problems encountered, so as to notify other departments. The Group collects market opinions and customer feedback, updates marketing strategies in a timely manner, communicates with partners as soon as possible according to complaints, and improves and upgrades the project.

In order to ensure the quality of customer service, the Group also sets up a customer response department. Customer response department is one of the important departments of the company, currently composed of 46 professional customer service personnel, to provide users with efficient and professional 7 days*24 hours service. For the customer response department, the Group has also formulated the Customer Response Department Employee Manual, which clearly stipulates the professional quality and code of conduct of customer service personnel. After years of experience accumulation, the business level of the team has steadily improved year by year, can quickly and accurately solve the problems raised by customers, and serve every customer with enthusiasm and patience, and always put customer satisfaction in the first place.

Every member of the customer service team has undergone strict training and assessment, and has rich professional knowledge and good communication skills, which also makes our connection rate and customer satisfaction reach more than 99% annually, and establishes a good communication relationship with customers, and sets up a good reputation for the company.

During the reporting period, the Group received 142,302 complaints, but the overall customer complaint rate was less than 0.05%, most of which were machine failure, Internet disconnection and over-deduction. Among them, 799 complaints related to product returns caused by product safety and health reasons, accounting for about 0.56% of the total number of complaints received within the reporting scope, and less than 1/100,000 of the total number of products sold by the Company. All have been dealt with properly.

Protect Information Security

The operation of Ubox vending machines involves information security. Ubox attaches great importance to customer information security, provides users with strict privacy protection through strict security management system and advanced hardware and software technology, manages the collection, use and storage of various types of data, standardizes information security management, ensures the availability, integrity and confidentiality of information, and comprehensively protects customer privacy. The Group complies with the information security laws and regulations of the People's Republic of China, including but not limited to:

- Secrecy Law of the People's Republic of China
- Measures for the Implementation of the Secrecy Law of the People's Republic of China
- Cybersecurity Law of the People's Republic of China
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests
- Internet Information Service Management Measures

During the reporting period, the Group did not receive any reports or complaints of serious breaches of information security-related laws and regulations.

For the maintenance of information security within the Group, the Group has formulated the Information Asset Protection Plan Management System and the Database Management System to clearly regulate the information security situation involved in the Group. Information assets refer to the existence form or carrier of any information of value to the Company, including computer hardware, communication facilities, IT environment, databases, software, documents, information services and personnel. The Group shall properly protect information assets. The database refers to the production environment database of Ubox, and the database administrator of the company is responsible for the daily maintenance and operation management of the database.

For employees of the Group, the Group requires employees to comply with the management principles of Group information and customer privacy information in all business operations, and strictly requires employees not to disclose confidential information in private exchanges, not to talk about confidential information in public places, and not to disclose confidential information in ordinary telephone and private communications. The Group also organizes information security awareness or information security skills training for employees to enhance their information security awareness.

Protect Intellectual Property Rights

As the Group's operations involve intellectual property rights, in order to effectively protect the Group's intellectual property rights, the Group has strengthened the management of research and development results. The Group complies with the intellectual property laws and regulations of the People's Republic of China, including but not limited to:

- Trademark Law of the People's Republic of China
- Patent Law of the People's Republic of China
- Copyright Law of the People's Republic of China
- Company Law of the People's Republic of China

During the reporting period, the Group did not receive any reports or complaints of serious violations of laws and regulations relating to intellectual property rights.

The specific implementation of the Group's trademark management is as follows:

- Perform pre-planning and trademark registration before the product is launched;
- Carry out corresponding cross-class registration protection for products;
- Plan ahead for products that require cross-border registration;
- Regularly monitor the Group trademark to ensure that the Group trademark is not infringed;
- Invalidate of infringing trademarks registered by others;
- Maintain trademark validity regularly and revoke trademarks that have not been used for three consecutive years.

The Group implements national intellectual property laws and regulations, and actively formulates and improves intellectual property management measures. In order to effectively achieve Ubox's intellectual property management, promote the normative management of Ubox's intellectual property application, and improve the actual effect and work efficiency of intellectual property application, the Group has developed the "Operational Guidelines for Intellectual Property Application Process" to guide the work at all stages of intellectual property application and achieve standardized operation of the intellectual property application management process. The Intellectual Property Application Process Operation Guide clearly stipulates that the Group's intellectual property application management is in the charge of the R&D Department and the Legal Department, and guides employees to complete the intellectual property application from the three stages of "Patent proposal", "Patent application" and "Patent examination".

The Group actively promotes the development, transformation, transfer and standardized management of the company's scientific and technological achievements; Actively carries out technological innovation and focus on transformation and implementation to promote the company's technological progress; Strengthens the publicity and popularization of intellectual property laws and regulations, and enhances the company's awareness and ability of intellectual property protection. The Group has also formulated the "Ubox Patent Reward and Punishment Management Measures" to encourage job invention and creation, improve the enthusiasm of employees for technological innovation, accumulate and protect the company's intangible assets, use patents to maintain market competitive advantages, establish and improve the protection system of intellectual property rights of Ubox, and strengthen the company's core competitiveness.

3.3. Ethical management

Ubox integrates the concept of sustainable development management into business operations, builds a sustainable development management system, adheres to the principles of ethical management and compliance management, and continuously strengthens the communication among stakeholders to ensure the sustainable development of the company and give back to customers and society.

The Group follows the principle of fair competition in the market, consciously maintains market order, establishes an open and transparent pricing system, and conducts business activities in accordance with law and compliance. The Group releases compliance management reports and carries out compliance publicity and training to enhance the compliance awareness of employees and promote the sustainable development of the Group's compliance.

The Group implements the corresponding contract management system and integrates the principle of good faith into our business processes, including pre-contract investigation, contract execution management, contract signing process specification, contract performance and contract filing. We standardize business behaviors from the contract process, strengthen the supervision of contract performance, and prevent the risk of breach.

During the reporting period, the Group did not receive any default cases arising from the breach of these terms.

3.4. Anti-corruption and integrity building

The Group complies with the laws and regulations of the People's Republic of China to prevent corruption, bribery and other unethical business practices, including but not limited to:

- Criminal Law of the People's Republic of China
- Company Law of the People's Republic of China
- Anti-Unfair Competition Law of the People's Republic of China
- Anti-Money Laundering Law of the People's Republic of China

During the reporting period, the Group did not receive any reports or complaints of serious violations of laws and regulations relating to the prevention of corruption, bribery and other unethical business practices. During the Reporting Period, there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

All branches and subsidiaries of the Group comply with the laws and regulations of each place of operation and actively promote anti-corruption work. The Group promotes a corporate culture of integrity, integrity and incorruptibility, actively creates a corporate culture environment conducive to anti-bribery, anti-corruption and anti-fraud, actively evaluates the risks of bribery, corruption and fraud, and establishes specific control procedures and mechanisms to reduce the incidence of bribery, corruption and fraud.

In order to prevent fraud, strengthen Ubox's corporate governance and internal control, reduce company risks, regulate business behavior, safeguard the legitimate rights and interests of the company, ensure the realization of the company's business objectives and the company's sustained, stable and healthy development, and protect the legitimate rights and interests of shareholders, in accordance with the company's business objectives and listed company laws and regulations, the securities exchange market and the regulations and requirements of regulatory agencies, and based on the actual situation of the company, the Group has formulated the Anti-Fraud Management System. The system defines the purpose of anti-fraud work, the concept and form of fraud; The attribution of responsibility for anti-fraud; Fraud prevention and control; Reporting, investigation and reporting of fraud cases; Permanent structures and functions for anti-fraud work; Guidance and supervision of anti-fraud work; Remedies and penalties for fraud and scope of application.

The Group believes that the purpose of anti-bribery, anti-corruption and anti-fraud work is to regulate the professional behavior of the Company's directors, senior and middle-level managers and ordinary employees, who shall strictly abide by relevant laws, industry norms and standards, professional ethics and company rules and regulations, establish a good atmosphere of honesty and diligence, and prevent acts that harm the interests of the company and shareholders.

The Group defines the responsibilities of the regulatory authorities in the anti-bribery, anti-corruption and anti-fraud work:

Board of directors	It is responsible for urging the management to establish a company-wide anti-bribery, anti-corruption and anti-fraud cultural environment, and establish and improve the internal control system including fraud prevention.
Audit committee of the board	As the leading organization of the company's anti-bribery, anti-corruption and anti-fraud work, it guides and supervises the company's anti-bribery, anti-corruption and anti-fraud work.
Management	It is responsible for the establishment, improvement and effective implementation of internal controls to reduce the chance of bribery, corruption and fraud, and take appropriate and effective remedial measures against bribery, corruption and fraud, subject to the supervision of the audit committee and the Board of directors.
Heads of subsidiaries and departments	They shall assume the management responsibility for the occurrence of bribery, corruption and fraud in the subsidiary and the department, and shall be the first responsible person for anti-bribery, anti-corruption and anti-fraud in the unit and the department.
Internal audit department	As a permanent organization of the company's anti-bribery, anti-corruption and anti-fraud work, it is responsible for the implementation of anti-bribery, anti-corruption and anti-fraud work of the company and its subsidiaries.

In order to maintain a clean, honest and conscientious work style of all employees of the Group, protect the interests of the Group and individuals from infringement, and safeguard the healthy development of the Group, the Group has established a reasonable organizational structure to provide correct guidance from the perspective of values and promote the corporate culture of integrity. During the reporting year, the Group has organized training on anti-corruption, bribery, corruption and environmental violations, mainly popularizing the anti-corruption and bribery regulations in the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law, the Interim Provisions on Prohibiting Commercial Bribery and other relevant laws and regulations for all employees. The purpose of the training is to explain to employees the anti-corruption, anti-corruption and related prevention programs, promote integrity management in the company, and improve employees' awareness of integrity and moral integrity.

The internal audit department of the Group is responsible for establishing email addresses for reporting professional ethics issues and fraud cases, and publishing them in the Group's official channels as a channel for all parties in society to reflect and report violations of professional ethics by the Group and its personnel, or to report or expose actual or suspected cases of fraud. The internal audit department receives real-name and anonymous reports via email, and evaluates them jointly with relevant departments such as the legal department and the human resources department to decide whether to investigate. If the report involves senior management, after the approval of the Board and the audit committee, a special investigation team will be formed by the internal audit department and the management of relevant departments to conduct a joint investigation. In conducting the investigation, external experts may be engaged as necessary, and internal controls of the affected business unit may be assessed and recommendations for improvement made. For real-name reporting, whether or not a project investigation will be established, the internal audit department needs to return the investigation results to the whistleblower. For the report materials of fraud cases after reporting and investigating, the internal audit department shall file files in a timely manner as required. The investigation results of relevant fraud cases and the work report of the internal audit department shall be reported to the Group executive committee, the Board and the audit committee on a quarterly basis according to the nature of the report.

4. OUR EMPLOYEE

Ubox values talent development and our employees are the most important asset in our operations. To this end, the Group has formulated the "Salary Management System", "Welfare Management System", "Attendance and Leave Management System", "Employee Behavior Reward and Punishment Management Measures" and "Employee Career Development planning Management System", which has made detailed and clear provisions on recruitment and employment, labor service, attendance management, performance management, training and development and other procedures to strengthen human resources management. Effectively protect the legitimate rights and interests of employees, and continuously improve the welfare of employees, enhance the sense of belonging of employees.

As at 31 December 2023, the total number of employees in the major branches and subsidiaries accounting for more than 50% of the Group's revenue was 760.

During the reporting period, the Group tried to adopt new ways of cooperation with operation personnel to enhance the incentive role of operation personnel while increasing the sales volume of operation lines and reducing operation and management costs. During the reporting period, the staff turnover rate of the major branches and subsidiaries accounting for more than 50% of the Group's revenue was 64%. The main reason is that the Group adopts flexible employment forms, and some employees are converted from operational staff to contracted operational partners.

4.1. Equal employment system

The Group complies with labor related laws and regulations of the People's Republic of China, including but not limited to:

- Labor Law of the People's Republic of China
- Labor Contract Law of the People's Republic of China
- Labor Dispute Mediation and Arbitration Law of the People's Republic of China
- Labor and Employment Promotion Law of the People's Republic of China
- Employment Services and Employment Administration Regulations
- Industrial Injury Insurance Ordinance

During the reporting period, the Group did not violate any relevant laws and regulations relating to pay and dismissal, recruitment and promotion, working hours and holidays, other entitlements and benefits, equal opportunities, diversity, anti-discrimination, prevention of child labour or forced labour. During the reporting period, there were no cases of child labour or forced labour in the Group.

The Group provides employees with a harmonious, inclusive, equal and non-discriminatory working environment. In accordance with relevant internal system documents, the Group implements recruitment management, labor service management, attendance management, salary and welfare management, performance appraisal management, training and development management and other policies, and employs talents on the principle of open recruitment, fair evaluation, fair competition and merit-based selection.

The Group strictly complies with the provisions of Article 94 of the Labor Law of the People's Republic of China: "Where an employer illegally recruits minors under the age of 16, the labor administrative department shall order corrections and impose a fine; if the circumstances are serious, the business license shall be revoked by the industrial and commercial administrative department." The Group strictly abides by the Law of the People's Republic of China on the Protection of Minors and the Regulations on the Prohibition of the Use of Child Labor. In order to avoid the use of child labor, the Group specifies in the recruitment conditions that the candidates must be at least 18 years old. In the recruitment process, the candidates are required to present identification documents for verification to ensure that they meet the minimum working age requirements. When a new employee enters the company, the human resources department will sign a labor contract with the employee and require the employee to present documents such as ID card, education certificate, and the certificate that the labor relationship with the former company has been terminated when going through the formal employment procedures. Moreover, the department will understand the basic information of the employee through background checking, so as to ensure that the identity of the employee is real and effective and prevent the occurrence of illegal employment.

The Group verifies the age of candidates by checking their identity documents during the recruitment process. If a candidate does not reach the legal working age, the Group will immediately cancel his/her candidacy and immediately contact the child's parents or legal guardians to arrange for the child workers to be returned to their parents or guardians in their original place of residence as soon as possible.

The Group adheres to the principle of being responsible for employees and promoting the healthy physical and mental development of employees, and stipulates the working hours of employees according to law. The Group provides employees with statutory holidays in accordance with the law to ensure that employees have sufficient rest time while avoiding forced labour.

The Group provides equal employment opportunities to all candidates and employees, regardless of religion, nationality, marital status, gender, age and disability, respects the unique characteristics of each person, and welcomes all qualified persons to join. During the reporting period, there were no employment discrimination incidents in the Group. We provide fair and equal opportunities, promote an inclusive culture, and allow employees to speak up and give feedback on HR policies.

4.2. Employee remuneration and benefits

In order to standardize the company's compensation management regulations and give full play to the incentive role of the compensation system, the Group formulated the Compensation Management System.

The remuneration of the Group is the sum of the employees' income, including standard salary and benefits, in which standard salary includes fixed salary and variable salary; Fixed salary includes normal working hours salary, post salary, etc., and floating salary includes performance bonus (if any), allowance (if any), commission (if any), etc., specifically:

- Normal working hours wage: The employee is provided with the labor remuneration for normal labor during normal working hours.
- Post wages: Wages is determined according to the business and technical requirements, working conditions, responsibilities and other factors of different posts and positions.
- Performance bonus: Bonus is determined according to the personal performance and the company's operating conditions, in accordance with the company's performance appraisal plan.

The Group has an annual salary adjustment system, and the management decides whether to carry out an annual salary adjustment according to the external market competitiveness of the headquarters and subsidiaries and the annual operating efficiency of the enterprise. In principle, the annual salary adjustment time interval is at least one year, and the effective time is actually determined by the current management situation. The annual salary adjustment process is as follows:

- The human resources department uses various channels to conduct market salary survey and collect external salary information as a reference for annual salary adjustment.

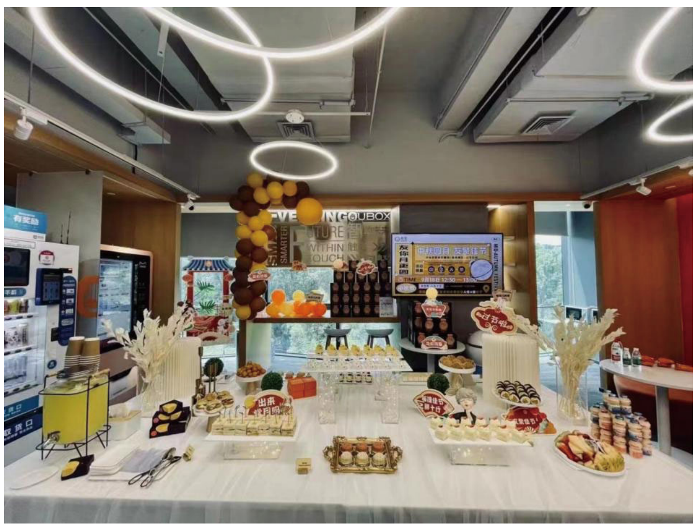
- Based on the achievement of the enterprise's business objectives, the difference between internal salary and external market, and the employee's salary satisfaction, the human resources department recommends the overall salary adjustment strategy and salary increase range, and reports to the group CEO for approval.

- The human resources department shall communicate with the heads of all departments, draw up the scope of salary adjustment, salary adjustment method and specific adjustment range with reference to the direct superiors of employees, and formulate salary adjustment plan, which shall be submitted to the management for review. The salary adjustment plan of the headquarters shall be signed by the CEO and take effect; the salary adjustment plan of the regional subsidiary shall be reviewed by the regional general manager and submitted to the CEO for approval.

In addition, the Group provides various welfare care to its employees. The Group purchased social insurance and provident fund for employees in accordance with the law, and ensured that employees enjoyed statutory holidays. The Group also purchases supplementary commercial insurance for employees, provides annual physical examination, company welfare leave, paid sick leave, team building expenses and travel subsidies, and prepares holiday benefits, birthday gifts, wedding gifts, birth gifts and growth and development benefits for employees. These benefits enhance the sense of belonging and happiness of employees, create a good working atmosphere for employees, and promote the positive development of corporate culture.

The company also maintains an open communication attitude, and employees can feedback opinions and suggestions through the company's open and formal communication platforms and channels, and seek solutions to problems. In order to create convenient and effective communication channels, improve the timeliness of communication and feedback efficiency, the company has set up a variety of communication channels online and offline, so that employees can reflect their opinions to the management. The company encourages employees to actively offer suggestions and suggestions to improve the rules and regulations together with the company.

Dragon Boat Festival eating zongzi and handmade sachet activities



Mid-Autumn Festival afternoon tea

Bell ringing ceremony, custom work clothes, tea break

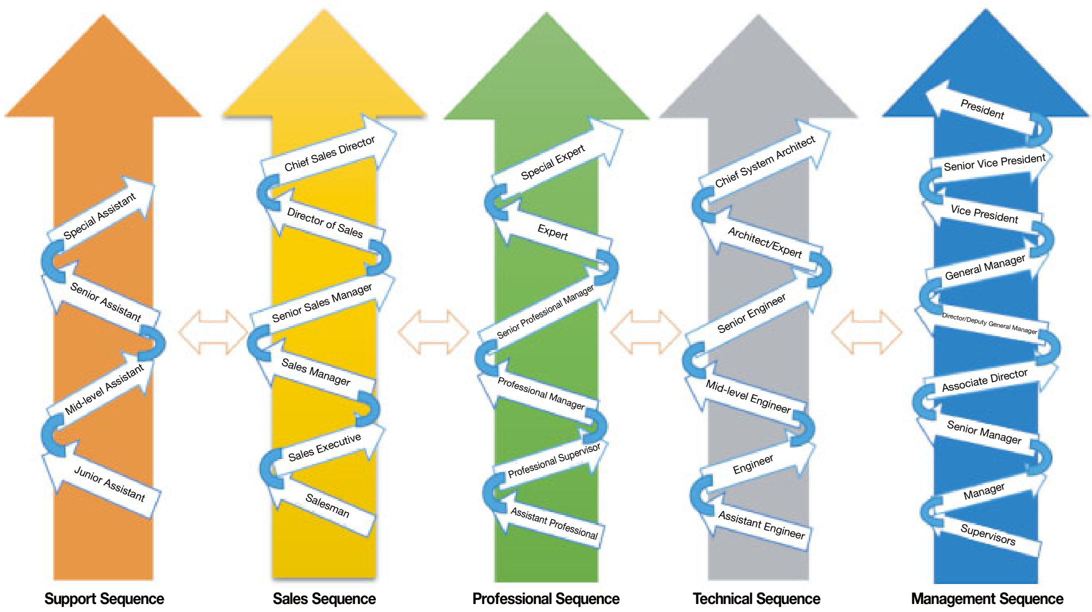
4.3. Attach importance to talent development

Training System

Talent is the greatest wealth of Ubox. Ubox pays attention to the growth of employees, cherishes talents, educates talents and uses talents, and provides employees with a broad space for development. In order to standardize the management of employees' career development planning, build a talent development system in line with the company's and individual's career development, build a person-post matching organization, meet the company's strategic development needs, and achieve a win-win situation between employees' career development and the company's business development, the Group formulated the Employee Career Development Planning Management System according to the relevant regulations of the company.

The company sets up a variety of career development channels for employees, encourages employees to specialize in their strengths and develop multiple abilities, so that employees engaged in different positions have a sustainable career path, and provide equal opportunities for promotion.

Horizontal and Vertical Multi-Channel Development Pathway



Employee career development path

The Group encourages employees to continue to learn, make continuous progress, grow in learning, and become talented in practice. The company is committed to providing adequate training and development opportunities for employees, arranging different training for different job types, and different departments can arrange training or apply for training independently. The Group provides one-to-one training for new employees to help them quickly adapt to the working environment and be familiar with the work content. For specific types of employees, the Group formulates corresponding operational guidelines, such as “On-site Operating Standards” for operational positions and “Safe Operating Practices for Loading, Unloading and Distribution” for operational maintenance positions, etc., to regulate the operations of corresponding employees and protect their safety.

During the reporting period, the community development division organized the Community scene Business development Project 921 intensive training course for the community flash purchase project business team to provide a three-day training on corporate culture, work process, practical operation, etc.

Community scene Business development Project 921 intensive training course

Training Dynamics

During the year, 30% of the employees(Note 1) of the Group's the major branches and subsidiaries accounting for more than 50% of the Group's revenue, received training, with an average of 0.27 hour of training per employee(Note 2), broken down by gender and rank of employees as follows:

	Number of employees trained	Percentage of trained employees(Note 3)	Total training hours	Average number of hours of training completed per employee(Note 4)
Classification by gender of employees				
– Male	162	71.4%	104.0	0.64
– Female	65	28.6%	104.0	1.60
Classification by rank of employees				
– Senior Management	0	0.0%	0.0	0.0
– Middle Management	25	11.0%	104.0	4.16
– Ordinary employee	202	89.0%	104.0	0.14

Note 1: Total number of employees trained divided by the number of employees at the end of the year.

Note 2: Total number of training hours of employee divided by the number of employees at the end of the year.

Note 3: The number of such category of employees trained divided by the number of trained employees.

Note 4: The number of training hours for such category of employees divided by the number of such employees at year end.

4.4. Employee health and safety

The Group complies with the occupational health and safety laws and regulations of the People's Republic of China, including but not limited to:

- Fire Protection Law of the People's Republic of China
- Occupational Health and Safety Management System
- Industrial Injury Determination Measures
- Industrial Injury Insurance Ordinance

The Group has standardized the safety of employees, built a safety management system, created a safe and healthy working environment, and conducted comprehensive safety education for employees. The Group regularly provides training to its employees and organizes a variety of safety activities to enhance safety awareness and safety management skills. For regional operation and maintenance personnel, the Group has formulated the "Handling and Distribution Safety Operation Code" and provided on-the-job training to ensure the operation safety of operation and maintenance personnel. For driving positions, the Group has developed a corresponding access system to ensure that personnel are licensed to work and drive safely. A series of safety training programmes are provided to new staff under the induction scheme and to existing staff on an annual basis. The training is conducted in the form of active participation of staff, such as fire drills and traffic safety learning for drivers, with a view to enhancing safety awareness and enhancing safety awareness of staff. The Group regularly reviews and updates these guidelines to ensure continuous improvement.

For the past three years, including the reporting period, the Group did not have any work-related injuries, deaths or work days lost due to work-related injuries.

5. OUR ENVIRONMENT

Environmental pollution, global warming and resource scarcity have posed great threats and challenges to the global society. While adhering to the quality of products and services, Ubox adheres to the concept of caring for the earth and protecting the environment, establishes and improves the environmental management system and measures system, and ensures the construction of green ecology with employees and customers. The Group is aware of the risks associated with climate change and recognises the importance of managing these risks.

During the reporting period, the Group is committed to complying with the major environmental laws and regulations of the People's Republic of China, including but not limited to:

- Environmental Protection Law of the People's Republic of China;
- Environmental Protection Tax Law of the People's Republic of China;
- Water Pollution Prevention Law of the People's Republic of China;
- Air Pollution Prevention Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste;
- Cleaner Production Promotion Law of the People's Republic of China;
- Noise Pollution Prevention Law of the People's Republic of China.

During the reporting period, the Group did not receive any reports or complaints relating to serious breaches of environmental laws and regulations.

5.1. Practicing green operations

Reduce Air Emissions

Due to the special nature of the Group's business operations, vehicles are required to transport goods between vending machines and warehouses located in various cities. The Group's operations do not involve the consumption of natural gas for stoves, and the air emissions generated mainly come from the fuel consumed by official travel vehicles.

The types and information of air emissions generated by the Group during the year are as follows:

Emission types	Unit	Year 2023
NO_X	kg	3,303.22
SO_X	kg	5.84
PM	kg	304.25

The Group's operations do not involve the consumption of natural gas for stoves, and the GHG emissions generated mainly come from the use of fuel for official travel vehicles, the use of refrigerants and the use of outsourced electricity.

The Group's GHG emissions for the year are summarized as follows:

GHG emissions types	Unit	Year 2023
GHG emissions		
Scope 1 Direct GHG emissions	CO_2 equivalent (tonnes)	1,071.36
Scope 2 Indirect GHG emissions	CO_2 equivalent (tonnes)	617.32
Total GHG emissions	CO_2 equivalent (tonnes)	1,688.69
GHG emission intensity		
Scope 1 Direct GHG emissions	CO_2 equivalent (tonnes)/number of employees	1.41
Scope 2 Indirect GHG emissions	CO_2 equivalent (tonnes)/number of employees	0.81

Ubox is committed to reducing the impact of its operations on the natural environment, promoting and practicing green operations, and integrating green concepts into our daily operations.

For the use of vehicles, the Group actively increased new energy vehicles and eliminated models with large emissions; had reasonable control of the number of vehicles and fuel consumption, prohibited private use of buses, and improved the efficiency of vehicle use; Determined the daily replenishment point through the system and combined with experience, reasonable arranged replenishment route, avoided excessive replenishment, in order to rationally plan the use of replenishment vehicles; Strictly adhered to the national regulations to arrange the company's vehicles to carry out annual testing, and to be legally put on the road after passing the inspection; Reduced emissions through the implementation of one-car-one-fuel card, dynamic limit management of fuel costs, continuous and flexible disposal of idle vehicles; Promoted the transformation of equipment, transformed the smart container into a machine supporting dynamic identification, increasing the capacity of goods, and effectively reducing the number of single point replenishment under the same income, thus reducing the exhaust emissions of operating vehicles.

The Group has set targets for vehicle use and expects to increase the use of new energy vehicles in the coming years, control electricity use, and reduce total GHG emissions by 1%.

The Group has complied with relevant laws and regulations that have a significant impact.

Waste Management

The Group is not involved in the production of products and therefore does not generate raw materials, packaging materials and related waste materials in the course of its operations. The packaging materials involved in the Group are packaging materials used by commodity manufacturers and packaging materials used by machine manufacturers, mostly cartons. The Group sends the relevant waste packaging materials to the recycling company, recycling plant after unpacking, or the relevant goods and machinery are transferred to the site manager. In the course of office operation, the Group generates a very small amount of harmful waste such as toner cartridges, fluorescent tubes and toner cartridges, which are directly delivered to the recycling station near the warehouse or to the special hazardous garbage bin in the office park. The harmless solid waste generated by the Group is mainly domestic waste, and the domestic waste will be transported and processed by qualified sanitation companies every day to ensure the disposal of garbage classification.

In the daily operation of the Group, we consciously reduce the loss of resources through daily recycling. The Group carried out technical control and transformed incandescent lamps into LED energy-saving lamps. The Group advocates the rational use of paper and tries to use black and white double-sided printing to reduce waste; Changes financial invoicing from paper invoices to electronic invoices; Reduces the printing of paper documents and the use of electronic documents to sign through the information improvement of the system, and reducing the use of paper; Implements paperless office; purchases napkins, paper towels and toilet paper that are made from recycled paper, reducing the use of disposable paper items. The Group uses office stationery such as reusable document bags, folders, and ballpoint pen holders. The Group advocates that employees bring their own cups to reduce the waste of plastic bottles and paper cups. The Group also advocates the accurate classification of employees' household waste, and puts up promotional slogans to help the community waste classification work.

The Group has set targets for waste emissions and expects to control waste emissions from a more comprehensive perspective in the coming year, reducing both non-hazardous waste emissions and hazardous waste emissions by 1%.

Energy Use

The Group is committed to reducing energy consumption as much as possible while operating efficiently, supporting the use and promotion of clean energy, and improving the comprehensive utilization rate of resources. The Group manages the use of electricity, focuses on the management of major energy-consuming equipment, counts the consumption on a monthly basis, and standardizes the process of equipment use in order to fully and effectively utilize energy. For any anomalies or excessive consumption, we will investigate, identify the cause and find corrective measures. In order to achieve sustainable development, the Group regularly circulates environmental information and provides practical advice on environmentally friendly lifestyles to its employees. Going forward, we will continue to actively identify feasible opportunities to reduce usage in our operations.

The Group's vending machines set operating hours according to the operating sites and actual conditions, e.g. vending machines set up in schools, set closing times and withdraw products according to winter and summer holidays; Vending machines in cinemas, subway stations and other places with specific operating hours, set closing time according to the operating hours; Vending machines set up in office buildings, residential areas and other places where there may be a 24-hour flow of people, set energy saving mode, according to the size of the flow of people. The operation settings of each vending machine need to be operated by the Group staff to ensure the effective operation of the machine and the implementation of energy saving and environmental protection.

The Group set a target for the energy use of vending machines, and expects to increase the use of machines with energy-saving modes in the coming year, eliminate high-energy-consuming machines, and reduce the total electricity use by 1%.

The Group consciously controls the use of electrical appliances in its operation, and the specific measures are as follows:

- Lighting: Physical means are used to control, to achieve regional control, during the day to close the office area decoration class and other common lighting, the computer and lighting are shut down after the employees get off work, special personnel is arranged to carry out five checkpoints at night to avoid waste.

- Air conditioner: The air conditioning temperature is set to 26°C and the wind speed is set to the lowest. If employees have special needs, the temperature and wind speed need to be adjusted according to demand after reporting; The air conditioning switch is controlled by time intervals, the air supply state is enabled during noon and lunch break, and the air conditioner is turned off uniformly after work, and the air conditioner is not turned on on weekends. Individual employees working overtime use measures such as opening windows or using fans to avoid energy waste.

- Office equipment: Office printers, projectors and other equipment are shared to reduce idle equipment and avoid waste; Office water dispensers, printers, conference equipment and other equipment are controlled and set, timing switch, according to the time and frequency of the use of the equipment, the use of load requirements, in order to have timely adjustment and control, so as to optimize the operation of energy use equipment, to achieve the purpose of energy saving and environmental protection.

- Operation equipment: The operation machine will be managed by controlling the execution time, installing energy saving switches, light sensing controllers and other measures.

The Group has made efforts to implement energy conservation and increase efficiency, and has strengthened the promotion of energy conservation to employees. The Group's energy consumption and intensity during the year are as follows:

	Unit	Year 2023
Electricity consumption	MWh	1,059.72
Total electricity consumption intensity	MWh/number of employees	1.39

Energy consumption is uniformly converted to megawatt-hour measurement with the following results:

Types	Year 2023
Direct energy consumption (MWh)[3]	3,860.01
Indirect energy consumption (MWh)	1,059.72
Total energy consumption (MWh)	4,919.73
Energy consumption intensity (MWh/number of employees)	6.47

Water Resources Management

The water source of the Group comes from the unified water supply of the rented office buildings, offices and warehouses connected to the urban water supply system, and the water consumption is concentrated in office and domestic water. Therefore, the Group has no difficulty in sourcing water that is fit for purpose.

The Group attaches great importance to the impact of water resources consumption on the environment and has developed a series of water-saving measures, specific measures are as follows:

- Technical transformation: part of the faucet induction switch transformation, according to demand, to avoid waste;

- Physical means control: water output regulation of the tea room and toilet, regular inspection of water equipment, rational use of water resources;

- Staff advocacy: promotion to employees to develop good habits of water conservation, and enhancing employees' awareness of water conservation.

The Group has set targets for water use and expects to do more to control water consumption in the coming years, reducing total water use by 1%.

3 The calculation of MWh units of energy conversion is based on the Energy Statistical Manual published by the International Energy Agency.

The Group's water consumption and its intensity during the year are as follows:

	Unit	Year 2023
Water consumption	tonnes	9,068.00
Water consumption intensity	tonnes/number of employees	11.93

5.2. Tackle climate change

On September 27, 2020, the Ministry of Ecology and Environment held a policy briefing on "actively responding to climate change" to implement the goals of addressing climate change, strengthen economic transformation, adhere to new development concepts, develop high-tech industries such as digital economy, and promote low-carbon culture through digitalization. At the same time, it is necessary to strengthen energy substitution and build a near-zero-emission energy system with new and renewable energy as the main body by 2050, laying the foundation for carbon neutrality by 2060.

Ubox conducts GHG emissions inventories, and we make reference to the recommendations of the relevant Financial Disclosure Working Group (TCFD) to transparently disclose and compare GHG emissions and energy consumption in our reports, and strive to reduce the carbon footprint of the Group's operations and promote a low carbon culture.

Climate change is a global challenge that affects everyone's lives. In 2015, almost all countries adopted a landmark international agreement, the Paris Agreement, agreeing to drastically reduce global GHG emissions in order to limit global warming to 1.5 degrees Celsius this century. The agreement underscores the urgency of the climate-related situation.

In 2020, China clearly proposed at the United Nations General Assembly that carbon dioxide emissions should peak before 2030, and strive to achieve carbon neutrality before 2060.

In recent years, Ubox Online has actively participated in carbon emission reduction plans, actively followed the global trend of green and low-carbon development, and actively laid out a carbon neutral pattern. During the year, the Group developed a policy on climate change, which included an assessment of major climate-related issues and related responses.

Risk category	Impact on the Group	Measures
Physical Risk		
Immediate risk: Extreme weather accidents	Extreme wind, rainstorm, fire, power supply interruption resulting in vending machine power failure or failure, accident; Unexpected accidents have an impact on the safety of employees' commuting, and the unsafe environment caused by them has potential work-related injury risks.	If anyone receive the notice of the weather bureau related to blizzard, rainstorm and typhoon, the individual will send an email to notify the corresponding company of the specific situation of bad weather in the first time; Formulate specific safety management requirements, including: personnel and vehicle safety management, such as safety inspection before driving, driving precautions publicity, stop work when necessary; Warehouse goods and equipment asset management, such as strengthening the warehouse, good flood control measures; The protection and strengthening measures of the machine at the point, such as the installation of the canopy for the outdoor machine, the addition of the foot mat, and the transfer of the machine placement position when necessary; After the implementation of the district general supervision, it will be synchronized to the headquarters, and in case of special circumstances, it will take measures to ensure the safety of personnel at the first time, and report to the headquarters. In view of the hot weather in summer, the company will take good care of the staff such as cooking green bean soup for employees; Distributing heatstroke prevention and cooling supplies; Granting high-temperature subsidies according to local government standards; If it is impossible to work in hot weather, the working hours of front-line personnel will be adjusted according to the situation.

Risk category	Impact on the Group	Measures
Long-term risks: Global temperatures rise, sea levels rise	Global warming leads to the melting of glaciers, sea level rise and other chronic changes on the future of commodity transportation, storage impact.	Continue to pay attention to global warming, improve the warehouse operating environment and commodity storage environment.
Transition Risk		
Policy and regulatory risks: Tightening of climate-related policies	Energy conservation and emission reduction related policies, more stringent emission reporting obligations and compliance requirements.	Continue to monitor regulatory trends to ensure that the Group's emissions comply with the latest legal requirements.
Technical risks: Products are replaced by new low-carbon technology products	The unmanned retail market expects the use of vending machines to be more intelligent, convenient and environmentally friendly, or the Group's vending machines to be completely replaced by new technology products.	Continue to encourage research and development and innovation, pay attention to new trends in the market, pay attention to the emergence of new products and technologies, and widely absorb talents.
Market risk: The market demand for green products is increasing	The unmanned retail market has paid more attention to green products, and the emergence of similar green products has reduced the market competitiveness of the Group's products.	Continue to encourage research and development and innovation, explore green procurement roads, use green technology to produce green products, and maintain core competitiveness with a high level of technology and professional production capacity over the years.
Reputational risk: Social impression and evaluation of low-carbon enterprises	Customers or communities have a poor impression and evaluation of high-carbon emission companies, so they do not invest in or buy their products, which affects their profitability and market share.	Continue to take measures to reduce carbon emissions, disclose and publicize the company's ESG contribution to the community, and call for carbon reduction actions.

6. OUR COMMUNITY

Ubox Online actively undertakes social responsibility, as a member of the society, actively fulfills the obligation to support social development and pay attention to social changes. During the reporting period, the Group began to invest more sites in the community scene on the basis of the main consumption scenes such as schools, factories, offices, public places and transportation hubs. This kind of point to residential community residents as the core of the service, with our intelligent vending machine as the carrier, to provide residents with more efficient and convenient, closer to the life of the residents of the unmanned retail services, to meet the needs of residents to facilitate life, and improve the overall satisfaction. Looking forward to the future, we will cooperate with more property companies in first-tier cities and new first-tier cities to launch more community sites, focus on the needs of community users, and provide more high-quality products and convenient automatic community experience services for community residents. In the future, the Group will pay more attention to giving back to the society, and put more convenient smart retail terminals at the social level to contribute to public welfare undertakings.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental performance

	Types	Current year's emissions
Air emissions	NO_X (kg)	3,303.22
	SO_X (kg)	5.84
	PM (kg)	304.25
	Scopes	**Current year's emissions**
GHG emissions	Scope 1 Direct GHG emissions (tonnes CO_2 equivalent)	
	Petrol and Diesel	1,049.63
	Refrigerant	21.74
	Scope 2 Indirect GHG emissions (tonnes CO_2 equivalent)	
	Electricity Purchased	617.32
	Total GHG emissions (tonnes CO_2 equivalent)	1,688.69
	GHG emissions intensity (tonnes CO_2 equivalent/number of employees)	2.22

	Types	Current year's emissions
	Types	**Current year's emissions**
Waste emissions	Hazardous waste (tonnes)	0.19
	Hazardous waste intensity (tonnes/number of employees)	0.0002
	Non-hazardous waste (tonnes)	
	Domestic garbage	403.37
	Non-hazardous waste intensity (tonnes/number of employees)	0.53
	Types	**Current year's consumption**
Energy consumption	Direct energy (MWh)	
	Petrol	3,568.38
	Diesel	291.63
	Indirect energy (MWh)	
	Electricity	1,059.72
	Total energy consumption	4,919.73
	Energy consumption intensity (MWh/number of employees)	6.47
		Current year's consumption
Water consumption	Total water consumption (m^3)	9,068.00
	Water consumption intensity (m^3/number of employees)	11.93

Social Performance

Employee distribution		Current year's number of employees in the major branches and subsidiaries accounting for more than 50% of the Group's revenue
Gender	Male	516
	Female	244
Rank	Chief executive	1
	Senior Management	4
	Middle Management	25
	Ordinary employee	730
Employment type	Full-time	752
	Part-time	8
Age	Under 30	182
	30 to 40	453
	41 to 50	105
	Over 50	20
Region	China Mainland	760
Total		760

Employee distribution		**Current year's employees leaving distribution and proportion in the major branches and subsidiaries accounting for more than 50% of the Group's revenue[3]**
Gender	Male	423 (82%)
	Female	62 (25%)
Age	Under 30	172 (95%)
	30 to 40	265 (58%)
	41 to 50	45 (43%)
	Over 50	3 (15%)
Region	China Mainland	485 (64%)
Total number and proportion of employees leaving[4]		485 (64%)

3 Employees leaving distribution and proportion: The number of employees in this category divided by the number of employees in this category at the end of the year.

4 Total number and proportion of employees leaving: Number of employees leaving divided by number of employees at the end of the year.

Employee distribution	Current year's number of employees in the major branches and subsidiaries accounting for more than 50% of the Group's revenue

Occupational safety and health performance	Current year's index
Number of work-related deaths (Current year and in the past three years)	0
Number of work-related injuries	0
Number of working days lost due to injury	0

Training		Current year's employees training distribution and proportion in the major subsidiaries accounting for more than 50% of the Group's revenue[5]
Gender	Male	162 (71.4%)
	Female	65 (28.6%)
Rank	Chief executive	0 (0.0%)
	Senior Management	0 (0.0%)
	Middle Management	25 (11.0%)
	Ordinary employee	202 (89.0%)
Total number of training employees		227 (30%)

5 Employees training distribution and proportion: The number of trained employees in this category divided by the total number of trained employees.

CONTENT INDEX

The "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide

Subject Areas		Content	Chapter Index
A. Environmental			
Aspect A1: Emissions			
General Disclosure	A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Reduce Air Emissions Waste Management
KPIs	A1.1	The types of emissions and respective emissions data.	Reduce Air Emissions
	A1.2	Direct and energy indirect greenhouse gas emissions and intensity.	Reduce Air Emissions
	A1.3	Total hazardous waste produced and intensity.	Waste Management
	A1.4	Total non-hazardous waste produced and intensity.	Waste Management
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Reduce Air Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management
Aspect A2: Use of Resources			
General Disclosure	A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Use
KPIs	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Use
	A2.2	Water consumption in total and intensity.	Water Resources Management
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Use Water Resources Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Resources Management
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Waste Management

Subject Areas		Content	Chapter Index
Aspect A3: The Environmental and Natural Resources			
General Disclosure	A3	Policies on minimising the significant impacts on the environment and natural resources.	Practicing Green Operations
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Practicing Green Operations
Aspect A4: Climate Change			
General Disclosure	A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact.	Tackle Climate Change
KPIs	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Tackle Climate Change
B. Social			
Aspect B1: Employment			
General Disclosure	B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Equal Employment System Employee Remuneration and Benefits
KPIs	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Overview of Key Performance Indicators
	B1.2	Employee turnover rate by gender, age group and geographical region.	Overview of Key Performance Indicators
Aspect B2: Health and Safety			
General Disclosure	B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety
KPIs	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Health and Safety
	B2.2	Lost days due to work injury.	Employee Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Health and Safety

Subject Areas		Content	Chapter Index
Aspect B3: Development and Training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Attach Importance to Talent Development
KPIs	B3.1	The percentage of employees trained by gender and employee category.	Attach Importance to Talent Development
	B3.2	The average training hours completed per employee by gender and employee category.	Attach Importance to Talent Development
Aspect B4: Labour Standards			
General Disclosure	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Equal Employment System
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Equal Employment System
	B4.2	Description of steps taken to eliminate such practices when discovered.	Equal Employment System
Aspect B5: Supply Chain Management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPIs	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas		Content	Chapter Index
Aspect B6: Product Responsibility			
General Disclosure	B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product liability
KPIs	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product liability
	B6.2	Number of products and service related complaints received and how they are dealt with.	Value Customer Opinion
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protect Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Maintain Product Quality and Safety
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protect Information Security
Aspect B7: Anti-corruption			
General Disclosure	B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption and Integrity Building
KPIs	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption and Integrity Building
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption and Integrity Building
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption and Integrity Building
Aspect B8: Community Investment			
General Disclosure	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community
KPIs	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders.

The Company has adopted the principles and code provisions of the Corporate Governance Code set forth in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. In the opinion of the Board, during the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code, save for the deviation from code provision C.2.1 which is further explained in the section headed "Chairperson and Chief Executive Officer" below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

CORPORATE CULTURE

As a vending machine operator in mainland China with strong operation and digitalization capabilities and over a decade of experience, 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.

Since its establishment in 2011, the Company has been adhering to the Internet business philosophy and actively promoting retail intelligence through cloud platform management and offline smart operation models. So far, it has been deployed in various cities in China, operating approximately 60,000 Ubox POS. Ubox's retail products include pick-and-go cabinets, beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines and others.

The Company's vision and dedication provide guidance for employees' ethics and behavior, ensuring that they are incorporated into the Company's operating practices, workplace policies and practices, and stakeholder relationships. The management of the Company is responsible for setting the tone and creating corporate culture for the Company, defining the Group's mission, values and strategic direction, which are reviewed by the Board. The Group's culture, mission, values and strategies remain consistent, taking into account that corporate culture is reflected in various environments, such as workforce engagement, employee retention and training, legal and regulatory compliance, employee safety, welfare and support.

BOARD OF DIRECTORS

Board composition

As at the date of this annual report, the Board currently comprises the following Directors:

Executive Directors

Mr. Wang Bin *(Chairman and Chief Executive Officer)*
Mr. Chen Kunrong (resigned with effect from January 11, 2024)
Mr. Yu Lizhi
Ms. Cui Yan

Non-executive Directors

Mr. Zhu Chao
Ms. An Yufang

Independent non-executive Directors

Mr. Wang Xiaochuan
Ms. Guo Wei
Mr. Zhang Chen

An up-to-date list of the Directors and their roles and functions is maintained on the Company's website and the Stock Exchange's website. The biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management – Biographical Details of Directors" of this annual report.

During the period from the Listing Date to the end of the Reporting Period, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investor community and in compliance with the Listing Rules and the Corporate Governance Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors.

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

All of our Directors have obtained the legal opinions referred to in Rule 3.09D of the Listing Rules on April 14, 2022, before the commencement of trading in the Shares on the Stock Exchange, and confirmed that they understood their duties as Directors.

Responsibilities and delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairperson and Chief Executive Officer

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairperson and chief executive officer and Mr. Wang Bin currently performs these two roles. The Board believes that, in view of his experience, personal profile and his roles in the Company, Mr. Wang Bin is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of the Company's business as the chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Board meetings

During the period from the Listing Date to the end of the Reporting Period, the Company held two Board meetings, one Audit Committee meeting, no Remuneration Committee meeting, no Nomination Committee meeting and no general meeting. The attendance record of each Director at the above meetings are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Mr. Wang Bin	2	0	0	0	0
Mr. Chen Kunrong (resigned with effect from January 11, 2024)	2	0	0	0	0
Mr. Yu Lizhi	2	0	0	0	0
Ms. Cui Yan	2	0	0	0	0
Mr. Zhu Chao	2	0	0	0	0
Ms. An Yufang	2	0	0	0	0
Mr. Wang Xiaochuan	2	1	0	0	0
Ms. Guo Wei	2	1	0	0	0
Mr. Zhang Chen	2	1	0	0	0

Notes:

In addition to the above meetings, Mr. Wang Bin, the chairman of the Board, held one meeting with the independent non-executive Directors without the presence of the other Directors during the Reporting Period.

Appointment and re-election

Code provision B.2.2 of the Corporate Governance Code states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each Director (including the non-executive Director and independent non-executive Directors) is engaged for a term of three years. They are subject to re-election in accordance with the provisions of the Articles of Association.

Training and professional development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the board remains informed and relevant.

To help the Directors develop and refresh their knowledge and skills, internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company also arranged for its Hong Kong legal advisor in relation to the Listing to provide training to all Directors (including independent non-executive Directors). The training session covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and requirements under the Listing Rules.

The Directors are required to provide details of the training they received in each financial year to the Company for the maintenance of proper training records. Throughout the period from the Listing Date to the end of the Reporting Period, the training received by the Directors was as follows:

Name of Director	Type of continuous professional development training
Mr. Wang Bin	A and B
Mr. Yu Lizhi	A and B
Ms. Cui Yan	A and B
Mr. Zhu Chao	A and B
Ms. An Yufang	A and B
Mr. Wang Xiaochuan	A and B
Ms. Guo Wei	A and B
Mr. Zhang Chen	A and B

Notes:

A: Attending seminar(s), conference(s), forum(s) and/or training course(s) arranged by the Company or external parties.

B: Perusing materials provided by the Company or external parties, such as materials relating to the Company's business updates, directors' duties and responsibilities, corporate governance and regulatory updates, and other applicable regulatory requirements.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part II of the Corporate Governance Code.

As at the date of this annual report, the Audit Committee consists of three Directors, namely Mr. Wang Xiaochuan, Mr. Zhang Chen and Ms. Guo Wei who serves as the chairlady of the Audit Committee, all of them are independent non-executive Directors. The duties and responsibility of the Audit Committee includes but not limited to the following:

- making recommendations to the Board on the appointment, re-appointment, replacement, dismissal and removal of the external auditor, approving and examining audit fees, remuneration and engagement terms of the external auditor and dealing with any issues concerning resignation or dismissal of such external auditor, adopting appropriate measures to supervise the work of the external auditor, and reviewing reports from the external auditor.

- reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards, and discussing with the external auditor on the nature, scope and relevant reporting obligations of the audit before the audit commences.

- formulating, developing and implementing policies on engaging external auditor to supply non-audit services. For this purpose, the "external auditor" includes any entity that is under the common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report to the Board, identifying and making recommendations as to any actions to be taken or any matters to be improved as it deems necessary.

- serving as the Company's key representative body for overseeing the Company's relations with the external auditor.

- monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and reviewing the significant financial reporting judgements contained in them. The Committee shall particularly review the below matters before submitting the relevant statements and reports to the Board:

    1. any change in the accounting policies and practices;

    2. major judgmental areas;

    3. significant adjustment resulting from audit;

    4. the going concern assumptions and any qualifications of the opinion;

    5. compliance with accounting standards;

    6. compliance with the Stock Exchange Listing Rules and legal requirements in relation to financial reporting.

- reviewing the Company's financial control, risk management and internal control systems and monitoring the implementation of such systems on an on-going basis; and ensuring that the effectiveness of the risk management and internal control system of the Company and its subsidiaries is reviewed at least once a year.

- discussing on the risk management and internal control systems with the management to ensure that the management has performed its duty to establish effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function; supervising the effective implementation of internal control and self-assessment of internal control, and coordinating internal control audit and other related matters.

- on its own initiative or as assigned by the Board, considering material findings of investigations of risk management and internal control matters and the feedback by the management to such findings.

- ensuring coordination between the internal audit department and external auditor, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and supervising the effectiveness of the internal audit department.

- reviewing the financial and accounting policies and practices of the Company and its subsidiaries.

- reviewing the management letter (《審核情況說明函件》) issued by the external auditor to the management, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response.

- ensuring that the Board will provide a timely response to the issues raised by the external auditor in the management letter.

- ensuring the Company has established suitable channels for employees to report or raise any concerns, in confidence, about possible inappropriateness in financial reporting, internal control or other matters, reviewing relevant arrangements from time to time, and ensuring proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions.

- reporting the annual report on overall risk management to the Board.

- reviewing the risk management strategies and material risks management solutions of the Company, reviewing and monitoring the Company's policies and practices in respect of compliance with legal and regulatory requirements.

- reviewing the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions.

- reporting to the Board on related issues within the scope of the Committee's duties; and reporting to the Board about the Committee's decisions or recommendations, except those which cannot be reported according to legal or regulatory restrictions.

- developing and reviewing the policies and practices on corporate governance of the Company and making recommendations to the Board.

- reviewing and monitoring the training and continuing professional development of the directors and senior management.

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors.

- reviewing the Company's compliance with the Corporate Governance Code as set out in the Stock Exchange Listing Rules and the disclosure in the Corporate Governance Report.

- establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Committee about possible improprieties in any matter related to the Company.

The attendance records of the Audit Committee are set out in the section headed "Board Meetings" above. During the period from the Listing Date to the end of the Reporting Period, the Audit Committee has performed the following major duties: (i) reviewed the quarterly results of the Company for the three months ended 31 March 2023; (ii) reviewed the annual results and annual report of the Company for the year ended 31 December 2023; and (iii) reviewed the effectiveness of the Company's financial controls, internal control and risk management systems, and internal control function. On 26 March 2024, the Audit Committee has reviewed the audited consolidated financial statements and results of the Group for the Reporting Period, discussed the re-appointment of the external auditors and made a recommendation to the Board.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor in the absence of the executive Directors. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended its re-appointment.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for such reporting period.

In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The Auditor is responsible for auditing and reporting its opinion on the financial statements of the Company. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's Remuneration

For the year ended 31 December 2023, the remuneration for the audit services paid to the Auditor (which excludes the service fees in connection with the initial public offering) amounted to RMB3,500,000; while no non-audit services (which mainly include professional services on tax advisory and internal control consultation services) has been provided by the Auditor.

The Company did not change its auditor in the preceding three years.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code.

The Nomination Committee consists of three Directors, namely Ms. Guo Wei, Mr. Wang Xiaochuan and Mr. Wang Bin serves as the chairman of the Nomination Committee, whereas Mr. Wang Bin is an executive Director and both Ms. Guo Wei and Mr. Wang Xiaochuan are independent non-executive Directors. The duties and responsibility of the Nomination Committee include but not limited to the following:

- reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year, and making recommendations on any changes to the Board to complement the Company's corporate strategies.

- studying and advising on the standards, procedures and methods for the election of directors and senior management.

- identifying individuals suitably qualified to become directors and senior management.

- selecting or making recommendations to the Board on the selection of individuals nominated for directorships and senior management. Where the Board proposes to put forward a resolution to elect an individual as an independent non-executive director at the general meeting, it shall set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting with the following details: (1) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent; (2) if the proposed independent non-executive director will be holding his or her seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board; (3) the views, perspectives, skills and experience that the individual can bring to the Board; and (4) how the individual contributes to the diversity of the Board.

- assessing the independence of the independent non-executive directors.

- making recommendations to the Board on the appointment or re-appointment of directors and senior management, as well as the succession plan for directors and senior management (especially the chairman of the Board and the chief executive).

- reporting its decisions or opinions to the Board, unless otherwise restricted by laws or regulations.

The attendance records of the Nomination Committee are set out in the section headed “Board Meetings” above. During the Reporting Period, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the implementation and effectiveness of the Board Diversity Policy, made recommendations to the Board for re-election of Directors at the annual general meeting, and reviewed the disclosure of the Company.

Board Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to the Group’s operations and business. They obtained degrees in various majors including engineering, economics, and business administration. The Company has three independent non-executive Directors with different industry backgrounds, representing one third of the members of the Board. Furthermore, the Board has a diverse age and gender representation. Taking into account the Company’s existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, the Nomination monitors and evaluates the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, makes any revisions that may be required and recommend any such revisions to the Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

In terms of gender diversity, the Board currently has three female members, and the Board is of the view that it has achieved gender diversity. The Board strives to maintain or enhance gender diversity in the foreseeable future. Specifically, the Board will always include at least two female Directors in its composition. To achieve this objective, the Board has been developing a pipeline of potential successors by providing more training and opportunity to female members of the senior management.

The Company is committed to promoting gender diversity not only within the Board but among its workforce generally. As at 31 December 2023, the gender ratio in the Company's workforce (including senior management) is as follows:

Male	69%
Female	31%
Total	**100.0%**

To continue to achieve gender diversity in the workforce, we are committed to creating favourable conditions in our working environment to continue to attract both men and women to join the Company, thereby maintaining and further enhancing the gender diversity of the Company. During the process, we may face the issue of whether the supply of personnel of a particular gender in the human resources market matches the required qualifications, experience and skills required for positions within the Company. Despite these challenges, we will endeavour to maintain gender balance in the workforce.

Nomination Procedures

The Nomination Committee shall formulate a proposal after studying the nomination criteria, selection procedure and term of office of a director or senior management pursuant to the actual situation of the Company, the relevant laws and regulations, and the Articles of Association of the Company. Such proposal shall be made and submitted to the Board of Directors for approval on implementation.

The Shareholder who nominates a Director shall provide information of the nominee that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. The Board of Directors of the Company shall publish the aforesaid relevant information of the Directors prior to the general meeting for the election of Directors. A cumulative voting system may be adopted for the election of Directors at the general meeting pursuant to the provisions of the Articles of Association or a resolution of the general meeting. The cumulative voting system refers to the voting for the election of Directors where each share is entitled to the voting rights equivalent to the number of directors to be elected at the general meeting, and Shareholders may consolidate their votes when casting a vote. The Board of Directors shall provide the resumes and general information of the candidates to the Shareholders.

Mechanisms for the Board to Obtain Independent Views and Opinions

At board meetings, Directors are free to express their opinions, and important decisions can only be made after detailed discussions. Pursuant to the Articles of Association, with the consent of all independent non-executive Directors, the independent non-executive Directors may engage external auditing and consultancy firms with respect to the auditing and consulting of specific matters of the Company. The costs so incurred shall be borne by the Company. If a Director is interested in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and such Director will not be counted in the quorum for voting on the proposal. In addition, independent non-executive Directors should also express objective and impartial independent opinions on matters discussed by the Company. The independent non-executive Directors do not hold other positions in the Company, do not have relationship with the Company or the Company's substantial shareholders which may affect their independent and objective judgment, and do not have any business or financial interests in the Company and its subsidiaries. Therefore, the participation of independent non-executive Directors also ensures a strong and sufficient independent element on the Board.

The Board is of the view that during the period from the Listing Date to the end of the Reporting Period, the Board has implemented effective mechanism to ensure independent views and input are available to the Board. The Board will review the implementation and effectiveness of the aforementioned mechanism annually.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code.

The Remuneration Committee consists of three Directors, namely Mr. Yu Lizhi, Ms. Guo Wei and Mr. Wang Xiaochuan serves as the chairman of the Remuneration Committee, whereas Mr. Yu Lizhi is an executive Director and both Ms. Guo Wei and Mr. Wang Xiaochuan are independent non-executive Directors. The duties and responsibility of the Remuneration Committee includes but not limited to the following:

- making recommendations to the Board on the Company's overall remuneration policy and structure for all directors' and senior management's remuneration, and the establishment of a formal and transparent procedure for developing remuneration policy.

- studying appraisal criteria, performance evaluation procedures, remuneration and rewards and punishment policies for directors and senior management, and submitting them to the Board for approval.

- reviewing the performance of duties by directors and senior management of the Company, and conducting performance appraisal and evaluation over them.

- reviewing and approving proposals on management's remuneration in accordance with the Company's corporate goals and objectives approved by the Board.

- recommending to the Board on the remuneration packages formulated (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) for the Company's individual executive directors, non-executive directors and senior management. In formulating the remuneration packages for directors and senior management, factors to be considered by the Committee include the Company's goals and objectives, remuneration paid by comparable companies, time commitment and responsibilities of the directors and senior management, and employment conditions elsewhere within the Company and its subsidiaries.

- reviewing and approving the compensation payable to executive directors and senior management for any loss or termination of the office or appointment to ensure that it is consistent with relevant contractual terms; in case of any inconsistency, such compensation shall be fair, reasonable and not excessive.

- reviewing and approving the compensation arrangements with regard to the dismissal or removal of directors due to their misconduct to ensure that they are consistent with relevant contractual terms; in case of any inconsistency, such compensation shall be reasonable and appropriate.

- ensuring any directors or any of their associates not to determine by themselves, or be involved in determining, their remuneration.

- supervising the implementation of the Company's remuneration system.

- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Stock Exchange Listing Rules, including any grants of options or awards to directors or senior management, and making disclosure and giving explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report.

- reporting to the Board on its decisions or recommendations, unless as restricted by the laws or regulations.

The attendance records of the Remuneration Committee are set out in the section headed "Board Meetings" above. During the period from the Listing Date to the Reporting Period, the Remuneration Committee has reviewed and made recommendations to the Board on the remuneration policies of all Directors and senior management, assessed the performance of the executive Directors and approved the terms under the executive Directors' service contracts.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those members of senior management who are also executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of Individuals
Nil to RMB1,000,000	1
RMB3,000,001 to RMB3,500,000	1
RMB13,000,001 to RMB13,500,000	2
RMB41,500,001 to RMB42,000,000	1

Further details of the remuneration of Directors for the Reporting Period are set out in Note 10 to the Consolidated Financial Statements in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is dedicated to the establishment and maintenance of a robust risk management and internal control system. The Directors acknowledge their responsibility for the Company's risk management and internal control systems and review their effectiveness for the reporting period. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Such mechanisms are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, we conduct annual review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency.

We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. Our Directors are involved in the formulation of such mechanisms and the related policies.

We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to financial reporting, operations, compliance, information security and data privacy, intellectual property, and investment.

Business operational risk management

Business operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities, clear rewards and punishment systems. Our business operations, finance, information technology, and human resources departments are collectively responsible in ensuring that the compliance of our business operations conform with internal procedures. On the occurrence of a major adverse event, the matter will be escalated to our senior management and the Board of Directors may need to take appropriate measures. Through effective business operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Intellectual property risk management

We regard our proprietary domain names, copyrights, trademarks, trade secrets, and other intellectual property, critical to our business operations and fundamental to our success and competitiveness, and we devote significant time and resources to the development and protection. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual property. As at 31 December 2023, we had 177 registered patents, 338 registered trademarks, 144 registered software copyrights and 18 domain names. As of the same date, we have registered patents for all our core technologies.

We implement a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. Our employees are generally required to enter into a standard employment contract that includes a confidentiality clause and a clause acknowledging that all inventions, trade secrets and developments generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. We will actively monitor and pursue claims against any unauthorized use of our intellectual property. In addition, we have implemented screening procedures during the recruitment process, which helps us prevent potential dispute arising from hiring former employees of competitors.

In the future, we may need to seek or renew licenses related to certain aspects of our products and services. We have established an in-house legal team and an IP team, supplemented by professional external IP counsel, to assist in the registration, application and review process of patents and trademarks.

Anti-corruption risk management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Group's economic interests and (ii) the pursuit of improper interests of the Group. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. Our internal control department is directly responsible for the anti-corruption risk management with an anti-corruption committee established under it, comprising of designated personnel from our human resources, internal control and legal departments. We have maintained a whistle-blower mechanism encouraging the internal report of suspicious activities. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal training and require all suppliers to execute anti-corruption commitments before engagement.

Ongoing review

To monitor the ongoing implementation of our risk management policies, the Audit Committee reviews and supervises our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our internal audit department is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

In respect of the Reporting Period, the Board through the Audit Committee conducted a review of the risk management and internal control systems of the Company, and concluded that they were effective and adequate.

SECURITIES DEALING AND HANDLING OF INSIDE INFORMATION

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") on terms no less exacting than the required standard as set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors' and supervisors' securities transactions. Having made specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the period from the Listing Date to the end of the Reporting Period.

To supplement the Model Code, the Company has also implemented a policy in relation to the handling and dissemination of inside information. Access to inside information is at all times confined to relevant personnel (i.e. Directors, senior management and relevant employees) on a need-to-know basis, until the inside information is properly disclosed in accordance with applicable laws and regulations. Directors, Supervisors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. The current Joint Company Secretaries are Ms. Cui Yan and Ms. Hui Yin Shan. The biographical details of Ms. Cui Yan are set out in the section headed “Directors, Supervisors and Senior Management – Biographical Details of Senior Management” of this annual report. Ms. Cui Yan is the primary corporate contact person of the Company with Ms. Hui Yin Shan.

Ms. Hui Yin Shan was appointed as the other joint company secretary of our Company in September 2023. She is a senior manager of corporate services of Tricor Services Limited. Ms. Hui has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. She currently holds company secretary or joint company secretary positions in various companies listed on the Hong Kong Stock Exchange. Ms. Hui is a Chartered Secretary and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She 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.

During the Reporting Period, each of the Joint Company Secretaries has attended a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer as required under Rule 3.29 of the Listing Rules.

RELATIONSHIP WITH SHAREHOLDERS

Communication with Shareholders

The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decision.

The Company communicates with the Shareholders and the investment community mainly through the Company’s financial reports (including the interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company’s website. The Company also convenes conference calls after the publication of its annual, interim and quarterly results to discuss questions of common concerns with investors and Shareholders.

Shareholders' meetings

The general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Notice in writing is given by the Company to the Shareholders at least 20 days prior to the annual general meeting or at least 15 days prior to the extraordinary general meeting.

Board members, in particular, the chairperson of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Corporate communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding about the content of the communication. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means). Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Company's website

The Company maintains a website at www.uboxol.com as a communication platform with the Shareholders and investors. Information on the Company's website is updated on a regular basis. Information released by the Company to the website of the Stock Exchange is also posted on the Company's website for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' enquiries

Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board of Directors. The contact details are as follows:

Address: 4th Floor, Tower A, Tagen Knowledge & Innovation Center, West Second Shenyun Road, Nanshan District, Shenzhen, PRC

Email: Project.Baby@ubox.cn

Shareholders may direct their questions about their shareholdings to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Company ensures that the H Share Registrar maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Policies relating to shareholders

Shareholders' Communication Policy

The Company has established a shareholders' communication policy with the objective of ensuring that the Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company. Pursuant to the shareholders' communication policy, the Company establishes different communication channels with shareholders and stakeholders including: (i) provision of printed or electronic copies of corporate communications; (ii) provision of timely corporate information on the company website; (iii) holding of annual general meetings to provide a platform for shareholders to raise comments and exchange views with the board; and (iv) arrangement in servicing the shareholders in respect of all share registration matters.

The Board reviews the shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regards to the requirements of Part 2 in the Corporate Governance Code. The Board has reviewed the implementation and effectiveness of the shareholders' communication policy during its meetings, and are of the view that the shareholders' communication policy has been effectively implemented and that the dissemination of information to the Shareholders' were effective based on the measures adopted above.

Dividend Policy

Pursuant to Code Provision F.1.1 of the Corporate Governance Code, the Company has adopted a dividend policy (the "Dividend Policy") in relation to the declaration, payment or distribution of the Company's net profits as dividends to the Shareholders.

The Company currently does not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of the profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that the Company makes will have to be first applied to make up for the historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to the statutory common reserve fund until such fund has reached more than 50% of the registered capital. The Company will, therefore, only be able to declare dividends after: (i) all the historically accumulated losses have been made up for; and (ii) the Company has allocated sufficient net profit to the statutory common reserve fund as described above.

Shareholders' rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the general meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.uboxol.com) and the Stock Exchange (www.hkexnews.hk) after each general meeting.

Pursuant to the Articles of the Company, Shareholders individually or in aggregate holding more than 10% of Shares of the Company are entitled to request the Board of Directors in writing to convene an extraordinary general meeting. Where the Board of Directors disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or in aggregate holding more than 10% of the Shares of the Company shall have the right to propose to the supervisory committee in writing to convene an extraordinary general meeting. If the supervisory committee fails to issue a notice of general meeting within the prescribed deadline, it shall be deemed that the supervisors committee does not convene and preside over the general meeting, and Shareholders holding individually or in aggregate more than 10% of the Shares of the Company for more than 90 consecutive days can convene and preside over the general meeting by themselves. The Company shall bear costs and reasonable expenses incurred in the general meeting convened by the supervisory committee or the Shareholders themselves.

In accordance with Article 60 of the Articles of Association, Shareholders individually or jointly holding more than 3% of the Company’s voting shares may submit an interim proposal to the convener in writing 10 days before the general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of the proposal with the contents of the interim proposal attached.

Articles of association

The Articles of Association is available on the website of the Company (www.uboxol.com) and the Stock Exchange (www.hkexnews.hk). During the period from the Listing Date to the end of the Reporting Period, no amendments were made to the Articles of Association.

To the Shareholders of Beijing UBOX Online Technology Corp.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Beijing UBOX Online Technology Corp. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 129 to 240, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to revenue recognition of unmanned retail business.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of unmanned retail business Refer to Note 6 to the consolidated financial statements. The Group's revenue is primarily from provision of unmanned retail business which amounted to approximately RMB2,034,322,000 for the year ended December 31, 2023, representing approximately 76.1% of the Group's total revenue for the year. 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 buying the fast-moving consumer goods through the vending machines operated by the Group. Revenue is recognized when the control of the goods has been transferred by the vending machines to the customers. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition from unmanned retail business due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls over revenue recognition derived from unmanned retail business. (ii) Evaluated the appropriateness of the revenue recognition policies as adopted by the Group. (iii) Tested the general control environment and automated controls of the information technology systems used in the transaction processes, as well as tested the interface between the operating and financial systems. (iv) Tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying key terms and attributes from the contracts and checking against the underlying data from the system used in the transaction processes. Based on the procedures performed, we considered that the revenue from unmanned retail business was supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 26, 2024

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	*6*	**2,672,020**	2,519,224
Cost of sales	*7*	**(1,583,351)**	(1,442,488)
Gross profit		**1,088,669**	1,076,736
Selling and marketing expenses	*7*	**(1,125,705)**	(1,155,720)
General and administrative expenses	*7*	**(213,304)**	(127,405)
Research and development expenses	*7*	**(29,017)**	(31,556)
Net impairment losses on financial assets	*3.1(b), 22*	**(5,259)**	(9,264)
Other income	*8*	**5,398**	12,027
Other losses, net	*9*	**(20,239)**	(8,488)
Operating loss		**(299,457)**	(243,670)
Finance costs	*11*	**(8,601)**	(13,331)
Share of results of investments accounted for using the equity method	*18*	**(5,940)**	(15,255)
Loss before income tax		**(313,998)**	(272,256)
Income tax expense	*12*	**(5,475)**	(10,813)
Loss for the year		**(319,473)**	(283,069)
Loss for the year attributable to:			
– Owners of the Company		**(327,295)**	(284,529)
– Non-controlling interests		**7,822**	1,460
		(319,473)	(283,069)
Total comprehensive loss for the year		**(319,473)**	(283,069)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(327,295)**	(284,529)
– Non-controlling interests		**7,822**	1,460
		(319,473)	(283,069)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*13*	**(0.43)**	(0.38)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment	*15*	**132,430**	296,338
Right-of-use assets	*16*	**203,626**	289,070
Intangible assets	*17*	**104,809**	102,881
Investments accounted for using the equity method	*18*	**56,762**	62,702
Financial assets at fair value through profit or loss	*20*	**35,300**	36,100
Prepayments, deposits and other receivables	*22*	**167,298**	177,106
Deferred income tax assets	*27*	**40,103**	36,665
Total non-current assets		**740,328**	1,000,862
Current assets			
Inventories	*21*	**174,903**	143,887
Trade receivables	*22*	**34,927**	54,693
Prepayments, deposits and other receivables	*22*	**214,848**	188,514
Restricted cash	*23*	**89**	2,735
Cash and cash equivalents	*23*	**347,563**	128,178
Total current assets		**772,330**	518,007
Total assets		**1,512,658**	1,518,869
EQUITY			
Share capital	*24*	**779,835**	757,259
Reserves	*25*	**2,038,365**	1,765,917
Accumulated losses		**(1,869,988)**	(1,542,693)
Equity attributable to owners of the Company		**948,212**	980,483
Non-controlling interests		**23,723**	21,453
Total equity		**971,935**	1,001,936

		As at December 31,	
		2023	2022
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*16*	**11,193**	21,287
Deferred income tax liabilities	*27*	**2,450**	2,050
Total non-current liabilities		**13,643**	23,337
Current liabilities			
Lease liabilities	*16*	**17,340**	38,390
Trade payables	*28*	**185,444**	214,666
Other payables and accruals	*29*	**199,351**	159,475
Contract liabilities	*6*	**41,405**	7,496
Current income tax liabilities		**4,490**	3,569
Borrowings	*30*	**79,050**	70,000
Total current liabilities		**527,080**	493,596
Total liabilities		**540,723**	516,933
Total equity and liabilities		**1,512,658**	1,518,869

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 129 to 240 were approved by the Board of Directors on March 26, 2024 and were signed on its behalf.

Wang Bin	**Cui Yan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	Note	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 year		–	–	(327,295)	(327,295)	7,822	(319,473)
Total comprehensive (loss)/income for the year		–	–	(327,295)	(327,295)	7,822	(319,473)
Transactions with owners of the Company							
Share-based compensation expenses	*26*	–	84,026	–	84,026	–	84,026
Issuance of ordinary shares	*24*	22,576	188,422	–	210,998	–	210,998
Disposal of a subsidiary	*37(c)*	–	–	–	–	(5,552)	(5,552)
Total transactions with owners of the Company		22,576	272,448	–	295,024	(5,552)	289,472
As at December 31, 2023		779,835	2,038,365	(1,869,988)	948,212	23,723	971,935
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)
Disposal of a subsidiary		–	–	–	–	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

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**111,522**	156,153
Interest received		**2,688**	1,681
Income taxes paid		**(7,592)**	(3,916)
Net cash generated from operating activities		**106,618**	153,918
Cash flows from investing activities			
Proceeds from disposal of a subsidiary		**1,020**	500
Payments for investment in a joint venture		**–**	(1,500)
Proceeds from disposal of property and equipment	*31(b)*	**25,505**	22,143
Payments for purchase of financial assets at fair value through profit or loss	*20*	**(40,000)**	(70,000)
Proceeds from disposal of financial assets at fair value through profit or loss	*20*	**40,000**	70,000
Payments for purchase of property and equipment		**(49,011)**	(145,749)
Payments for purchase of intangible assets		**(17,285)**	(143)
Advances to business partners		**(16,146)**	–
Proceeds from repayment of advances to business partners		**2,000**	19,326
Interest received from wealth management products	*20*	**152**	173
Net cash used in investing activities		**(53,765)**	(105,250)
Cash flows from financing activities			
Proceeds from issuance of new shares, net of issuance costs	*24*	**210,998**	–
Proceeds from borrowings		**79,050**	80,920
Repayments of borrowings		**(70,000)**	(71,900)
Principal elements and interest element of lease payments	*16*	**(43,334)**	(93,519)
Capital injection by non-controlling interests		**–**	380
Listing expenses payments		**(2,170)**	(2,511)
Interest paid	*11*	**(5,458)**	(6,246)
Net cash generated from/(used in) financing activities		**169,086**	(92,876)
Net increase/(decrease) in cash and cash equivalents		**221,939**	(44,208)
Cash and cash equivalents at beginning of the year		**128,178**	172,386
Effects of exchange rate changes on cash and cash equivalents		**(2,554)**	–
Cash and cash equivalents at the end of the year		**347,563**	128,178

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. 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's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on November 3, 2023 (the "Listing Date").

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.

The financial statements for the year ended December 31, 2023 are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board of Directors on March 26, 2024.

2 BASIS OF PREPARATION

2.1 Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

2.2 Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

2 BASIS OF PREPARATION – *continued*

2.3 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing January 1, 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2.4 New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		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 HKAS 21	Lack of Exchangeability	January 1, 2025
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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

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.

The Group's businesses are principally conducted in RMB which is the functional currency of the Company and the primary subsidiaries of the Company, and is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. The majority of its non-RMB assets are bank deposits denominated in Hong Kong Dollar ("HKD"). The Group has not entered into any derivative instruments to hedge its foreign exchange exposures during the years ended December 31, 2023 and 2022.

The following table shows the Group's foreign currency denominated monetary assets (in RMB equivalent).

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Assets		
HKD	**205,381**	–

As at December 31, 2023, if Hong Kong dollars ("HKD") had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year ended December 31, 2023 would have been approximately RMB7,702,000 lower/higher (the profit for the year ended December 31, 2022: nil).

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(a) Market risk – *continued*

(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 23.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 30. 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, 2023 and 2022, borrowings of the Group which were bearing at fixed rates amounted to approximately RMB79,050,000 and RMB70,000,000 respectively. For the years ended December 31, 2023 and 2022, 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 RMB790,500 and RMB700,000, 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 deposits 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 receivables and deposits and other receivables, the Group has policies in place to ensure that sales of good 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 receivables and deposits and other receivables represent the Group's maximum exposure to credit risk in relation to the assets.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets

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

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

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, 2023 and 2022.

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 throughout each reporting 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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

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 a ratio of total investment and gross domestic product ("GDP"), a ratio of gross national savings and GDP and the annual consumer price index growth 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, 2023 and 2022 were determined as follows for trade receivables:

As at December 31, 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%	28.1%	45.0%	83.8%	100.0%	16.9%
Gross carrying amount (RMB'000)	25,798	5,289	1,280	3,992	1,844	1,522	2,283	42,008
Loss allowance (RMB'000)	1,252	256	62	1,123	830	1,275	2,283	7,081
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)	162	–	–	–	–	2	129	293
Loss allowance (RMB'000)	162	–	–	–	–	2	129	293

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

Trade receivables – *continued*

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 (with pledged machines)*								
Expected loss rate	–	–	–	–	–	–	–	–
Gross carrying amount (RMB'000)	361	361	722	–	–	–	–	1,444
Loss allowance (RMB'000)	–	–	–	–	–	–	–	–

* These trade receivables were pledged by 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, 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

Trade receivables – *continued*

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**22,750**	24,144
Increase in loss allowance recognized in profit or loss	**4,440**	4,604
Receivables written off during the year as uncollectible	**(19,796)**	(5,962)
Disposal of subsidiaries	**(20)**	(36)
At the end of the year	**7,374**	22,750

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 and receivable from business partners, deposits, advances to staffs, amount due from point of sale ("POS") partners and others. The Group formulates the credit losses of deposits and other receivables using expected credit loss ("ECL") models according to HKFRS 9 requirements.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

Parameters of ECL model – *continued*

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.
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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

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 factors 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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

Credit exposure – *continued*

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

			As at December 31, 2023		
Other receivable	Average expected credit loss rate	Stage	Gross amount RMB'000	Impairment provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Individual	0.80%	Stage 1	23,833	(190)	23,643
Individual – Non-performing	100.00%	Stage 3	663	(663)	–
Corporate entities with credit rating	0.06%	Stage 1	6,985	(4)	6,981
Corporate entities without credit rating	1.41%	Stage 1	83,204	(1,176)	82,028
Corporate entities – Non-performing	100.00%	Stage 3	60,517	(60,517)	–
			175,202	(62,550)	112,652

			As at December 31, 2022		
Other receivable	Average expected credit loss rate	Stage	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

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(b) Credit risk – *continued*

(ii) Impairment of financial assets – continued

Credit exposure – *continued*

The loss allowance for deposits and other receivables as at 31 December reconciles to the opening loss allowance as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**71,975**	80,213
Increase in loss allowance recognized in profit or loss	**819**	4,660
Receivables written off during the year as uncollectible	**(9,567)**	(12,890)
Disposal of a subsidiary	**(677)**	(8)
At the end of the year	**62,550**	71,975

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount Total RMB'000
As at December 31, 2023						
Trade payables	185,444	–	–	–	185,444	185,444
Other payables and accruals (excluding salaries, wages, and bonuses payables and other taxes payables)	160,476	–	–	–	160,476	160,476
Lease liabilities	18,458	5,289	5,195	20	28,962	28,533
Bank borrowings	80,168	–	–	–	80,168	79,050
	444,546	5,289	5,195	20	455,050	453,503

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount Total 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	16,606	4,378	–	61,032	59,677
Bank borrowings	51,030	–	–	–	51,030	50,000
Other borrowings	20,678	–	–	–	20,678	20,000
	442,258	16,606	4,378	–	463,242	460,179

3 FINANCIAL RISK MANAGEMENT – *continued*

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. As at December 31, 2023 and 2022, the Group has a net cash position.

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, 2023 and 2022 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).

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value measurements of financial instruments – *continued*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Financial assets at FVPL				
Investments in unlisted equity securities *(Note 20(b))*	–	–	35,300	35,300

	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 20(b))*	–	–	36,100	36,100

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 year.

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 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value measurements of financial instruments – *continued*

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, 2023 and 2022.

	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000
As at January 1, 2023	**–**	**36,100**
Acquisitions	**40,000**	**–**
Disposals	**(40,000)**	**–**
Interest received	**(152)**	**–**
Unrealized changes in fair value	**–**	**(800)**
Realized interest income	**152**	**–**
As at December 31, 2023	**–**	**35,300**
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

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value measurements of financial instruments – *continued*

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 a 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 20(a)) and investments in unlisted equity securities (Note 20(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.

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value measurements of financial instruments – *continued*

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

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, 2023 RMB'000	Fair value As at December 31, 2022 RMB'000	Unobservable inputs	Range of inputs As at December 31, 2023	Range of inputs As at December 31, 2022	Relationship of unobservable inputs to fair value
Investments in unlisted equity securities included in financial assets at FVPL	**35,300**	36,100	Equity value/ Revenue ratio	**2.0x–18.6x**	2.0x–42.7x	The higher the equity value/revenue ratio, the higher the fair value

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, 2023 and 2022 would have been approximately RMB3,530,000 and RMB3,610,000 lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2023 and 2022.

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 JUDGEMENTS

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 38.6(a). 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 17. 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 17.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(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 15.

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 RMB10,078,000 and RMB9,865,000 for the years ended December 31, 2023 and 2022.

(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 17.

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 RMB1,152,000 and RMB1,188,000 for the years ended December 31, 2023 and 2022.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(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

(a) Description of segments and principal activities

The Group's chief operating decision-maker ("CODM") has been identified as executive directors of the Company. The executive directors review the Group's internal report 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 the steering committee 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.

5 SEGMENT INFORMATION – *continued*

(b) Segment information

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

The segment information for the years ended December 31, 2023 and 2022 are as follows:

	Unmanned retail business RMB'000	Advertising and system support services RMB'000	Merchandise wholesale RMB'000	Vending machine sales and leases RMB'000	Others RMB'000	Total RMB'000
Revenue from external customer	2,034,322	115,556	287,214	27,502	207,426	2,672,020
Cost of sales	(1,102,761)	(2,165)	(276,165)	(20,819)	(181,441)	(1,583,351)
Gross profit	931,561	113,391	11,049	6,683	25,985	1,088,669

	Unmanned retail business RMB'000	Advertising and system support services RMB'000	Merchandise wholesale RMB'000	Vending machine sales and leases RMB'000	Others RMB'000	Total RMB'000
Revenue 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

6 REVENUE

The Group's revenue includes revenue 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,	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers		
Revenue from unmanned retail business	2,034,322	1,974,657
– Direct operation model *(a)*	204,866	362,309
– Partner model *(b)*	1,829,456	1,612,348
Revenue from advertising and system support services	115,556	194,271
Revenue from merchandise wholesale	287,214	131,795
Revenue from vending machine sales and leases	27,502	33,840
Revenue from others	207,426	184,661
	2,672,020	2,519,224

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time		
– Unmanned retail business	2,034,322	1,974,657
– Advertising and system support services	22,022	86,444
– Merchandise wholesale	287,214	131,795
– Vending machine sales	16,855	18,141
– Others	187,365	165,031
Over time		
– Advertising and system support services	93,534	107,827
– Others	19,652	19,524
Lease income from vending machine leases	10,647	15,699
Lease income from others	409	106
	2,672,020	2,519,224

6 REVENUE – *continued*

(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) There was no individual customer contributing over 10% of the total revenue for the years ended December 31, 2023 and 2022.

(d) 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.

(e) Liabilities related to contracts with customers

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Contract liabilities	**41,405**	7,496

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.

6 REVENUE – *continued*

(f) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue is recognized during the years ended December 31, 2023 and 2022 relates to carried-forward contract liabilities.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year	**5,854**	5,411

All contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(g) Accounting policies of revenue recognition

Revenue is 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.

6 REVENUE – *continued*

(g) Accounting policies of revenue recognition – *continued*

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset 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 has 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 is 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.

6 REVENUE – *continued*

(g) Accounting policies of revenue recognition – *continued*

Revenue from unmanned retail business – *continued*

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 revenue 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: (i) 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, (ii) has general inventory risk, (iii) has latitude in establishing the merchandises' selling price, and (iv) 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.

This revenue comprise (i) revenue derived from display screen advertising services, (ii) revenue derived from after-payment advertising services, (iii) revenue derived from merchandise display advertising services, (iv) revenue 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.

6 REVENUE – *continued*

(g) Accounting policies of revenue recognition – *continued*

Revenue from advertising and system support services – *continued*

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 revenue 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.

6 REVENUE – *continued*

(g) Accounting policies of revenue recognition – *continued*

Revenue from merchandise wholesale

Revenue is recognized when control of the goods has 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.

6 REVENUE – *continued*

(g) Accounting policies of revenue recognition – *continued*

Revenue from others – *continued*

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 any time agreed by the retailers. Taking into 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.

7 EXPENSES BY NATURE

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cost of inventories sold	**1,555,461**	1,368,474
POSs operation and development expenses *(a)*	**571,565**	587,354
Logistics and transportation expenses	**178,850**	156,786
Employee benefit expenses excluding share-based compensation *(Note 10)*	**169,331**	235,505
Share-based compensation expenses *(Note 26)*	**84,026**	–
Depreciation of property and equipment *(Note 15)*	**144,786**	144,070
Depreciation of right-of-use assets *(Note 16)*	**94,491**	97,960
Amortization of intangible assets *(Note 17)*	**15,357**	15,842
Short-term and low-value leases expenses	**23,607**	20,884
Bank and payment charges	**14,797**	13,340
Office expenses	**12,762**	16,743
Taxes and surcharges	**8,670**	6,984
Traveling and entertainment expenses	**6,649**	7,382
Consultation expenses	**2,908**	5,064
Subcontractor cost of the advertising resources	**1,790**	33,507
Auditor's remuneration		
– Audit services	**3,500**	200
Listing expenses	**32,253**	22,077
Others	**30,574**	24,997
Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses	**2,951,377**	2,757,169

(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 POSs 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, 2023 and 2022, the Group incurred expenses for the purpose of research and development of approximately RMB29,017,000 and RMB31,556,000 respectively, which included employee benefit expenses of RMB18,588,000 and RMB23,057,000 respectively. During the year ended December 31, 2023, no research and development expenses had been capitalized as intangible assets (Note 17).

8 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants *(a)*	**1,515**	5,117
Interest income arising from other receivables, trade receivables and bank deposits	**2,974**	1,854
Interest income from wealth management products *(Note 20)*	**152**	173
Additional deduction of input value-added tax	**669**	4,795
Others	**88**	88
	5,398	12,027

(a) During the years ended December 31, 2023 and 2022, 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 LOSSES, NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value change on financial assets at fair value through profit or loss *(Note 20)*	**(800)**	3,300
Net losses on disposal of subsidiaries *(Note 37(c))*	**(4,874)**	(199)
Net losses on disposal of property and equipment	**(13,385)**	(5,408)
Net foreign exchange losses	**(2,336)**	–
Others	**1,156**	(6,181)
	(20,239)	(8,488)

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Salaries, wages, and bonuses	**132,116**	186,122
Pension costs – defined contribution plans *(a)*	**15,352**	21,638
Other social security costs, housing benefits and other employee benefits *(a)*	**21,863**	27,745
Share-based compensation *(Note 26)*	**84,026**	–
	253,357	235,505

(a) Pension costs – defined contribution plans

Employees of the subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organized and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other commitments owing to the employees. According to the relevant regulations, the contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

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, 2023 and 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three directors and supervisors (2022: four) for the years ended December 31, 2023, and their emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining two individuals for the years ended December 31, 2023 (2022: one) are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Salaries and wages	**1,481**	1,002
Pension costs – defined contribution plans	**92**	45
Other social security costs, housing benefits and other employee benefits	**97**	48
Share-based compensation	**14,980**	–
	16,650	1,095

The emoluments fell within the following bands:

	Year ended December 31,	
	2023	2022
Emoluments bands:		
HKD1,000,001 to HKD1,500,000	**–**	1
HKD3,500,001 to HKD4,000,000	**1**	–
HKD14,500,001 to HKD15,000,000	**1**	–
	2	1

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, 2023 (2022: nil).

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – *continued*

(c) Directors', chief executive's and supervisors' emoluments

Remuneration of every director, the chief executive's and supervisors' is set out below:

	Fees RMB'000	Salary RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
For the year ended December 31, 2023						
Chairman and executive director:						
Mr. Wang Bin	–	900	58	57	40,855	41,870
Executive directors:						
Mr. Chen Kunrong *(i)*	–	774	46	49	–	869
Ms. Cui Yan	–	488	56	54	12,801	13,399
Mr. Yu Lizhi	–	148	42	33	–	223
Non-executive directors:						
Ms. An Yufang	–	–	–	–	–	–
Mr. Zhu Chao	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Chen	–	–	–	–	–	–
Mr. Wang Xiaochuan	–	–	–	–	–	–
Ms. Guo Wei	–	–	–	–	–	–
Supervisors:						
Mr. Huang Ronghui	–	648	60	59	1,089	1,856
Mr. Qi Rupeng	–	508	54	53	–	615
Ms. Qin Yi	–	–	–	–	–	–
	–	3,466	316	305	54,745	58,832

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – *continued*

(c) Directors', chief executive's and supervisors' emoluments – *continued*

	Fees RMB'000	Salary RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
For the year ended December 31, 2022						
Chairman and executive director:						
Mr. Wang Bin	–	1,275	54	53	–	1,382
Executive directors:						
Mr. Chen Kunrong *(i)*	–	605	45	48	–	698
Ms. Cui Yan	–	432	54	53	–	539
Mr. Yu Lizhi	–	148	41	30	–	219
Non-executive directors:						
Ms. An Yufang	–	–	–	–	–	–
Mr. Zhu Chao	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Chen	–	–	–	–	–	–
Mr. Wang Xiaochuan	–	–	–	–	–	–
Ms. Guo Wei	–	–	–	–	–	–
Supervisors:						
Mr. Huang Ronghui	–	591	60	60	–	711
Mr. Qi Rupeng	–	505	54	53	–	612
Ms. Qin Yi	–	–	–	–	–	–
	–	3,556	308	297	–	4,161

(i) Mr. Chen Kunrong resigned as director with effect from January 11, 2024.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – *continued*

(d) Directors' and supervisors' retirement and termination benefits

No retirement and termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor 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 years ended December 31, 2023 and 2022.

(e) Consideration provided to third parties for making available directors' and supervisors' services

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the years ended December 31, 2023 and 2022.

(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 33, 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 years ended December 31, 2023 and 2022.

(g) Directors' and supervisors' material interests in transactions, arrangements or contract

Save as disclosed in Note 33, 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 and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the years ended December 31, 2023 and 2022.

11 FINANCE COSTS

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Interest expenses on lease liabilities	**3,143**	7,085
Interest expenses on borrowings	**5,458**	6,246
	8,601	13,331

12 INCOME TAX EXPENSE

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Current income tax	8,513	5,592
Deferred income tax *(Note 27)*	(3,038)	5,221
Income tax expense	5,475	10,813

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2023 and 2022, being the standard income tax rate in the PRC. The differences are analyzed as follows:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Loss before income tax expense	(313,998)	(272,256)
Tax calculated at the tax rate of 25%	(78,499)	(68,064)
Effects of different tax rates of the subsidiaries	10,271	1,739
Effects of share of post-tax results of investments accounted for using the equity method	891	3,814
Super deduction for research and development expenses	(3,042)	(4,930)
Expenses not deductible for tax purpose	7,580	6,259
Utilization of tax losses and temporary differences previously not recognized	(5,367)	(386)
Tax losses and temporary differences not recognized as deferred income tax assets or liabilities	73,641	72,381
Income tax expense	5,475	10,813

12 INCOME TAX EXPENSE – *continued*

(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, 2023 and 2022.

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, 2023 and 2022.

Shenzhen Youbaokesi Technology Co., Ltd. ("Shenzhen Youbaokesi") had applied to the relevant tax bureau and were granted the HNTE in December 2016, and has renewed the qualification as HNTE in December 2019 and December 2022. As a result, it is subject to a preferential CIT rate of 15% for the year ended December 31, 2023 and 2022.

Beijing Youbao Anglai Technology Co., Ltd. ("Youbao Anglai") had also applied to the relevant tax bureau and were granted the HNTE in December 2016, and has renewed the qualification as HNTE in December 2019. Youbao Anglai has not continued to apply for the qualification as HNTE, and it is subject to CIT rate of 25% for the years ended December 31, 2023 and 2022.

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 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred from October 1, 2022 to December 31, 2023 as tax deductible expenses.

13 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years ended December 31, 2023 and 2022, excluding treasury shares.

	Year ended December 31,	
	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(327,295)**	(284,529)
Weighted average number of ordinary shares outstanding (thousand)	**760,908**	757,259
Basic losses per share (RMB)	**(0.43)**	(0.38)

(b) Diluted losses per share

Diluted 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 year ended December 31, 2023, the Company granted share options and are not included in the calculation of diluted earnings per share because they are antidilutive.

For the year ended December 31, 2022, the Company had no dilutive potential shares in issue, thus the diluted losses per share was the same as the basic losses per share.

14 DIVIDENDS

No dividends have been paid or declared to the shareholders of the Company for the years ended December 31, 2023 and 2022 respectively.

15 PROPERTY AND EQUIPMENT

	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, 2022						
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
Year ended December 31, 2023						
Opening net book amount	274,071	3,213	13,857	1,731	3,466	296,338
Additions	18,839	433	395	91	10	19,768
Disposal	(35,293)	(12)	(3,529)	(19)	(37)	(38,890)
Depreciation charge *(a)*	(134,371)	(1,804)	(5,280)	(762)	(2,569)	(144,786)
Closing net book amount	123,246	1,830	5,443	1,041	870	132,430
As at December 31, 2023						
Cost	363,669	13,707	25,549	8,835	3,439	415,199
Accumulated depreciation	(240,360)	(11,877)	(20,106)	(7,794)	(2,569)	(282,706)
Accumulated impairment	(63)	–	–	–	–	(63)
Net book amount	123,246	1,830	5,443	1,041	870	132,430

15 PROPERTY AND EQUIPMENT – *continued*

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of sales	7,338	15,428
Selling and marketing expenses	128,590	117,182
General and administrative expenses	8,858	11,460
	144,786	144,070

(b) Depreciation methods and useful lives

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 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	–

See Note 38.5 for the other accounting policies relevant to property and equipment.

16 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
– Vending machines	181,097	248,652
– Buildings	4,966	13,727
– Warehouse	17,175	25,958
– Cars	388	733
	203,626	289,070
Lease liabilities		
– Current	17,340	38,390
– Non-current	11,193	21,287
	28,533	59,677

Additions to the right-of-use assets during the 2023 financial year were RMB9,047,000 (2022 RMB27,543,000).

(b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	94,491	97,960
Interest expense (included in finance costs)	3,143	7,085
Expense relating to short-term leases (included in expenses)	14,215	15,564
Expense relating to low-value leases (included in expenses)	9,392	5,320

16 LEASES – *continued*

(b) Amounts recognized in the consolidated statement of comprehensive income – *continued*

The total cash outflow from financing activities for leases for the years ended December 31, 2023 and 2022 were RMB43,334,000 and RMB93,519,000 respectively. The total cash outflow from operating activities for the short-term leases and low-value leases for the years ended December 31, 2023 and 2022 were RMB23,607,000 and RMB20,884,000 respectively.

(c) 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 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.

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.

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, e.g., term, country, currency and security.

16 LEASES – *continued*

(c) The Group's leasing activities and how these are accounted for – *continued*

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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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 or less without a purchase option. Low-value assets comprise machineries with value below RMB35,000.

See Note 38.23 for the other accounting policies relevant to leases.

(d) Variable lease payments

During the years ended December 31, 2023 and 2022, the Group leases the offices buildings, warehouses, cars and vending machines with fixed lease payments.

(e) 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.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Internally generated software RMB'000	Purchased software RMB'000	Total RMB'000
As at January 1, 2022				
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
Year ended December 31, 2023				
Opening net book amount	**36,796**	**21,045**	**45,040**	**102,881**
Addition	**–**	**–**	**17,285**	**17,285**
Amortization charge	**–**	**(7,031)**	**(8,326)**	**(15,357)**
Closing net book amount	**36,796**	**14,014**	**53,999**	**104,809**
As at December 31, 2023				
Cost	**195,182**	**91,624**	**101,359**	**388,165**
Accumulated amortization	**–**	**(62,663)**	**(47,360)**	**(110,023)**
Accumulated impairment	**(158,386)**	**(14,947)**	**–**	**(173,333)**
Net book amount	**36,796**	**14,014**	**53,999**	**104,809**

17 INTANGIBLE ASSETS – *continued*

(a) Amortization of the Group's intangible assets has been recognized as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**3,292**	7,261
General and administrative expenses	**12,065**	8,581
	15,357	15,842

(b) 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.

(c) 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.

17 INTANGIBLE ASSETS – *continued*

(c) Software – *continued*

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 were no development costs meeting these criteria and capitalized as intangible assets for the years ended December 31, 2023 and 2022. See Note 38.6 for the other accounting policies relevant to intangible assets, and Note 38.7 for the Group's policy regarding impairments.

(d) Impairment assessment of goodwill

As at December 31, 2023 and 2022, the goodwill of the Group mainly arose from the acquisition of freshly brewed beverage vending machine business and other vending machine business in previous years.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those CGU 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.

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 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 RMB'000	Other vending machine business RMB'000
Year ended December 31, 2022		
Opening	20,775	16,021
Closing	20,775	16,021
Year ended December 31, 2023		
Opening	**20,775**	**16,021**
Closing	**20,775**	**16,021**

17 INTANGIBLE ASSETS – *continued*

(d) Impairment assessment of goodwill – *continued*

Impairment review on the goodwill has been conducted by the management as at December 31, 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, 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 and other vending machine business

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

17 INTANGIBLE ASSETS – *continued*

(d) Impairment assessment of goodwill – *continued*

Freshly brewed beverage vending machine and other vending machine business – *continued*

As at December 31, 2023 and 2022, based on management's assessment on the recoverable amounts, the headroom of the freshly brewed beverage vending machine business and other vending machine business were as below:

	Freshly brewed beverage vending machine business RMB'000	Other vending machine business RMB'000
As at December 31, 2023	**9,815**	**3,637,652**
As at December 31, 2022	16,763	3,352,186

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	Other vending machine business
As at December 31, 2023		
Revenue growth rate during the projection period	**11.5% to 86.4%**	**12.4% to 41.1%**
Terminal value growth rate	**2.5%**	**2.5%**
Gross margin during the projection period	**69.0%**	**43% to 44.38%**
Post-tax discount rates	**17.0%**	**14.5%**
Discount for lack of marketability	**15.0%**	**10.0%**
As at December 31, 2022		
Revenue growth rate during the projection period	16.4% to 97.7%	5.0% to 44.6%
Terminal value growth rate	2.5%	2.5%
Gross margin during the projection period	67.5%	43.2% to 44.2%
Post-tax discount rates	17.5%	15.0%
Discount for lack of marketability	15.0%	10.0%

17 INTANGIBLE ASSETS – *continued*

(d) Impairment assessment of goodwill – *continued*

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. 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. 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.

(e) Impact of possible changes in key assumptions

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 and other vending machine business:

	Freshly brewed beverage vending machine business	Other vending machine business
As at December 31, 2023		
Decrease in revenue growth rate p.a. during the projection period	3.15%	46.36%
Decrease in terminal value growth rate	2.1%	2.5% decrease in terminal value growth rate will decrease the headroom of other vending machine business by approximately RMB569,532,000
Decrease gross margin p.a. during the projection period	1.92%	9.65%
Increase post-tax discount rate	18.32%	63.40%
Increase discount lack of marketability	24.93%	88.57%

As at December 31, 2023 and 2022, all of the goodwill have been allocated to the segment of Unmanned retail business.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31, 2023 RMB'000	As at December 31, 2022 RMB'000
Investment in a joint venture *(a)*	2,554	2,615
Investment in associates *(b)*	54,208	60,087
	56,762	62,702

(a) Investments in a joint venture

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
At the beginning of the year	2,615	1,404
Addition	–	1,500
Share of loss of a joint venture	(61)	(289)
At the end of the year	2,554	2,615

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

Company Name	Place of incorporation and operation	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group As at December 31, 2023	2022	Principal activities	Carrying amount RMB'000 As at December 31, 2023	2022
Shijia Youchang Technology Ltd. ("Shijia Youchang")	PRC	RMB50,000	40%	40%	Computer software and hardware developer	2,554	2,615

Based on the impairment assessment performed by the Group, the recoverable amount of investment in Shijia Youchang as at December 31, 2023 was higher than the 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 (2022: nil).

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

As at December 31, 2023 and 2022, there were no material contingent liabilities relating to the Group's interests in the joint venture.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(b) Investments in associates

	Year ended December 31, 2023 RMB'000	2022 RMB'000
At the beginning of the year	**61,313**	76,279
Share of loss of associates	**(5,879)**	(14,966)
At the end of the year	**55,434**	61,313
Impairment *(i)*	**(1,226)**	(1,226)
	54,208	60,087

As at December 31, 2023, the associates of the Group, which were accounted for using equity method, were as follows:

Company Name	Place of incorporation and operation	Registered/issued capital ('000)	Percentage of ownership interest attributable to the Group As at December 31, 2023	2022	Principal activities	Carrying amount RMB'000 As at December 31, 2023	2022
JR Vending Pte. Ltd.	Singapore	SGD4,643	**60.61%**	60.61%	Operation of unmanned retail machine	**27,488**	31,675
Hangzhou Penguin Technology Co., Ltd.	PRC	RMB14,556	**14.12%**	14.12%	Software development and technical services	**26,720**	28,412
Shenzhen Jiejie Umbrella Technology Co., Ltd *(i)*	PRC	RMB1,000	**33.33%**	33.33%	Umbrella-sharing	**-**	-
Beijing Ugobao Technology Co., Ltd *(i)*	PRC	RMB5,000	**20.00%**	20.00%	Software development and technical services	**-**	-

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(b) Investments in associates – *continued*

(i) In previous years, the management of the Group made full impairment of RMB1,226,000 on the investment in Shenzhen Jiejie Umbrella Technology Co., Ltd and Beijing Ugobao 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 and Beijing Ugobao Technology Co., Ltd respectively, which was fully impaired in previous years. Based on the assessment, the recoverable amount of investments in associates as at December 31, 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,	
	2023	2022
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**54,208**	60,087
Aggregate amounts of the Group's share of:		
Loss for the year	**(5,879)**	(14,966)
Total comprehensive loss	**(5,879)**	(14,966)

As at December 31, 2023 and 2022, there were no material contingent liabilities relating to the Group's interests in the associates.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortized cost		
Trade receivables *(Note 22)*	**34,927**	54,693
Deposits and other receivables (excluding deductible input value-added tax) *(Note 22)*	**112,652**	89,227
Cash and cash equivalents and restricted cash *(Note 23)*	**347,652**	130,913
	495,231	274,833
Financial assets at FVPL *(Note 20)*	**35,300**	36,100
	530,531	310,933
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables *(Note 28)*	**185,444**	214,666
Other payables and accruals (excluding salaries payables, other taxes payables) *(Note 29)*	**160,476**	115,836
Borrowings *(Note 30)*	**79,050**	70,000
Lease liabilities *(Note 16)*	**28,533**	59,677
	453,503	460,179

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.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Investments in wealth management products *(a)*	–	–
Investments in unlisted equity securities *(b)*	35,300	36,100
	35,300	36,100

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	–	–
Acquisitions	40,000	70,000
Disposals	(40,000)	(70,000)
Interest received	(152)	(173)
Interest income	152	173
At the end of the year	–	–

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.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(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:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**36,100**	32,800
Changes in fair value *(Note 9)*	**(800)**	3,300
At the end of the year	**35,300**	36,100

21 INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Raw materials	**55,081**	52,753
Merchandise	**91,942**	92,366
Machines held for sale	**34,608**	43,253
Less: provision for impairment on raw materials	**(429)**	(8,214)
provision for impairment on machines held for sale *(a)*	**(6,299)**	(36,271)
	174,903	143,887

(a) Amounts recognized in profit or loss

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,	
	2023	2022
	RMB'000	RMB'000
Cost of inventories sold *(Note 7)*	**1,555,461**	1,368,474

22 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	42,301	77,443
Less: Allowance for impairment *(Note 3.1(b))*	(7,374)	(22,750)
Trade receivables – net *(a)*	34,927	54,693
Prepayments for purchase of machines	167,298	167,106
Prepayments for POSs expenses	22,290	26,242
Prepayments for purchase of inventories	52,508	38,802
Prepayments for listing expenses	–	2,497
Others	8,955	15,293
Prepayments	251,051	249,940
Advances to and receivables from business partners *(i)*	83,042	59,268
Deposits *(ii)*	39,339	49,934
Advances to staffs	11,876	5,404
Deductible input value-added tax	18,443	26,453
Amount due from POS partners *(iii)*	21,548	36,135
Others	19,397	10,461
Less: Allowance for impairment of deposits and other receivables *(Note 3.1(b))*	(62,550)	(71,975)
Deposits and other receivables – net	131,095	115,680
Trade receivables, prepayments, deposits and other receivables	417,073	420,313
Less: Non-current portion		
– Prepayment and other receivables	(167,298)	(177,106)
Current portion	249,775	243,207

(i) As at December 31, 2023, except for an advance to an associate amounting to RMB8,000,000 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. As at December 31, 2022, advances to and receivables from business partners were interest-free, unsecured and repayable on demand.

(ii) 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 other assets, which will be refunded to the Group upon the completion of the relevant contracts.

(iii) 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.

22 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – *continued*

(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:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
0 to 3 months	**25,960**	31,530
3 to 6 months	**5,289**	9,377
6 to 12 months	**1,280**	10,721
1 to 2 years	**3,992**	7,059
2 to 3 years	**1,844**	9,645
3 to 4 years	**1,524**	5,890
Over 4 years	**2,412**	3,221
	42,301	77,443

As at December 31, 2023 and 2022, trade receivables were mainly denominated in RMB.

Classification as trade 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.

Impairment and risk exposure

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(b)). The movements on the Group's and Company's allowance for impairment of trade receivables are disclosed in Note 3.1(b).

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash at bank and on hand *(a) (i)*	**347,652**	130,913
Less: Restricted cash *(ii)*	**(89)**	(2,735)
Cash and cash equivalents	**347,563**	128,178

(i) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See Note 38.12 for the Group's other accounting policies on cash and cash equivalents.

(ii) Restricted cash

As at December 31, 2023, RMB89,000 restricted deposits were held at bank due to administrative reasons. 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.

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	**142,271**	130,913
HKD	**205,381**	–
	347,652	130,913

24 SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid		
As at January 1, 2022 and December 31, 2022	**757,258,933**	757,259
As at January 1, 2023	**757,258,933**	757,259
Issuance of ordinary shares	**22,576,500**	22,576
As at December 31, 2023	**779,835,433**	779,835

Upon completion of the Listing on November 3, 2023, the Company issued 22,576,500 new ordinary shares at par value of RMB1 per share for cash consideration of HKD10.35 each, and raised gross proceeds of approximately HKD233,667,000 (equivalent to approximately RMB214,389,000). The respective share capital amount was approximately RMB22,576,000 and share premium arising from the issuance was approximately RMB188,422,000 after deducted the share issuance costs.

Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the listing and vendor placing. Incremental costs that are directly attributable to the issue of the new shares to approximately RMB3,391,000 which were accounted for a deduction against the share premium arising from the issuance.

25 RESERVES

	Share premium RMB'000	Other reserves RMB'000	Total reserves RMB'000
As at January 1, 2022 and December 31, 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 26)*	**–**	**84,026**	**84,026**
Issuance of ordinary shares *(Note 24)*	**188,422**	**–**	**188,422**
As at December 31, 2023	**1,911,985**	**126,380**	**2,038,365**

26 SHARE-BASED COMPENSATION

During the year ended December 31, 2023, the directors of the Company approved the establishment of an employee share option plan ("Pre-IPO 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-IPO 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 Listing Date 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 Listing Date (the "First Exercise Date")	40%	15,100,000	1.99	4.24
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

26 SHARE-BASED COMPENSATION – *continued*

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 Listing Date 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.

Movements in the number of share options outstanding are as follows:

	2023		2022	
	Average exercise price in RMB	**Number of share options**	Average exercise price in RMB	Number of share options
At January 10	**–**	**–**	–	–
Granted	**1.99**	**37,750**	–	–
Forfeited	**1.99**	**(900)**	–	–
At December 31	**1.99**	**36,850**	–	–
Vested and exercisable at 31 December	**1.99**	**36,850**	–	–

26 SHARE-BASED COMPENSATION – *continued*

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 an adjusted form of the Binomial pricing model. 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.

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-IPO 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 Listing Date 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%.

27 DEFERRED INCOME TAX

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

	As at December 31, 2023 RMB'000	2022 RMB'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**10,062**	17,097
– To be recovered within 12 months	**30,041**	19,568
Net deferred income tax assets	**40,103**	36,665
Deferred income tax liabilities:		
– To be recovered after more than 12 months	**(2,450)**	(2,050)
– To be recovered within 12 months	**–**	–
Net deferred income tax liabilities:	**(2,450)**	(2,050)

27 DEFERRED INCOME TAX – *continued*

The movement in deferred income tax assets and liabilities for the year ended December 31,2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2023 RMB'000	Credited/ (Charged) to profit or loss RMB'000	As at December 31, 2023 RMB'000
The balance comprises temporary differences attributable to:			
Deferred income tax assets			
– Impairment provisions	14,841	(531)	14,310
– Unrealized profit resulting from intragroup transactions	17,361	2,982	20,343
– Tax losses	2,840	939	3,779
– Lease liabilities	11,102	(4,598)	6,504
– Accumulated fair value loss of financial assets at FVPL	625	175	800
	46,769	(1,033)	45,736
Set-off of deferred tax assets pursuant to set-off provisions	(10,104)	4,471	(5,633)
Net deferred tax assets	36,665	3,438	40,103
Deferred income tax liabilities			
– Right-of-use assets	(10,104)	4,471	(5,633)
– Financial assets at FVPL	(2,050)	(400)	(2,450)
	(12,154)	4,071	(8,083)
Set-off of deferred tax assets pursuant to set-off provisions	(10,104)	4,471	(5,633)
Net deferred tax liabilities	(2,050)	(400)	(2,450)

27 DEFERRED INCOME TAX – *continued*

	As at January 1, 2022 RMB'000	(Charged)/ Credited 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)

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 RMB361,420,000 and RMB265,051,000, as at December 31, 2023 and 2022 in respect of tax losses amounting to RMB1,516,760,000 and RMB1,130,352,000 as at December 31, 2023 and 2022, which can be carried forward to offset against future taxable income, all of which will expire in 2023 to 2028 respectively.

28 TRADE PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables	**185,444**	214,666

Trade payables are unsecured and are usually paid within 90 days of recognition. Where trade payables are settled via electronic cash transfer, they are derecognized when the Group has no ability to withdraw, stop or cancel the payment, has lost the practical ability to access the cash as a result of the electronic payment instruction, and the risk of a settlement not occurring is insignificant.

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
0 to 3 months	**179,219**	196,264
3 to 6 months	**141**	10,938
6 to 12 months	**1,885**	1,494
1 to 2 years	**2,547**	4,543
2 to 3 years	**912**	623
Over 3 years	**740**	804
	185,444	214,666

29 OTHER PAYABLES AND ACCRUALS

	As at December 31, 2023 RMB'000	2022 RMB'000
Accrued and payments of POSs operation expenses	**78,273**	55,932
Deposits *(a)*	**44,302**	31,007
Other taxes payables	**8,206**	9,683
Salaries, wages, and bonuses payables	**30,669**	33,956
Listing expenses payables	**18,755**	11,811
Others	**19,146**	17,086
	199,351	159,475
Less: Non-current portion		
– Others	**–**	–
	199,351	159,475

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

30 BORROWINGS

	As at December 31, 2023 RMB'000	2022 RMB'000
Bank borrowings		
Secured with guarantee *(a)*	**79,050**	50,000
Other borrowings		
Secured with guarantee *(a)*	**–**	20,000
	79,050	70,000

(a) These loans were guaranteed by:

	As at December 31, 2023 RMB'000	2022 RMB'000
Mr. Wang Bin and Shenzhen Shendan Zengxin Financing Guarantee Co., Ltd. (jointly)	**–**	20,000
Mr. Wang Bin, the Company and subsidiaries within the Group (jointly)	**–**	50,000
The Company and subsidiaries within the Group	**79,050**	–
	79,050	70,000

As at December 31, 2023, the weighted average interest rate of borrowings was 5.8118% (2022: 5.6691%). The fair values of the respective borrowings approximated their carrying amounts. All the carrying amounts of the borrowings were denominated in RMB.

31 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Loss before income tax	**(313,998)**	(272,256)
Adjustments for:		
Depreciation of right-of-use assets *(Note 16)*	**94,491**	97,960
Depreciation of property and equipment *(Note 15)*	**144,786**	144,070
Amortization of intangible assets *(Note 17)*	**15,357**	15,842
Net impairment losses on financial assets *(Note 3.1(b))*	**5,259**	9,264
Exchange loss, net *(Note 9)*	**2,336**	–
Share of results of investments accounted for using the equity method *(Note 18)*	**5,940**	15,255
Fair value losses/(gains) on financial assets at FVPL *(Note 20)*	**800**	(3,300)
Net losses on disposals of property and equipment *(Note 9)*	**13,385**	5,408
Net losses on disposal of subsidiaries *(Note 37(c))*	**4,874**	199
Finance costs-net *(Note 11)*	**8,601**	13,331
Interest received from bank deposits	**(2,822)**	(1,681)
Interest income from wealth management products *(Note 8)*	**(152)**	(173)
Share-based compensation *(Note 26)*	**84,026**	–
Change in working capital:		
Decrease in trade receivables	**15,010**	61,036
(Increase)/decrease in prepayments and deposits and other receivables	**(46,298)**	105,129
Decrease in inventories	**3,667**	44,161
Decrease in trade payables	**(171)**	(25,843)
Increase/(decrease) in contract liabilities *(Note 6(e))*	**33,909**	(1,096)
Increase/(decrease) in other payables and accruals *(Note 29)*	**39,876**	(50,918)
Decrease/(increase) in restricted cash *(Note 23)*	**2,646**	(235)
Cash generated from operations	**111,522**	156,153

31 CASH FLOW INFORMATION – *continued*

(b) Proceeds from disposal of property and equipment

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net book amount *(Note 15)*	**38,890**	27,551
Net losses on disposal of property and equipment *(Note 9)*	**(13,385)**	(5,408)
Proceeds from disposal of property and equipment	**25,505**	22,143

(c) 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, 2023 and 2022 presented.

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Net debt/(cash)		
Borrowings	**79,050**	70,000
Lease liabilities	**28,533**	59,677
Cash and cash equivalents	**(347,563)**	(128,178)
Restricted cash	**(89)**	(2,735)
Net debt/(cash)	**(240,069)**	(1,236)

31 CASH FLOW INFORMATION – *continued*

(c) Net debt/(cash) reconciliation – *continued*

	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
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)
Net cash as at January 1, 2023	(128,178)	(2,735)	70,000	59,677	(1,236)
Cash flows	(221,939)	2,646	9,050	(43,334)	(253,577)
New leases	–	–	–	9,047	9,047
Interest expenses as the lessee	–	–	–	3,143	3,143
Exchange loss, net	2,554	–	–	–	2,554
Net cash as at December 31, 2023	(347,563)	(89)	79,050	28,533	(240,069)

32 CAPITAL COMMITMENTS

As at December 31, 2023 and 2022, the Group has no significant capital expenditure contracted for but not recognized as liabilities.

33 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 18 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, 2023 and 2022:

(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

33 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) Significant related party transactions

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

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Sales of goods		
Associates of the Group	4,801	6,664
Provision of services		
Hangzhou Huanxu	1,533	786
Associates of the Group	705	2,579
Alipay China	25	29,930
Ant Hainan	–	25
	2,263	33,320
Purchase of goods		
Joint ventures of the Group	2	–
Purchase of services		
Alipay China	13,026	11,638
Interest income		
Associates of the Group	557	–

33 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(c) Key management personnel compensation

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Salaries, wages, and bonuses	4,948	5,038
Pension costs – defined contribution plans	408	398
Other social security costs, housing benefits and other employee benefits	402	395
Share-based compensation	69,726	–
	75,484	5,831

(d) Provide guarantees to the Group

	As at December 31, 2023 RMB'000	2022 RMB'000
Mr. Wang Bin		
– Borrowings	–	70,000
– Leasing liabilities	–	6,505
	–	76,505

33 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(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, 2023 RMB'000	2022 RMB'000
Trade in nature and included in:		
Trade receivables		
Associates of the Group	**5,325**	4,060
Alipay China	**–**	9
	5,325	4,069
Other receivables		
Associates of the Group	**15,700**	700
Trade payables		
Ant Hainan	**9,786**	9,786
Contract liabilities		
Hangzhou Huanxu *(i)*	**26,818**	–
Other payables		
Associates of the Group	**151**	157
Non-trade in nature and included in:		
Prepayments		
Associates of the Group *(ii)*	**–**	10,000
Other receivables		
Associates of the Group *(ii)*	**8,557**	–

33 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(e) Significant year end balances with related parties – *continued*

(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 RMB10,000,000, together with an utilization fee calculated with reference to the bank deposit interest rate for the same period. As a result, the balance and accrued interest was reclassified to other receivables as at December 31, 2023.

34 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at December 31,2023 and 2022.

35 SUBSEQUENT EVENTS

There is no material subsequent event happened after December 31, 2023.

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

		As at December 31,	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		3,252	68,463
Right-of-use assets		68,523	132,569
Intangible assets		20,304	23,064
Investments in subsidiaries		424,878	398,731
Investments accounted for using the equity method		30,042	34,289
Prepayments, deposits and other receivables		167,174	167,105
Total non-current assets		714,173	824,221
Current assets			
Inventories		71,479	45,512
Trade receivables		47	142
Prepayments, deposits and other receivables		6,421	19,660
Amount due from subsidiaries		1,971,301	1,883,715
Cash and cash equivalents		206,860	1,982
Total current assets		2,256,108	1,951,011
Total assets		2,970,281	2,775,232
EQUITY			
Share capital		779,835	757,259
Reserves	*(b)*	2,368,641	2,096,193
Accumulated losses	*(b)*	(514,909)	(456,365)
Total equity		2,633,567	2,397,087
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	3,872
Total non-current liabilities		–	3,872

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *continued*

(a) Statement of financial position of the Company – *continued*

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current liabilities		
Lease liabilities	**2,593**	11,420
Trade payables	**10,206**	21,139
Other payables and accruals	**23,647**	14,404
Amount due to subsidiaries	**300,268**	327,310
Total current liabilities	**336,714**	374,273
Total liabilities	**336,714**	378,145
Total equity and liabilities	**2,970,281**	2,775,232

The statement of financial position of the Company was approved by the Board of Directors on March 26, 2024 and were signed on its behalf.

Wang Bin
Director

Cui Yan
Director

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *continued*

(b) Other reserves and accumulated losses movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000
As at January 1, 2022	1,723,563	372,630	(463,550)
Loss for the year	–	–	7,185
As at December 31, 2022	1,723,563	372,630	(456,365)
As at January 1, 2023	**1,723,563**	**372,630**	**(456,365)**
Loss for the year	**–**	**–**	**(58,544)**
Share-based compensation expenses *(Note 26)*	**–**	**84,026**	**–**
Issuance of ordinary shares *(Note 24)*	**188,422**	**–**	**–**
As at December 31, 2023	**1,911,985**	**456,656**	**(514,909)**

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at December 31, 2023 are set out below. 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)	Ownership interest held by the Group As at December 31, 2023	Ownership interest held by the Group As at December 31, 2022	Ownership interest held by non-controlling interests As at December 31, 2023	Ownership interest held by non-controlling interests As at December 31, 2022
Guangzhou Weiji Trading Co., Ltd. (廣州偉吉貿易有限公司)	The PRC, January 20, 2012, limited liability company	Operation of unmanned retail machine in the PRC	50,000	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%	-	-
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%	-	-
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%	-	-
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%	-	-
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%	-	-
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%	-	-
Shenzhen Youbaokesi Technology Co., Ltd (深圳友寶科斯科技有限公司)	The PRC, July 22, 2014, limited liability company	Software development and technical services in the PRC	150,000	100.00%	100.00%	-	-

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

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)	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				As at December 31,			
				2023	2022	2023	2022
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%	-	-
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%	-	-
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%	-	-
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%	-	-
Beijing Taihe Ruitong Cloud Business Technology Co., Ltd (北京泰和瑞通雲商科技有限公司)	The PRC, January 16, 2014, limited liability company	Operation of wholesale and retail in the PRC	30,000	100.00%	100.00%	-	-
Beijing Youbei Media Technology Co., Ltd (北京友貝傳媒科技有限公司)	The PRC, April 1, 2016, limited liability company	Provision of advertising services in the PRC	10,000	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%	-	-
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%	-	-
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%	-	-

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

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)	Ownership interest held by the Group As at December 31, 2023	Ownership interest held by the Group As at December 31, 2022	Ownership interest held by non-controlling interests As at December 31, 2023	Ownership interest held by non-controlling interests As at December 31, 2022
Shenyang Youbaokesi Trading Co., Ltd. (瀋陽友寶科斯商貿有限公司)	The PRC, August 20, 2012, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	–	–
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%	–	–
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%	–	–
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%	–	–
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%	–	–
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%	–	–
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%	–	–
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%	–	–
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%	–	–

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

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)	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				As at December 31,			
				2023	2022	2023	2022
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%	–	–
Tianjin Youchuangbao Technology Co., Ltd (天津友創寶科技有限公司)	The PRC, May 19, 2017, limited liability company	Software development and technical services in the PRC	36,500	N/A	N/A	–	–
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%	–	–
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%	–	–
Shenzhen Yousuan Technology Co., Ltd (深圳友算科技有限公司)	The PRC, June 13, 2016, limited liability company	Operation of wholesale and retail in the PRC	10,000	100.00%	100.00%	–	–
Shenzhen Youka Technology Co., Ltd (深圳市友咖科技有限公司)	The PRC, February 15, 2017, limited liability company	Software development and technical services in the PRC	9,867	70.32%	70.32%	29.68%	29.68%
You Coffee Technology (Beijing) Co., Ltd (友咖啡科技(北京)有限公司)	The PRC, July 18, 2017, limited liability company	Software development and technical services in the PRC	1,000	70.32%	70.32%	29.68%	29.68%
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%	30.00%	30.00%

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

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)	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				As at December 31,			
				2023	2022	2023	2022
Shenzhen Youfu Sharing Trading Co., Ltd. (深圳友富同享商貿有限公司)	The PRC, July 19, 2021, limited liability company	Operation of unmanned retail machine in the PRC	5,000	**51.00%**	51.00%	**49.00%**	49.00%
Foshan Youhemei Technology Co., Ltd. (佛山市友和美科技有限公司)	The PRC, October 11, 2021, limited liability company	Software development and technical services in the PRC	2,000	**51.00%**	51.00%	**49.00%**	49.00%
Shenzhen Youbao Innovation Technology Co., Ltd. (深圳友寶創新技術有限公司)	The PRC, November 12, 2021, limited liability company	Software development and technical services in the PRC	10,000	**100.00%**	100.00%	**-**	-
Shenzhen Youbao Online Technology Co., Ltd ("Youbao Online", 深圳市優寶在線科技有限公司) (b)	The PRC, December 8, 2017, limited liability company	Operation of selling mobile device in the PRC	5,000	**35.00%**	35.00%	**65.00%**	65.00%
Shenzhen Youye Technology Co., Ltd ("Youye", 深圳友椰科技有限公司) (b)	The PRC, June 8, 2017, limited liability company	Software development and technical services in the PRC	10,000	**30.00%**	30.00%	**70.00%**	70.00%
Shenzhen Mibao New Retail Technology Co., Ltd. (深圳蜜寶新零售科技有限公司)	The PRC, March 29, 2018, limited liability company	Operation of unmanned retail machine in the PRC	5,000	**N/A**	N/A	**-**	-

* English names are translated for identification purpose only.

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

(a) All companies comprising the Group have adopted December 31, as their financial year end date.

(b) 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.

(c) In December 2023, the Group disposed 51% equity interests in Sichuan Youlin Kesi Technology Co., Ltd. (四川友鄰科斯科技有限公司) and recognized a loss of RMB4,874,000 in "other losses, net" and a decrease of non-controlling interests of RMB5,552,000.

(d) 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

38.1 Principles of consolidation and equity accounting

(a) 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 38.2).

Inter-company 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 statement of financial position respectively.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.1 Principles of consolidation and equity accounting – *continued*

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method (see Note 38.1), after initially being recognized at cost.

(c) Joint arrangements

Under HKFRS 11 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 38.1), after initially being recognized at cost in the consolidated statements of financial position.

(d) 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 associates and 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 38.8.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.1 Principles of consolidation and equity accounting – *continued*

(e) 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.

38.2 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.3 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.

38.4 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").

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.4 Foreign currency translation – *continued*

(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 statement of financial position;
- income and expenses for each 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.

38.5 Property and equipment

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 38.7).

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

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.6 Intangible assets

(a) Goodwill

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) Research and development expenditures

Research and development expenditures that do not meet the criteria for capitalization as set out in Note 17 above are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent period.

38.7 Impairment of non-financial assets

Goodwill and 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 (CGUs). 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.8 Investments 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 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 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.8 Investments and other financial assets – *continued*

(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. 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.8 Investments and other financial assets – *continued*

(c) Measurement – *continued*

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(b) for further details.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.9 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.

38.10 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.

38.11 Trade and other receivables

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. The Group holds the trade 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 22 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

38.12 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.13 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity (Note 24).

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 buy-back 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.

38.14 Trade and other payables

These amounts represent liabilities for products and services provided to the Group prior to the end of financial year which are unpaid. 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.

38.15 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. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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.

38.16 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.17 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.18 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.

38.19 Share-based benefits

Share-based compensation benefits are provided to employees via the employee share option plan. Information relating to the scheme is set out in Note 26. 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.20 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.

38.21 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.22 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.

38.23 Leases

(a) 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 16). 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.

(b) The Group as lessee

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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES – *continued*

38.23 Leases – *continued*

(b) The Group as lessee – *continued*

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.

Entity-specific details about the Group's leasing policy are provided in Note 16(c).

38.24 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.

38.25 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).