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### OVERVIEW

#### Who Are We

We are a marketing service provider in China, focusing on outdoor marketing for fast-moving consumer goods (“FMCG”). In doing so, we utilize our broad network of vending machines with interactive marketing functions across China, which, by combing with our technology-backed online platform, allow us to provide target consumers with convenient and interesting experience in testing and accessing FMCG that we served, while successfully soliciting and completing necessary interaction and feedback. In particular, we have developed, and equipped our vending machines with various modules to facilitate technology-driven interactive functions that are crucial for successful marketing events, including scent emitting, movement recognition and voice interaction, making efficient and interactive machine-based marketing services possible. According to CIC, FMCG outdoor marketing market accounts for 6.4% market share of the FMCG marketing market in 2023. The FMCG outdoor marketing market is highly fragmented with numerous industry players, resulting in fierce competition within this industry. We are the fourth largest FMCG outdoor marketing service provider in China in terms of revenue in 2023, with a market share of approximately 1.2%, while the largest market player had a market share of 14.3%.

Capitalizing on our technology capability to deliver marketing services, we have achieved business growth during the Track Record Period. Our revenue generated from marketing service increased from RMB376.7 million in 2021 by 7.5% to RMB404.8 million in 2022 and further increased by 99.6% to RMB808.0 million in 2023.

We merge offline and online channels with a complete and integrated system in the way to offer consumers an interesting experience on FMCGs, and to provide brands with multi-channel and one-stop marketing services, all of which are driven by our technology capability to achieve efficiency and accuracy. Placed at strategically chosen locations, the network of our vending machine with interactive marketing functions serve as the offline touchpoints for consumers to get aware of, encounter, and/or pick up FMCG goods that we served, as well as the terminals to complete certain game-based tasks in order to obtain related FMCG goods. In the meantime, our online platform, which comprises a mobile app named “Quna (趣拿)” and WeChat mini programs, allows us to attract and retain target consumers, where they can conveniently receive information on our most recent FMCG marketing events, complete designed online tasks, place order or pay a try-me discounted prices, prior to picking up relevant goods.

We believe that our marketing services offered an effective solution for FMCG brands to reach target consumer groups, especially the tech-savvy young consumers, represented by “Gen-Y/Z”, who generally prefer FMCGs that bring continuous fresh experience and represent their personalized life style, and are well adapted to machine-based consumption and interaction experience that does not involve much human interference. As a result, on one hand, by continuously launching and introducing new FMCG products through our marketing services that involve on-line program and offline machine-based tasks, we are able to attract and retain more and more active consumers, while offering brand customers quality feedback

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and analysis they need. On the other hand, brand customers are willing to cooperate with us taking into account our growing consumer basis, technology capability and efficient performance, in particular, our ability to launch large scale marketing event, as well as continuously showcase and promote public awareness of served FMCG products through wide spread vending machines at well-selected locations.

As of December 31, 2023, we operated 7,543 vending machines in 22 cities in China including all the tier one cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, many new tier one cities including Hangzhou, Chengdu, Chongqing, Tianjin, Xi’an, Wuhan, Zhengzhou, Nanjing, Suzhou, Wuxi, Ningbo, Xiamen, Dongguan, Foshan, Hefei, Jinan and Qingdao, as well as Yantai. Substantially all of our vending machines are located in commercial properties with an aim to cover the major consumer groups of FMCGs. We had approximately 15.9 million AAUs in 2023. During the Track Record Period, we provided marketing service to 472 brand customers for approximately 1,400 SKUs of FMCG products, including products from 74 emerging brands among the top 100 emerging brands in the industries of beverages, food and daily necessities in China, as measured by revenue in 2023, according to CIC.

### Market Opportunities

FMCGs are characterized by higher consumption frequency, shorter shelf life and highly iterative preferences from consumers. In particular, the main target consumer group of FMCG brands, being the “new middle class” and young consumers represented by “Gen-Y/Z”, are generally featured with highly iterative consumption preferences. They prefer FMCGs that bring continuous fresh experience and represent their personalized life style. To deal with such inherent challenges, FMCG brands need to undergo rapid iterations from the perspectives of product design, packaging, consumption experience and market positioning.

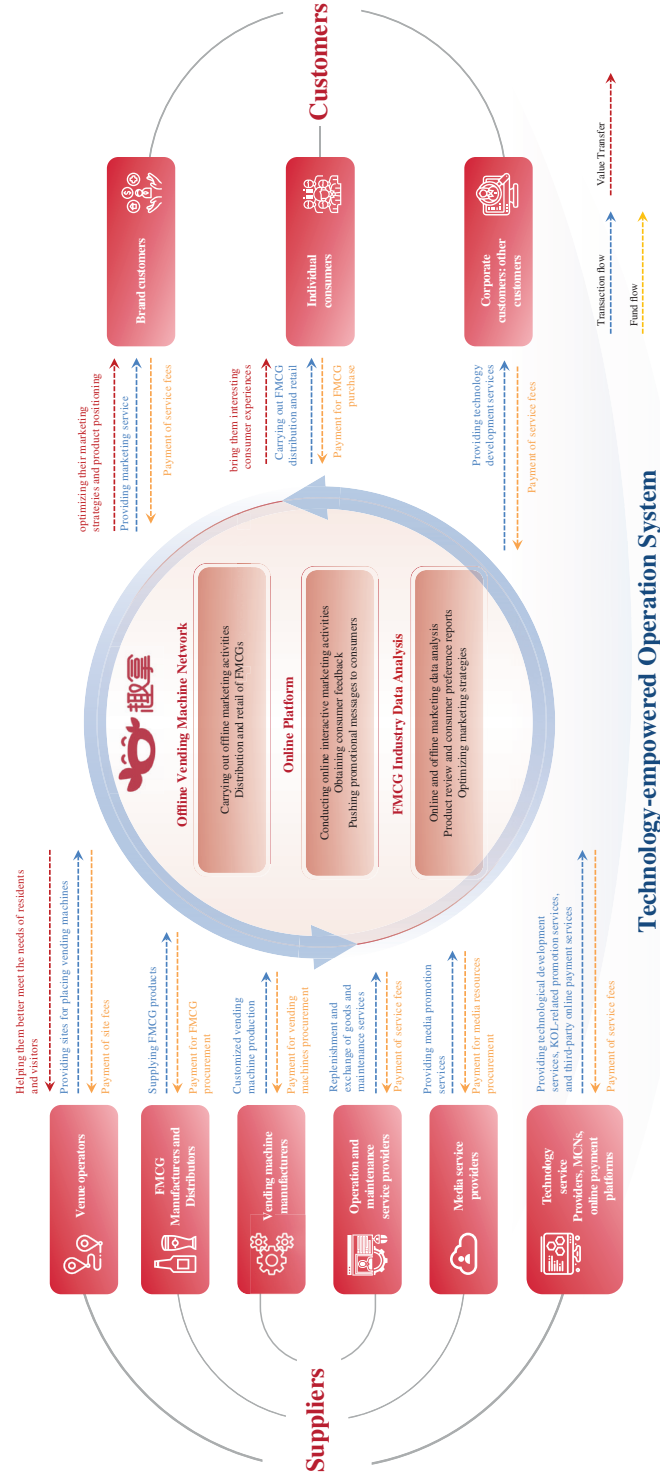
In the FMCG industry, new products refer to products with new brands, categories, tastes, formulas, packaging or shapes that have been launched in the market for less than one year, and mature products refer to products that have been launched for over one year. While the brands of new products mainly focus on promoting public awareness, market recognition and sales solicitation during their marketing efforts, the brands of mature products, on the other hand, are also investing heavily in marketing to maximize the life cycle of such products, refresh their brand images as well as to improve market penetration and harness competitive barriers. Nonetheless, an accurate, authentic and multi-dimensional consumer feedback is always a key demand for FMCG marketing service providers to meet, as such feedback is crucial for FMCG brands to further adjust and optimize their marketing strategy, product incubation and business operation plan.

However, given the high frequency of new product launches and marketing activities that FMCG brands need to undertake, highly personalized consumer preferences that keep evolving, and cost-intensive nature of marketing methods commonly adopted by FMCG brands, as well as close-to-saturation online traffic in China, FMCG brands turn to marketing service providers like us to address their needs. For more details on FMCG industry trends and pain points commonly seen in FMCG brands’ marketing, see “Industry Overview.”

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**Our Value Propositions**

Leveraging our effective marketing service, we are able to bring technology-empowered services to brands and consumers to fill the market gap, and revitalize and enhance the space value for venue operators. The diagram below illustrates the key participants in our value chain and the relevant fund flows:



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- **Brands.** Capitalizing on our large online user base and extensive reach of offline network of vending machine with interactive marketing functions that placed at strategically selected locations, we are able to efficiently deliver physical FMCG goods to target consumers, which plays a significant value to brand customers, as the access to and experience of physical products is an important step to build consumer awareness, which can hardly be replaced by online marketing approaches. These unique advantages well served both (i) mature products that seeks continuous exposure to improve consumer impression and repeat purchase rate; and (ii) new products where the marketing events intends to get feedback from consumers on their real experience from maximum aspects designed to help brands make further product optimization.

In particular, it is our technology competitiveness in terms of launching large-scale events through extensive network of vending machines with interactive marketing functions, and designing game-themed tasks for consumers involving provision of multi-dimensional feedback and behavior information, that allows us to continuously expand our brand customers basis and achieve sustainable development during the Track Record Period. Furthermore, we hold strong analytical strength, where we evaluate various perspectives of served FMCG products, including design, packaging, formula, flavor, scent, pricing and consumption scenarios, based on which we are able to advise relevant brands on market positioning, promotional content design and activity planning, and other marketing-related decisions. This capability further enhanced recognition and loyalty of our customers.

Leveraging our position in the FMCG outdoor marketing market, we have established and maintained stable relationships with many FMCG brands, which allows us to effectively hedge the risk of serving a single type of customer or product. For each year during the Track Record Period, revenue from our five largest customers accounted for 22.0%, 18.4% and 15.2% of our total revenue for the same years, respectively. See “Business – Our Customers – Major Customers” in this document.

- **Consumers.** Consumers benefit from our marketing services by getting convenient access of a broad range of FMCG products, particularly new FMCG goods most recently launched by emerging and established brands, creating an excited “hunting and encountering” experience that may effectively encourage them actively participate in relevant events. In addition, our extensive coverage of the network of vending machine with interactive marketing functions, each of which stayed at strategically chosen locations and equipped with modules designed to facilitate multi-sensory interactions, allows consumers to enjoy convenient and quick pick-up of goods in a machine-based manner. This feature continuously strengthens consumers’ willingness to participate in our marketing campaigns, attract more user traffic, and stimulate the revitalization of our online community.



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- **Venue Operators.** Our vending machines with interactive marketing functions help commercial properties such as office premises, rental apartments and shopping centers better meet the needs of residents and visitors, and improve the overall living and shopping experience. In particular, we create interesting brand images by hosting creative marketing campaigns to attract more foot traffic and enhance the exposure of commercial properties, which maximizes the value of their residents and visitors.

### Our Service

During the Track Record Period, we derived revenue primarily from offering brand customers with marketing services that feature machine-based distribution through immersive and interesting game-themed interactions. By effectively combing our offline network of vending machine with interactive marketing functions and active online platform, we are able to offer brand customers with multi-channel and one-stop marketing services, all of which are driven by our technology capability to achieve efficiency and accuracy. In addition, during the Track Record Period, we also derived revenue from sales merchandise, mainly including goods of high consumption nature, such as beverages, snacks and instant food. We consider that sales merchandise effectively supplements our marketing service business segment, as it not only enhances the attraction of pedestrian flow to our vending machines with interactive marketing functions, which lays a foundation for our continuous expansion and market penetration, but also enables us to accumulate valuable comparable sales data of relevant FMCG goods that are useful for our marketing services.

The table below sets forth a breakdown of our revenue by business segment for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Marketing service	376,653	75.0	404,809	73.1	807,971	80.3
– Standard marketing service	342,982	68.3	348,851	63.0	692,195	68.8
– Value-added marketing service	33,671	6.7	55,958	10.1	115,776	11.5
Merchandise sales	104,962	20.9	111,333	20.1	144,320	14.3
Other services	20,753	4.1	37,475	6.8	54,406	5.4
<b>Total</b>	<b>502,368</b>	<b>100</b>	<b>553,617</b>	<b>100.0</b>	<b>1,006,697</b>	<b>100.0</b>

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In managing our marketing service business segment, we mainly offer the following two categories of service:

- **Standard Marketing Service.** We charge clients for standard marketing service that mainly comprise design and launch tailor-made marketing campaign for FMCG brand customers, where image and value of served FMCG products get published and format at different types of media. In doing so, we place our own offline vending machine network and online platform at the core value position for overall services provided, where we may effectively serve the key requests of FMCG brand customers by effectively attracting and encouraging target consumers to pick-up served products and leave meaningful feedback and behavior information.
- **Value-Added Marketing Service.** Besides standard services, FMCG brand customers may choose our value-added marketing services, where we design and launch interactive and immersive game-themed events that can serve the marketing purpose to promote and/or enhance sensation of consumers towards relevant FMCG products, while carrying technology-backed interactive and immersive features. In addition, we also charge brand customers for data strategy services, where we provide FMCG product review and analysis based on our evaluation of various perspectives of served FMCG products, including design, packaging, formula, flavor, scent, pricing and consumption scenario, based on which, relevant brand customers may improve their future strategy on market positioning, promotional content design and activity planning, and other marketing-related decisions.

We successfully distinguished us from industry peers by realizing convenient delivery of physical FMCG goods to target consumers, which plays a significant value to brand customers, as the access to and experience of physical products is an important step to build consumer awareness, which can hardly be replaced by online marketing approaches. For details, please also see “– Our Business – Marketing Service” in this section of this document.

Our vending machines serve as our offline touchpoints for consumers. As of December 31, 2023, 98.4% of our vending machines were located in tier one and new tier one cities in China, and substantially all of them were placed in commercial properties with high visitor repetition such as office premises, rental apartments and shopping centers. We deem that our strategical layout of vending machine network constitutes an effective reach to the key FMCG target consumer groups, being the “new middle class” and young consumers represented by “Gen-Y/Z.” We believe that the consumption habits and behaviors of people in tier one and new tier one cities and surrounding areas are of great value in analyzing representative indicators and establishing brand awareness for FMCG marketing. As we continue to attract consumers through interesting product experience, convert them into users of our online platform through various measures such as interesting offline marketing campaigns, and enhance user stickiness through membership system, among others, we have successfully built up and expanded a loyal user base. The number of our registered users grew from approximately 37.0 million as of December 31, 2021 to approximately 50.1 million as of December 31, 2023. During the Track Record Period, we distributed approximately 130.9 million pieces of FMCG products to our users.

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### Our Achievements

Our marketing service have won a series of awards and recognitions. In 2021, we won the Little Giant of Science and Technology Award under the Science and Technology Innovation Action Program of Shanghai (上海市科技創新行動計劃項目科技小巨人). In 2016, we obtained the High and New Technology Enterprise Qualification jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Department of Finance and Shanghai Municipal State Taxation Administration and renewed such qualification in 2019 and 2022, respectively. In 2023, we obtained Top Brand Innovation Award – Annual Marketing Case issued by The Committee of Top Brand Innovation.

Leveraging our effective business model and FMCG brands’ resilient marketing demands, despite the negative impact of the COVID-19 pandemic, we still achieved a significant growth in business scale during the Track Record Period. The number of our vending machines grew from 4,178 as of January 1, 2021 to 7,543 as of December 31, 2023, and our revenue from marketing service business grew from RMB376.7 million in 2021 to RMB808.0 million in 2023.

As our business grows, our financial performance continues to improve. In 2021, 2022 and 2023, our revenue was RMB502.4 million, RMB553.6 million and RMB1,006.7 million, respectively. Excluding the effect of fair value loss on financial liabilities at FVTPL, share based compensation expenses and [REDACTED] expenses, our adjusted profit (a non-IFRS measure) would be RMB52.3 million, RMB78.2 million and RMB200.7 million in 2021, 2022 and 2023, respectively. For details, see “Financial Information – Non-IFRS Measures.”

### OUR STRENGTHS

#### **A market participant of FMCG Outdoor Marketing Service in China with High Growth Rate**

We are a marketing service provider in China’s FMCG outdoor marketing market. Since we first launched our marketing service business in 2014, we have leveraged our rich experience, deep FMCG industry insights and technical capabilities, so as to achieve a rapid growth during the Track Record Period and establish an outstanding market position in the industry. According to CIC, FMCG outdoor marketing market accounts for 6.4% market share of the FMCG marketing market in 2023. We are the fourth largest FMCG outdoor marketing service provider in China in terms of revenue in 2023, with a market share of approximately 1.2%, while the largest market player had a market share of 14.3%. Our revenue generated from marketing service increased by 7.5% from RMB376.7 million in 2021 to RMB404.8 million in 2022, and further increased by 99.6% to RMB808.0 million in 2023.

With the increasing diversification of consumer demand and the steady increase of per capita disposable income, the FMCG industry has maintained a rapid growth in recent years, which will further drive the expansion of FMCG marketing industry. According to CIC, the market size of FMCG marketing is expected to reach RMB903.5 billion in 2028. Attributable

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to the prevalence of IoT technologies and the pain points commonly seen in FMCG brands’ marketing, the FMCG outdoor marketing market has vigorous market opportunities and huge growth potential. According to CIC, the FMCG outdoor marketing market is expected to grow from RMB41.3 billion in 2023 to RMB67.1 billion in 2028, at a CAGR of 10.2%. Leveraging our market position, we are well positioned to benefit from these rapid growth opportunities.

Our vending machines integrate various functional components to achieve multi-sensory displays and interactions such as image recognition, audio interaction and scent emitting, so as to attract target consumers and maintain daily visits. Consumers can easily locate the closest vending machine through our online platform by user positioning, complete interesting interactive tasks through various sensors on the vending machine, and then obtain their selected products therefrom. In our daily business operation, we can also realize real-time remote monitoring and management of consumer goods in the vending machines through technologies. These technical advantages enable us to solve the pain points commonly seen in FMCG brands’ marketing, such as high cost and low efficiency in reaching consumers through physical goods, and help brands obtain accurate and authentic consumer feedback in a timely manner. The multi-sensory functional components in our vending machines also enable us to bring consumers a fresh and interesting consumer experience, which enhances their willingness to participate in more marketing activities.

Leveraging our deep FMCG industry insights and technical capabilities, we achieved a rapid growth during the Track Record Period. The number of our vending machines increased from 4,178 as of January 1, 2021 to 7,543 as of December 31, 2023, with a nationwide coverage of 22 cities in China. During the Track Record Period, our marketing service served 472 brand customers, covering key FMCG industry sectors such as beverages, food, cosmetics and daily necessities. In 2021, 2022 and 2023, we had 27, 28, and 47 KA customers for our marketing service business, respectively, with an average revenue per KA customer in the amount of RMB10.5 million, RMB11.4 million, and RMB13.8 million, respectively. These KA customers have a stable relationship with us, with an average of over two years of cooperation history as of December 31, 2023. In 2021, 2022 and 2023, our revenue were RMB502.4 million, RMB553.6 million, and RMB1,006.7 million, respectively. Excluding the effect of fair value loss on financial liabilities at FVTPL, share based compensation expenses and [REDACTED] expenses, our adjusted profit (a non-IFRS measure) would be RMB52.3 million, RMB78.2 million and RMB200.7 million in 2021, 2022 and 2023, respectively.

### **Strategic Layout of Marketing Network with Effective User Reach**

FMCG brands’ target consumers, especially the “new middle class” and young consumers represented by “Gen-Y/Z”, are increasingly adapted to obtaining and sharing product information and completing consumptions through vending machines connected to the Internet. However, for key FMCG industry sectors such as beverages, food, cosmetics and daily necessities, the access to and experience of physical products is an important step to build consumer awareness, which can hardly be replaced by online marketing approaches. Meanwhile, in order to meet consumer needs for product innovation and personalized differentiation, FMCG brands continue to enrich SKU categories and speed up iterations,

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which results in a gradual shortening of product life cycles. This has led to an increase in the frequency of marketing activities, and put forward higher standards for the accuracy of consumer feedback in order to precisely grasp consumers’ increasingly diversified needs.

Leveraging our technical advantages and industry experience, we believe that our marketing service can solve the pain points commonly seen in FMCG brands’ marketing. We have achieved an effective user reach through our standard marketing model, which has strengthened our industry influence among brands and consumers, and enabled us to establish a solid position in the market. We cooperate with a large number of brand customers to launch interesting marketing campaigns, so as to convert target consumers to users of our online platform. Our online platform provides additional user touchpoints in the forms of tasks, posts and other activities, offers users continual opportunities to obtain and experience products at a try-me discounted price or for free, and provides brand customers with online marketing scenarios while attracting more users. We also enhance user loyalty through the membership system of our online platform.

In order to effectively reach the key FMCG target consumer groups, we strategically plan our layout of vending machine network. As of December 31, 2023, 98.4% of our vending machines were located in tier one and new tier one cities in China, and substantially all of them were placed in commercial properties with high visitor repetition. In addition, we constantly monitor the operation of the vending machines and adjust the locations accordingly in order to maximize their economic efficiency. Through our strategic layout of vending machine network and good product experience, we continue to increase penetration and optimize consumer coverage, so as to improve the convenience and enthusiasm for consumers to participate in our marketing campaigns.

Leveraging our strong online and offline consumer appeal, constantly optimized vending machine network and standard marketing scenarios, we are able to continuously enrich consumption data and generate accurate consumer feedback and behavior information, which, on the one hand, further enhances our influence among brands and strengthens our ability to serve more FMCG products, while on the other hand, further improves our ability to deliver interesting feelings to consumers, thus creating a virtuous cycle for our business.

### **Refined Operation Capabilities and In-Depth Industry Insights**

Our success depends on sophisticated operational capabilities backed by strong technical support and in-depth industry insights, which guaranteed our continued success. These competitive advantages allowed us to address the challenges of large-scale marketing events, deliver high-quality marketing service, so as to meet brands’ expectations and improve our profitability.

Leveraging our technology-empowered operation system, we are able to achieve convenient product distribution and interesting product experience through users’ interaction with our vending machines, and at the meanwhile, real-time remote monitoring and management of consumer goods for retail through the vending machines. By implementing

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digital operations, we continued to reduce operating costs and improve profitability during the Track Record Period. As we optimize the layout of our vending machine network and increase penetration, we are able to achieve our strategic operational goals, including continuous improvement in managing operation and maintenance costs. Based on these efforts, as of December 31, 2023, the number of vending machines managed by our operation and maintenance team per capita reached 92, which is higher than the industry average management efficiency of 40 to 50 terminals per capita, according to CIC.

In order to ensure that our vending machines continue to bring freshness to surrounding communities to maintain their activity, we focus on real-time monitoring, adjustment and replenishment of the consumer goods placed in the vending machines through technologies. We have realized the individualized management of vending machines through analysis and prediction of consumer behavior of the surrounding consumer groups based on historical statistics. Specifically, through IoT and big data capabilities, we analyze in detail the information related to product distribution and consumer goods retail collected and transmitted by the vending machines, thereby to achieve efficient planning of consumer goods selection and replenishment, so as to optimize the vending machines' operational efficiency. Moreover, even in the same consumption scenario, such as shopping centers, vending machines located at different points are able to achieve optimization of SKU selection, quantity, filling rate and cargo lane layout of the goods placed in the vending machines, based on the differentiated characteristics of expected foot traffic and preset goals of marketing activities. This enables us to optimize our consumer reach while maximally motivating consumers to complete tasks involving interaction with our vending machines, thus achieving efficient and high-quality collection of consumer feedback.

We focus on in-depth insights into the characteristics of different brands and products and the behavioural habits of relevant consumer groups to design interesting marketing campaigns. Through customized and differentiated marketing strategies, market launch timing and interaction models, we are able to achieve the expected promotional effects for our brand customers. In particular, we utilize our big data capability to collect consumer information and feedback, including consumers' age, gender, location, consumption habits, goods selection preferences, among others. Through an automated labeling, we can achieve a rapid generation of consumer portraits. Leveraging our long-term experience in serving a large number of FMCG brands and a wide variety of FMCG products, and our technical advantages, we continue to optimize the interaction process, product survey content design, and consumer feedback submission mechanism. These technology-based operational capabilities enable us to provide valuable consumer preference analysis to FMCG brands.

Leveraging our refined operation capabilities, we have created a number of benchmark cases in various industry segments, which helped us gain profound industry insights, quickly develop and penetrate industry segmented tracks, and grasp market opportunities to assist FMCG brands to incubate newly emerging brands.



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### High-Quality and Well-Structured Customer Base

Leveraging our strong technical strengths and market position, we have established stable cooperative relationships with a large number of FMCG brands, including established brands with strong market appeal as well as emerging brands with huge growth potential. In the FMCG industry, established brands are typically founded before 2015, have a significant level of consumer awareness within a specific industry segment or nationwide market coverage, and an annual revenue of at least RMB100 million, while emerging brands are those established in or after 2015, or have a local or regional market coverage, including those with an annual revenue of less than RMB100 million, according to CIC. Our ability to serve brands with significant differences in terms of FMCG subsectors, product categories, brand connotations, history and personalization of target consumer groups, has well demonstrated our profound industry insights and market recognition. Such ability also enables us to build a complementary and synergistic customer structure that allows us to effectively reduce the risk brought by a single type of customer.

With the rise of young consumer groups, established brands devote great efforts to launch new products, while innovating mature products from the perspectives of taste, formula, packaging, market positioning and brand image, in order to better meet young consumers’ demands for diversified and interesting experience. Meanwhile, emerging brands also launch new products with differentiated competitiveness. These brands need to quickly reach the widest and most representative consumer groups in order to build brand awareness, and obtain accurate and authentic consumer behavior information, so as to adjust their marketing strategies and product design and positioning to ensure successful business operation.

Currently, offline marketing channels typically focus on brand exposure rather than consumer reach through physical products, and consumer traffic of online marketing channels is close to saturation, which result in higher consumer acquisition costs. Leveraging our standard marketing model, we are able to achieve an efficient consumer traffic conversion through interesting interaction between users and our vending machines and user traffic direction from offline vending machine to online platform, so as to assist brands to achieve efficient and cost-effective consumer acquisition.

During the Track Record Period, we served a total of 472 brand customers, and had a particular success in the industries of beverages and food. In 2021, 2022 and 2023, our marketing service served 27, 28, and 47 KA customers, respectively. Leveraging our effective business model and strong service capabilities, we have established stable relationships with our KA customers, with an average of over two years of cooperation history as of December 31, 2023. Particularly, the average revenue per customer of our KA customers increased from RMB10.5 million in 2021 to RMB13.8 million in 2023. This has demonstrated our value propositions to brands. With respect to our non-KA customers that are typically small and medium-sized companies, we have become their partner of choice for rapid market rollout, and assisted them to significantly expand their consumer base.

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### **Strong Research and Development Strengths and Technological Capabilities**

Technology is an important guarantee of our success. We continue to invest in the development of technologies and their application in all key aspects of our business operation. As of the Latest Practicable Date, we had obtained 14 patents based on our multi-functional vending machines and automated operation system.

Our vending machine is the core device to attract and reach consumers. Since we first launched our vending machines in 2014, we have been constantly undergoing hardware and software iteration. As of the Latest Practicable Date, we had iterated our vending machine to the fifth generation, and achieved breakthroughs in functionality leveraging our proprietary technologies. In particular, our vending machine assembles various functional components to achieve multi-dimensional product display and users’ interaction with our vending machines, such as physical product distribution, image recognition, audio interaction and scent emitting. For example, the camera realizes instant judgment of user profiles such as gender, the microphone realizes voice recognition and communicates with users in real time, and the scent emitting system enables multi-sensory experience.

In addition, we utilize IoT technology to enable real-time monitoring and management of consumer goods placed in the vending machines, and to combine different product SKU compositions according to diversified marketing needs through the vending machine’s cargo lane system. Leveraging our operation system empowered by big data and algorithm technologies, we are able to implement multiple marketing activities at the same time, and realize real-time interaction between a large number of users and our system. Moreover, we are capable to support the smooth implementation of marketing campaigns by real-time adjustment to goods selection, accurate prediction of goods supply and replenishment, and flexible cargo lane arrangement of the vending machines.

### **Experienced Management Team with Rich Industry Experience and Entrepreneurship**

Our Group is under the leadership of our founder and chairwoman of the Board of Directors, Ms. Yin. Our management team possesses forward-looking vision and broad experience in the FMCG marketing industry, especially the outdoor marketing sector. With their industry experience, we are able to achieve continuous development and sustainable growth. In particular, Ms. Yin has over 20 years of experience in the technology and marketing industries, as well as outstanding business innovation and management skills. Realizing the pain points of FMCG brands’ marketing, Ms. Yin founded our Group in 2013. She was awarded the “Eleventh Batch of Top Talents in Shanghai Yangpu District” in 2022 in recognition of her outstanding achievements and contributions in entrepreneurship. Other members of our management team also have top-notch backgrounds in relevant industries and extensive operational and management knowledge. For example, Mr. CAO Liwen (曹理文), our vice president of sales, has over 25 years of marketing experience, backed by strong marketing knowledge and outstanding industry backgrounds. For further details on the background and experience of our directors and senior management, see “Directors and Senior Management” in this document.

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We believe that our business operation and prospect will constantly benefit from the in-depth insights, analytics capabilities, and industry experience of our Directors and senior management. We will be able to maintain high awareness of industry movement and market opportunities, promptly respond to evolving industry trends, and achieve further organic growth under the leadership of our Directors and senior management.

### **OUR STRATEGIES**

To achieve our vision to become a leading FMCG marketing service provider, and further consolidate our market position, we propose to implement the following strategies:

#### **Further Optimize and Expand our Vending Machine Network Layout and Improve Effective Consumer Reach**

We will continue to observe and evaluate the changes in the behavior of target consumer groups in different cities and regions, and optimize and expand our vending machine network. We will continuously improve our ability to empower brands to strengthen their market influence and brand value, enhance their consumer acquisition capability, and obtain accurate, authentic and prompt consumer feedback, thus to further enhance our service ability.

To optimize and expand our vending machine network layout, we will review city heat maps and development plans, and conduct on-site visits to observe the population density and daily foot traffic in the target regions. We will take into account the characteristics of selected locations, including the compatibility of various target consumer groups and consumption scenarios in shopping centers, office premises and rental apartments to determine whether and where to place our vending machines. In particular, we will keep focusing on the penetration trend in tier one and new tier one cities in China. Through a comprehensive evaluation of the density and efficiency of our vending machine network, we will shorten the radius to reach target consumers, minimize their cost to experience products, and further improve consumer access, thus to further enhance our profitability.

#### **Focus on User Operation and Customer Needs to Broaden and Enrich Marketing Service Offerings**

As a strategic goal, we will continue to provide brands with one-stop marketing service while also broadening and enriching our service offerings. We will empower brands with greater value from multiple perspectives, optimize and diversify the structure of our revenue source, so as to continuously increase our market share. We believe our service capability will also create opportunities for additional sales and cross-selling among different business segments, which will further enhance our profitability.

We will continue to study FMCG brands’ unmet needs for promotion and consumer operation, analyze their brand positioning, and assist them to efficiently reach target consumers and implement their marketing campaigns. We plan to further our online marketing content cultivation so as to improve user operation, monetization and retention. Based on abundant

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consumer feedback and retail sales data, we plan to utilize big data and algorithm technologies to build an in-depth understanding of consumer preferences and consumption patterns in different regions to unlock the potential of “best-selling” products, so as to further strengthen our competitive advantages. We will leverage the technical and network coverage advantages of our vending machines to design creative marketing campaigns to further impress target consumers, and deliver greater social communication value, so as to assist brands to achieve consumer tracking and conversion. Through a combination of robust online user operation and offline marketing campaign implementation, we will continue to enhance the breadth, depth and activeness of our user community.

### **Continue to Expand Brand Customer Base and Create Benchmark Marketing Cases in Various Industry Segments**

Leveraging our successful cases in integrated marketing service, we will continue to gain insight into the pain points and development trends in the FMCG marketing industry, to strategically select industry segmented track, and to create benchmark cases, thereby to further improve our industry reputation, expand our brand customer base and optimize our customer composition to create more growth opportunities. As we expand our brand customer base, we will be able to provide consumers with a richer and higher quality portfolio of new products. This will help us further solidify user retention and enhance repeat purchase, and in turn improve the exposure and marketing of new products to form a virtuous cycle.

While we will increase our penetration in the existing dominant FMCG industry sectors including beverages and food, we will continue to make efforts in cosmetics and other sectors. We will leverage our longstanding strengths in serving a variety of established brands to promote the connection between established brands and emerging brands with differentiated strategies and approaches. This will build brand awareness among target consumer groups. We plan to continue to strengthen our business development team to seize new product launch opportunities and identify untapped market demands in more segmented tracks of the FMCG industry, which will expand our customer base, reinforce our market position and enhance our profitability.

### **Further Invest in Technology Research and Development to Improve User Experience and Operation Efficiency**

We will continue to invest in technologies to optimize our technology infrastructure, to improve our innovation capability of interactive marketing service, to enlarge our user base, and to achieve better marketing effects. To this end, we plan to focus on these perspectives:

- ***Continuous Upgrading and Optimization of Vending Machines.*** We will continue to develop and upgrade the key hardware devices and software functions, including sound and image capture, object perception, scent emitting, and high-density information transmission and analytics.

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## BUSINESS

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- ***Improvement in Algorithms and Data Analysis Capabilities.*** We will continue to improve our operation system, including developing middle- and back-office systems to enhance the compatibility between operating modules and the digitization of business process management to achieve higher operation efficiency with lower labor costs. We will also strengthen our technical capabilities for merchandise management, and enhance inventory transparency and flexibility through back-office remote monitoring and real-time analysis.

We will recruit top technical talents and improve our talent cultivation program to strengthen our core competitiveness in research and development. We will expand our talent pool specializing in software and hardware development, algorithm and data analysis to meet our evolving business needs.

### **Selectively Pursue Strategic Alliances, Investments and Acquisitions for Long-Term Growth**

As a complement to our organic growth strategy, we will prudently and selectively pursue strategic alliances or potential investments and acquisitions to drive our growth and improve our ecological footprint. We intend to focus on targets that have synergies with our business, particularly those that can enrich our service offerings, enhance our content production capabilities, enlarge our customer base, strengthen our technical capabilities and reinforce our market position. As of the Latest Practicable Date, we did not have any specific alliance, investment or acquisition targets.

### **OUR BUSINESS**

We merge offline and online channels with a complete, integrated system powered by technologies to offer consumers an interesting experience on FMCGs, and to provide brands with multi-channel and one-stop marketing service. Leveraging our vending machines placed in strategically selected sites and our online platform, we connect brands with their target consumers when the target consumers visit and use our vending machines, register with us through our online platform, and become our users. If interested in the FMCG products presented by our vending machines or online platform for consumer experience purpose, users can complete a designated task or pay a try-me discounted price through online platform, and then pick up the products from the nearby vending machines they selected with the QR code they have received. After trying the products, users can give their feedback on the products, make recommendations for improvement, and share their experience on social media platforms, such as posting on Weibo or WeChat Moments.

Our online platform comprises a mobile app named “Quna (趣拿)” and WeChat mini programs. Our mobile app integrates all of the functions and routes that users can access our online platform, while our WeChat mini programs are simplified version of our mobile app, providing users with a selection of functions and routes to meet different consumer needs. The following pictures illustrate the major functions of our mobile app.

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Home page provides access to various functions such as new product evaluation, user task center and FMCG product promotion



“Quna station” provides various FMCG products for retail



“Crab rendezvous (蟹逅)” provides routes to evaluate products

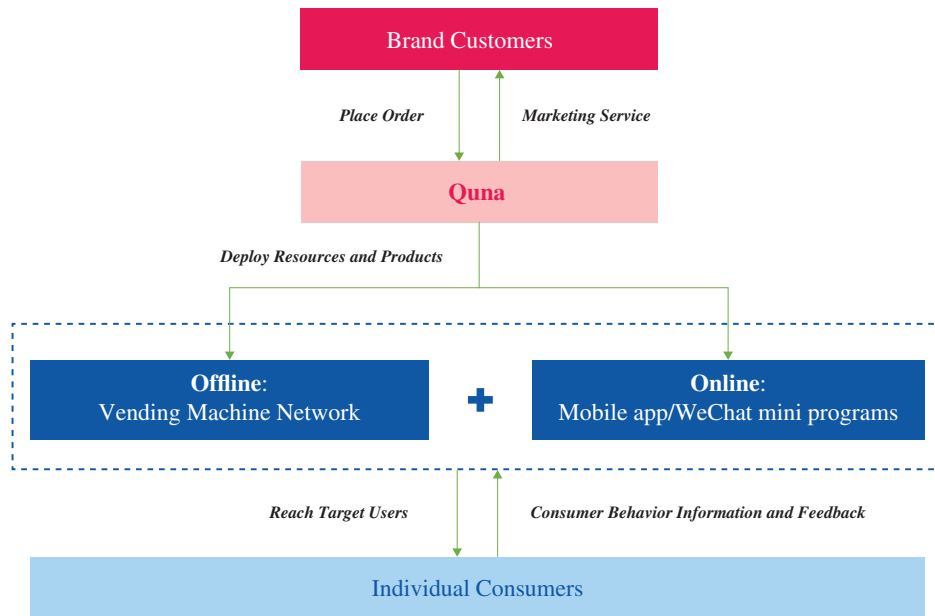


“My account” provides various functions and routes relating to users’ transactions and actions



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Leveraging our standard marketing business model and in-depth insights into consumers preference and behavior, we enable FMCG brands to launch and promote their products efficiently and cost-effectively, obtain real consumer feedback with higher accuracy, and adjust the products in a timely manner to better adapt to the market demand and consumer preference. The following diagram illustrates how we operate our marketing service and merchandise sales businesses:



To better serve the purpose of market testing and comparison between competing products, we also utilize our vending machines to sell FMCG products to consumers, through which we are able to attract and stimulate consumers to approach and use our vending machines more often for their daily shopping demand, thus promoting and enlarging a loyal user base that stay within close proximity and constantly walk past relevant vending machines for the benefit of our marketing service business. In addition, by facilitating sales of selected types of FMCGs that we strategically placed along with our brand customers’ products that we are promoting or studying, we are able to derive valuable behavior information of key consumer groups regarding how they select between these goods. Moreover, sales of FMCGs allow us to fully utilize the operational capacity of such vending machines, which enhances our overall operation efficiency and increase our revenue and profit.

During the Track Record Period, we derived the majority of our revenue from service fees from brand customers procuring our marketing service, and also generated revenue from merchandise sales of FMCGs to individual consumers. Brand customers generally pay us through bank transfer. Individual consumers generally place purchase orders on our vending machines directly, or on our online platform and pick up their purchased goods from nearby vending machines. As our vending machines do not collect cash as a payment method, consumers placing purchase orders on our vending machines are then directed to our online platform to make payments. Our online platform collects payments from individual consumers

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through third-party online payment channels or platforms, to whom we pay processing fees calculated at a rate based on the amount of payment from individual consumers. Our principal business segments in terms of revenue during the Track Record Period primarily include:

- (i) **Marketing Service.** We leverage our operation system integrating offline and online channels to provide one-stop marketing service to our brand customers, which primarily consists of:
  - (a) **Standard Marketing Service.** As the backbone of our marketing service, our standard marketing service aim to help brands in the FMCG industry to enhance brand awareness, and reach and acquire target consumers in a way that is more efficient and cost-effective than other commonly seen approaches. We design and implement creative offline marketing campaigns to promote brands and products, utilize online and offline channels and third-party media resources to provide promotion services, and assist brand customers to distribute a large number of FMCG products to individual consumers through our vending machines. In managing this business line, we charge brand customers service fees on a project basis taking into account various factors, including the scale, duration and complexity of the project, scope of work, costs of labor, venue and media resources, the number of vending machines used, and any special request from the brand customers.
  - (b) **Value-Added Marketing Service.** Leveraging technologies including IoT, AI, big data and algorithm, we offer various value-added marketing service to meet our brand customers’ diversified needs to further deepen consumer impression, optimize marketing strategy and improve product competitiveness. We design and develop multi-sensory interaction modules to provide users with interactive experience through our vending machines and online platform, thus to provide consumers an interesting experience of the brands and products. We derive valuable consumption behavior information and consumer feedback generated from users’ experience in trying FMCG products, and provide brand customers an in-depth and comprehensive insight into the market positioning of their brands and products. We also use AI technology to design and produce marketing contents and materials based on the individual promotional needs of our brand customers. In managing this business line, we charge variable service fees based on the volume and complexity of information to be processed, scope of work and costs of labor and technology resources.

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- (ii) **Merchandise Sales.** We leverage our strategically planned vending machine network and data-driven operation system to digitalize and automatize the retail of FMCG products alongside our distribution of FMCG products that we promote and study for brands. Such FMCG products for retail primarily consist of beverages, food, cosmetics and daily necessities, with categories and selection of products in specific industry segments typically matching those of FMCG products that sourced our marketing service, in terms of brand positioning, consumer preference and pricing, among others. We derive revenue from this business segment primarily from retail sales of merchandise.
- (iii) **Other Services.** During the Track Record Period, in recognition of our technology capabilities and software development and project management expertise, many customers engaged us to develop IT system, as well as customized software, covering IoT technology utilization, information sharing and analysis, and IT platform development. In managing this business segment, we generally charge customers for our services on a project basis, taking into account the project complexity and human resource costs incurred by our research and development team. Customers of this business segment are corporate clients which generally do not overlap with our brand customers of marketing service.

FMCG brands typically invest more in marketing and promotion in the second half of a calendar year. Thus, we generally expect a higher level of brand customers’ procurement of our marketing service in the third and fourth quarters of each year.

In 2021, 2022 and 2023, our total revenue was RMB502.4 million, RMB553.6 million and RMB1,006.7 million, respectively. The following table sets forth the revenue generated from each of our business segments, in absolute amounts and as percentages of total revenue, for the years indicated:

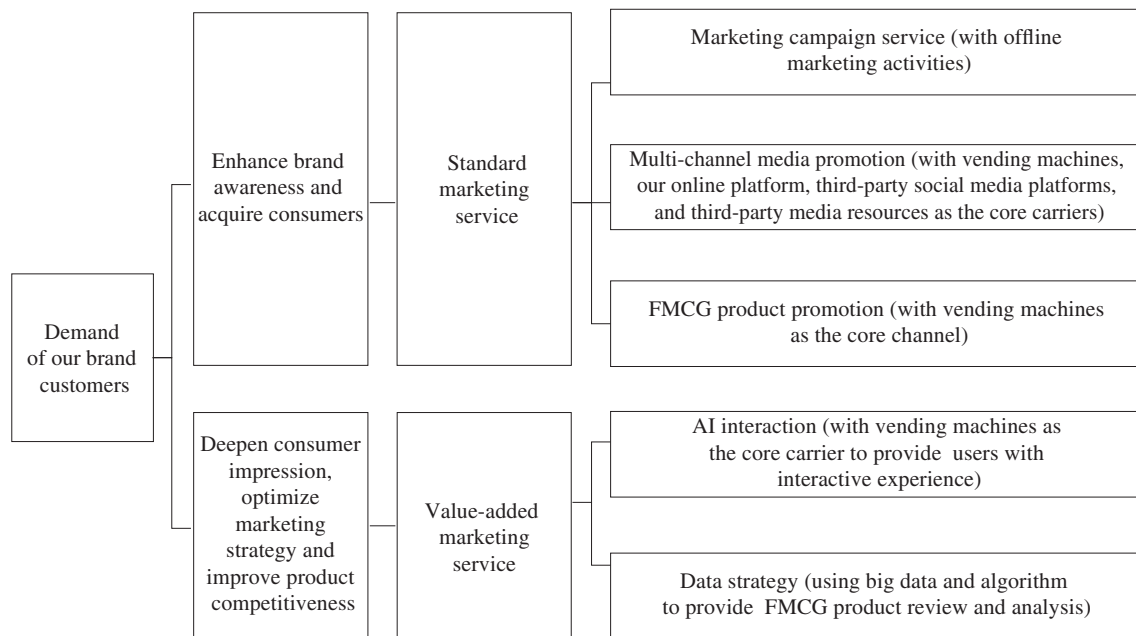
	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Marketing service	376,653	75.0	404,809	73.1	807,971	80.3
– Standard marketing service	342,982	68.3	348,851	63.0	692,195	68.8
– Value-added marketing service	33,671	6.7	55,958	10.1	115,776	11.5
Merchandise sales	104,962	20.9	111,333	20.1	144,320	14.3
Other services	20,753	4.1	37,475	6.8	54,406	5.4
<b>Total</b>	<b><u>502,368</u></b>	<b><u>100</u></b>	<b><u>553,617</u></b>	<b><u>100.0</u></b>	<b><u>1,006,697</u></b>	<b><u>100.0</u></b>

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### Marketing Service

Our marketing service business consists of (i) standard marketing service, primarily comprising marketing campaign service, multi-channel media promotion and FMCG product promotion, which further includes FMCG product distribution and FMCG product shelving, and (ii) value-added marketing service, primarily comprising AI interaction and data strategy. Standard marketing service is the backbone of our marketing service, which aims to help our brand customers to enhance consumer awareness and achieve consumer acquisition in an efficient and cost-effective manner. Value-added marketing service aims to empower our brand customers to further deepen consumer impression, optimize marketing strategy and improve product competitiveness through technologies applied in our business process.

The below diagram generalizes the differences and features of our marketing service offerings:



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Our marketing service covers both new products and mature products in the FMCG industry, with a focus on the strategic marketing, promotion, distribution and consumer preference test of new products. New products refer to products with new brands, categories, tastes, formulas, packaging or shapes that have been launched in the market for less than one year, and mature products refer to products that have been launched for over one year. During the Track Record Period, we provided marketing service for approximately 1,400 SKUs of products, among which a majority are new products. The following table sets forth the number of SKUs of products that sourced our marketing service, grouped by new products and mature products, for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
<b>Number of product SKUs</b>			
New products	347	228	245
Mature products	242	154	203
<b>Total</b>	<b>589</b>	<b>382</b>	<b>448</b>

Our marketing service covers a variety of FMCGs, with a focus on beverages and food. We have also been expanding to other FMCG sectors such as daily necessities and cosmetics. The following table sets forth a breakdown of the SKUs of products that sourced our marketing service, by major categories of FMCGs, for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
<b>Number of product SKUs</b>			
Beverages	221	186	116
Food	274	107	142
Daily necessities	48	60	118
Cosmetics	46	29	72
<b>Total</b>	<b>589</b>	<b>382</b>	<b>448</b>

The number of product SKUs decreased from 2021 to 2022 primarily because the FMCG industry was negatively impacted due to the macro economy and the resurgence of COVID-19 pandemic in 2022. In responding to these challenges, we focused on serving and maintaining existing brand customers that had relatively longer cooperation histories and higher revenue contributions, and invested less resources in developing potential brand customers especially those small and medium sized companies. Therefore, the number of our KA customers maintained stable while the number of non-KA customers decreased from 147 in 2021 to 102 in 2022, which resulted in the decrease in the number of our brand customers and product SKUs in the same years. However, leveraging our continuously refined operation and enhanced service capabilities, we managed to increase the average revenue per customer in 2022, which contributed to the increase of our revenue from marketing service business in the same year. See “– Our Customers.”

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Our marketing service, encompassing standard marketing service and value-added marketing service, are generally provided to our brand customers on a project base. The following table sets forth the average duration, typical fee range and average contract value of our marketing projects during the Track Record Period:

	<b>For the years ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Average duration <sup>(1)</sup>	18 days	17 days	13 days
Typical fee range <sup>(2)</sup> (RMB'000)	5-10,000	10-6,528	1-27,000
Average contract value (RMB'000)	825	947	807

*Notes:*

- (1) *The average duration calculates the average time spent for displaying promotional contents and posts on multi-media channels, exclusive of our time spent on early-stage preparation work, such as designing and preparing marketing strategies and marketing plans, and producing marketing materials and promotional contents and posts.*
- (2) *Since our marketing projects are highly customized, we had a broad fee range, leading to significantly lower low end of fee range during the Track Record Period.*

As our marketing service under each project is typically implemented and delivered in one week to three months, during the Track Record Period, our backlog contract value of marketing projects as of the end of a period is significantly lower than the revenue of marketing service for that period. During the Track Record Period and up to the Latest Practicable Date, attributable to our continuously refined operation and experience in project management, we had not encountered any material project delays or cost overruns. The following table sets forth our backlog contract value of marketing projects at the beginning and the end of each year during the Track Record Period:

	<b>For the years ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Backlog contract value (tax included) at the beginning of the year	11,470	12,317	5,220
Backlog contract value (tax included) at the end of the year	12,317	5,220	6,230

We monitor our quality and efficiency when serving our brand customers. Since November 2022, we strengthened our project execution and management, which contributed to our increasing efficiency to complete our marketing projects. Specifically, we optimized our project execution procedures, set project milestones and deadlines, distributed workloads and assigned specific tasks to project execution team members, strengthened internal updates on project execution progress, and enhanced customer communication and quality control in order



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to ensure and expedite collection of our service fees. Therefore, our backlog contract value at the end of 2022 was significantly lower than that as of the end of previous years during the Track Record Period. As we experienced a steady growth in 2023, our backlog contract value as of December 31, 2023 increased.

### *Standard Marketing Service*

Our standard marketing service consolidates offline and online distribution and communication channels to enable brands to reach their target consumers and enhance brand awareness. Through a combination of marketing service utilizing novel and traditional promotion channels, we enable brands to expand target consumer coverage, shorten time for market launch, save on promotion costs and amplify marketing effects.

Our standard marketing service offers one-on-one exclusive targeted marketing service to our brand customers in one single project by providing marketing campaign service, multi-channel media promotion and FMCG product promotion channels. We design marketing strategies, formulate marketing plans and implement marketing campaigns to tailor to the differentiated brand image and product positioning, and to meet the diversified marketing needs, of our brand customers. We accommodate brand customers with media resources including our online platform, LCD screens and shells of our vending machines for them to select to present their products and brands. Our online platform also provides routes for consumer traffic direction to the brand customers’ own sales and marketing channels such as Tmall flagship shop and WeChat official account. In addition, we post on social media platforms such as Weibo, Douyin and Xiaohongshu for brand and product promotion. Moreover, in order to better meet our brand customers’ diversified promotion needs, we also procure third-party media resources primarily consisting of SMS data packages and social media platform resources for them to acquire consumers through more channels. As an integral part of our standard marketing service package, we provide product distribution channels to our brand customers. They may select the specific cities and sites, number of vending machines used and time duration for product distribution to their target consumers.

Leveraging our data and algorithm capabilities, we are able to launch standard marketing projects within one to two weeks following the brand customers’ placing of service orders. Such duration is significantly shorter than that by using traditional marketing methods such as launch on supermarket shelves and on-site promotion deploying significant human resource. Such service capabilities enable us to assist brand customers to quickly grasp market opportunities in launching new products and building consumer awareness. The duration for implementing and delivering our standard marketing projects typically ranges from one week to three months.

In 2021, 2022 and 2023, approximately 68.3%, 63.0%, and 68.8% of our total revenue, respectively, was attributable to standard marketing service. For the same years, we had 171, 118, and 285 brand customers that procured our standard marketing service, respectively.

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We provide standard marketing service to our brand customers in a standardized marketing template, with various marketing service modules typically combined in one package. We preliminarily priced each marketing service module on different basis. For example, with respect to standard marketing service provided to a convenience food brand customer in 2023, we priced promotional content display on our mobile app/WeChat mini program opening screen for RMB200,000 per day, and display on our app/WeChat mini program home page banner for RMB36,000 per day, and promotional content display on our vending machines LCD full screen for RMB6,000 per vending machines per week. We then applied differentiated discount to each standard marketing service module considering various factors including the scale, duration and complexity of project, among others.

The following table sets forth a breakdown of revenue from standard marketing service by type of service, for the years indicated:

	For the years ended December 31,					
	2021		2022		2023	
	Revenue	%	Revenue	%	Revenue	%
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Marketing campaign service	26,823	7.8	7,356	2.1	7	0.0
Multi-channel media promotion	194,100	56.6	250,120	71.7	590,451	85.3
FMCG product promotion	122,060	35.6	91,375	26.2	101,738	14.7
<b>Total</b>	<b>342,982</b>	<b>100.0</b>	<b>348,851</b>	<b>100.0</b>	<b>692,195</b>	<b>100.0</b>

As we continue to refine operational capabilities and deepen industry insights, our revenue from standard marketing service steadily increased during the Track Record Period. Particularly, revenue from multi-channel media promotion increased significantly in 2023, as we continue to expand our marketing service portfolio and optimize our service modules to meet brand customers’ evolving marketing needs.

Within our standard marketing service, marketing campaign service typically involves offline themed events without AI interactions. During the Track Record Period, our revenue derived from marketing campaign service decreased from RMB26.8 million in 2021 to RMB7.4 million in 2022 and further to RMB7,000 in 2023. This was primarily driven by our customers’ increased preference in choosing offline events with AI interactions, as alternatives to our marketing campaign service. In response to market demand, we significantly expanded our efforts to develop offline marketing activities featuring AI interactions during the same period. These activities, centered around AI interactions, fall within our value-added service segment. Consequently, there was an increase in our revenue derived from value-added services during the Track Record Period, while our revenue derived from marketing campaign services declined during the same period. For details and as examples, see “– Our Top Ten Marketing Projects – For the year ended December 31, 2023.”

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### Marketing Campaign Service

Our marketing campaign service primarily focuses on providing planning, design, and production of marketing materials for offline themed events without AI interactions. Additionally, we offer vending machine rentals and on-site personnel support as needed for such events. We plan and implement creative marketing campaigns to promote brands and products, and in the meanwhile, our platform “Quna (趣拿)” and marketing service. Leveraging users’ interesting interactions with our vending machines, combined with interesting marketing activities, our marketing campaign service brings a win-win solution for enhancing brand awareness for both our brand customers and us.

We host offline marketing campaigns based on our own intellectual properties, in which multiple brand customers participate as sponsors, and various brands and products are showcased and displayed. For example, we launched our annual marketing campaign “99 Quna Festival (99趣拿節)” for the first time in Shanghai in 2015, which had been successfully held for nine sessions as of the Latest Practicable Date. We strategically select the sites where a large number of participants can be involved, such as shopping centers, for hosting our offline marketing campaigns. We implant the elements of the sponsors’ brands or products in these marketing campaigns, and utilize our vending machines to provide participants with interactive experience.

Below showcases our “99 Quna Festival (99趣拿節)” in 2022, which is one of our representative offline marketing campaigns.



Time: September 2022

Location: Shanghai

Project description: Our marketing campaign, themed “Uncovering New Treasures”, encourages our users to engage in customized interactive activities to earn rewards. We also involved brand ambassadors into the interactive activities to amplify the impact of the campaign.

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To capture the tailwind of e-commerce industry, we supplement our offline marketing campaigns with online marketing campaigns such as “Quna Spring Festival Shopping (趣拿年货节)” and “Quna New Year’s Cloud Temple Fair (趣拿新年云上庙会)”, in which we design and produce the digital contents to be displayed on our online platform to create interaction between users and brands. The digital contents can be, among others, interactive applications, and brands and products can be promoted through embedded displays incorporated within these digital contents. During the Track Record Period, our online marketing campaigns helped to mitigate the impact of COVID-19 pandemic on offline marketing events.

Below showcases our “Quna New Year’s Cloud Temple Fair (趣拿新年云上庙会)” in 2022, in which we attracted a large number of users to participate.



Time: January to February, 2022

Project description: Users complete a series of designated tasks through our online platform to obtain a gift package. The tasks include daily check-in, new user acquisition, merchandise purchase and consumer feedback, among others. The number of new users increased significantly during the project period, and multiple brand customers' new products were distributed to our existing and new users, which effectively promoted our platform and brand customers' products.



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In order to better meet brand customers’ diversified needs for marketing campaigns tailored for their brands and products, we also offer customized offline marketing campaigns. We work with brand customers to understand their requirements for project scale and marketing effect, among others, and then design, plan and implement the marketing campaigns. Brand customers typically select the places and number of vending machines involved for the marketing campaigns, which are then carried out by our vending machines with the implanted digital contents, functional modules and shell design tailored for the brands and products. While our marketing campaigns involving multiple brand customers are typically annual or seasonal events, we implemented customized offline marketing campaigns at a significantly higher frequency since such marketing campaigns have a strong flexibility in terms of choice of location, time duration and project scale.

Below showcases our offline marketing campaign customized for JuneYao Dairy (均瑶健康) (“**JuneYao**”), which was held in Shanghai in August 2022.



### *Multi-Channel Media Promotion*

Our multi-channel media promotion offers a comprehensive range of marketing channels, including both online and offline options. Our brand customers have the flexibility to customize their marketing strategies to meet their specific requirements, utilizing various multimedia channels available. Different from the marketing campaign services, these offerings do not center around offline themed events. Rather, they enable brand customers to choose services customized to their goals and preferences.

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Our standard marketing model integrating vending machine network and online platform allows us to provide brand customers with an intensive, straight-forward and effective reach to consumers. Our vending machine’s ability to interact with consumers enables brands to deliver physical product experience to consumers. It is further complemented by our ability to precisely push promotional content and consumer traffic direction route to target consumers’ mobile devices through our online platform and third-party social media platforms to optimize marketing results. Moreover, we procure for our brand customers third-party media resources primarily consisting of SMS data packages and social media platform resources, so as to create our one-stop, multi-channel media promotion service to meet brand customers’ diversified needs. Specifically, our service modules primarily include (i) LCD screen display, (ii) online platform display, (iii) vending machine shell display, (iv) consumer traffic direction, (v) social media platform posts and (vi) third-party media resources procurement.

The following table sets forth a breakdown of revenue from multi-channel media promotion by service module, for the years indicated:

	For the years ended December 31,					
	2021		2022		2023	
	Revenue	%	Revenue	%	Revenue	%
	<i>RMB’000</i>		<i>RMB’000</i>		<i>RMB’000</i>	
LCD screen display	108,473	55.9	169,150	67.6	266,661	45.2
Online platform display <sup>(1)</sup>	57,957	29.9	51,621	20.6	65,729	11.1
Vending machine shell display <sup>(1)</sup>	20,430	10.5	15,491	6.2	10,885	1.8
Consumer traffic direction <sup>(2)</sup>	–	0.0	–	0.0	–	–
Social media platform posts <sup>(3)</sup>	244	0.1	75	0.0	–	–
Third-party media resources procurement	6,995	3.6	13,782	5.5	247,176	41.9
<b>Total</b>	<b>194,100</b>	<b>100.0</b>	<b>250,120</b>	<b>100.0</b>	<b>590,451</b>	<b>100.0</b>

Notes:

- (1) Revenue decreased in 2022 because brand customers generally increased the proportion of their marketing budget to procure LCD screen display considering it a more efficient channel for content display.
- (2) Consumer traffic direction was complimentary and therefore did not generate any revenue during the Track Record Period.
- (3) Social media platform posts was complimentary in 2023 and therefore did not generate any revenue in the same year.



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The following table sets forth a breakdown of number of projects from multi-channel media promotion by service module, for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
LCD screen display <sup>(1)</sup>	301	324	904
Online platform display <sup>(2)</sup>	308	325	453
Vending machine shell display <sup>(3)</sup>	113	62	50
Consumer traffic direction <sup>(4)</sup>	N/A	N/A	N/A
Social media platform posts <sup>(5)</sup>	10	2	N/A
Third-party media resources procurement <sup>(6)</sup>	65	185	510

*Notes:*

- (1) *The project number for this business module is calculated based on the number of orders in the relevant year.*
- (2) *The project number for this business module is calculated based on the number of orders in the relevant year.*
- (3) *The project number for this business module is calculated based on the number of orders in the relevant year.*
- (4) *Consumer traffic direction was complimentary and applicable to all projects during the Track Record Period, therefore we did not list the number of projects here.*
- (5) *Social media platform posts was complimentary in 2023 and therefore the project number was not available in the same year.*
- (6) *The project number for this business module is calculated based on the number of orders in the relevant year.*

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The following table sets forth the project fee range of each service module under multi-channel media promotion, for the years indicated.

	<b>For the years ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LCD screen display	4 – 4,095	29 – 4,859	1 – 4,800
Online platform display	5 – 3,346	20 – 2,080	10 – 1,700
Vending machine shell display	5 – 960	2 – 960	99 – 900
Consumer traffic direction <sup>(1)</sup>	N/A	N/A	N/A
Social media platform posts <sup>(2)</sup>	7 – 56	30 – 49	N/A
Third-party media resources procurement	20 – 600	9 – 400	2 – 8,728

*Notes:*

- (1) *Consumer traffic direction was complimentary and therefore the fee range was not available during the Track Record Period.*
- (2) *Social media platform posts was complimentary in 2023 and therefore the fee range was not available in the same year.*

The fee for each service module is calculated on a project basis. The wide fee range for each service module arises from differences in project durations, the quantities of posts, or the volume of third-party media resources procured for such projects.

During the Track Record Period, the unit price for each service module and the relevant pricing methods remained stable. See “– Pricing” in this section. Our revenue generated from LCD screen display service module, online platform display module and third-party media resources procurement module continued to increase, primarily due to the increase of projects for such modules. The revenue generated from vending machine shell display continued to decrease during the same period, primarily due to the change of our brand customers’ demand. For example, more of our brand customers chose to conduct marketing activities featuring AI interactions, where vending machine shell display was complimentary for these value-added projects.

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### LCD Screen Display

The touch screens of our vending machines allow brand customers to place customized still or interactive digital contents. As our vending machines are typically placed at commercial premises with high visitor repetition, our LCD screen display enables brand customers to reach and interact with residents and frequent visitors in the relevant communities, thereby enhancing consumer engagement and provide them with an interesting experience. The pictures below illustrate examples of our LCD screen display service:



### Vending Machine Shell Display

The shell of our vending machines represents an effective medium which can be custom-designed according to the brand customers' specific requirements. Furthermore, both sides of the vending machine body, tags of the merchandise display position and merchandise dispensers are media that allow brand customers to appeal to consumers. Pop-up extensions above the vending machine body can also be added to increase the prominence of appearance. The pictures below illustrate examples of our vending machine shell display service:



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### Online Platform Display

Each time consumers desire to obtain a product that we distribute through our vending machine, they shall use mobile phones to scan the QR code displayed on the vending machine screen, which then directs consumers to our online platform where we display digital contents to promote brands and products. Our online platform also enables exposure of promotional contents to users during their process to obtain products or purchase consumer goods. Leveraging these, we enable brand customers to effectively reach and acquire their target consumers. The pictures below illustrate examples of our online platform display service:



Opening screen display



Home page banner display

### Consumer Traffic Direction

A substantial portion of the products we distribute to target consumers are for free. Consumers are typically required to complete a designated task before they can pick up the products from the vending machines. A typical type of such tasks is to become a member or follower of the brand customers' own channel, such as online shop or official account. We provide a smooth route to direct and connect consumers to brands, enabling brands to lower consumer acquisition cost and enhance consumer conversion efficiency. The pictures below illustrate examples of our consumer traffic direction service:



Users select the product they want to experience on online platform



Click link direction to brand customer's Tmall flagship shop



Sign up for membership of Tmall flagship shop

## BUSINESS

### Social Media Platform Posts

The rapid development of mobile Internet has made young consumers more interested in acquiring and sharing consumption experiences in digital forms such as short-form videos, and through online channels such as UGC communities. Products that can accurately meet the needs of target consumer groups can be widely spread at a high speed within a short period of time, and become “best-selling” products that can seize higher market share and build up consumer awareness with competitive advantages. Fully realizing the influence of social media platforms on branding and marketing, we utilize third-party social media platforms to enhance the marketing effects for our brand customers. We have created our own official accounts on WeChat, Douyin, Xiaohongshu and other major social media platforms in China. Subject to the terms and conditions of the social media platforms in relation to the compliance of post contents, we post marketing contents for our brand customers’ products that they intend to promote. We also cooperate with Internet celebrities to post for our brand customers’ products. Particularly, in early 2023, in observance of our brand customers’ demand to further expand their consumer acquisition channels, we strengthened our capabilities to utilize third party social media platforms to meet diversified customer needs and amplify marketing effects. The pictures below illustrate examples of our social media platform posts service:



### Third-party Media Resources Procurement

We provide third-party media resources procurement services to our brand customers to enhance their marketing channels and better meet their traffic attraction needs. This service aims to offer brand customers additional approaches for marketing outreach. During the Track Record Period, the procured resources primarily include SMS data packages and social media platform resources.

In 2021 and 2022, the primary focus of this service was procuring SMS data packages from operators for our brand customers. We provided customized SMS content and delivered it to the consumers of our brand customers. In managing this service module, we procured SMS message packages from network operators based on the quantity required by our brand customers and paid the package fees to network operators. We charged our brand customers a fixed fee based on the quantity of SMS messages they needed to deliver. For details, see “– Pricing” in this section.

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In 2023, in addition to providing SMS data packages, we began offering short video platform traffic acquisition service to our brand customers. We select suitable short video platforms based on the specific needs of brand customers and customize appropriate traffic delivery plans. Under this service module, we procure specific delivery resources needed by brand customers from agents of short video platforms, and charge brand customers a fixed fee determined based on the platform and volume of delivery. For details, see “– Pricing” in this section. Our increased revenue derived from social media platform resource procurement services in 2023 contributed to our overall growth in these service modules as compared to 2022.

By utilizing our marketing expertise and judgment, we effectively select and tailor appropriate third-party media resources for our customers. This includes determining the type of resources needed, the timing and frequency of deployment, specific promotional content, etc., all aimed at optimizing the cost-effectiveness of using third-party media resources. Furthermore, we integrate these third-party media resources with our other marketing services, delivering a comprehensive service package to our customers. Compared to customers procuring third-party media resources independently, our integrated service package provides time and cost savings and facilitates integrated marketing outcomes across our diverse service modules. In addition, we have expertise in dealing with third-party media platforms, enabling us to negotiate more favorable prices and deployment plans for our customers. Since the introduction of short video platform traffic acquisition service in 2023, we have received positive feedbacks from our customers, with some of them making repeat purchases in the same year.

We determined to bring third-party media resources procurement services into our service portfolio primarily due to the following reasons:

Third-party media resource procurement services complement our other services to enhance our ability to reach target consumers for expected marketing projects. In recent years, third-party media platforms, particularly short-video platforms and streaming sessions, have gained immense popularity among a vast consumer base. In particular, more and more tech-savvy young consumers living in tier one and new tier one cities in China are spending considerable amount of time on third-party media platform and they are within a key demographic group that FMCG brand customers focus on. Marketing on these platforms enables our brand customers to reach target consumers for their products. We included third-party media resource procurement services to complement our ability to reach target consumers in different spaces (i.e., offline location and moving routes of consumers, online proprietary websites/APP, and third-party media platform) that they generally spend their time in different life/spending scenarios, enhancing the holistic feelings of target consumers and improving effect of marketing services.

By enhancing our ability to launch events at third-party media platform through engaging third-party media resources procurement services, we could effectively enhance our brand customers’ loyalty as they may enjoy an enhanced “one-stop” marketing services by (i) reducing their time/resources that used to be spent for negotiating/communicating/organizing



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a large number of third-parties for a marketing project; and (ii) relying on our professional capability and industry insight to determine specifications of respective marketing project for their FMCG product, including how to set timing/frequency/format of activities at third-party media platform, and how to consolidate such with designed activities at offline channels, so that all relevant marketing activities working as an integrated entirety to reach expected results in a more cost-efficient way.

To tailor an integrated marketing service package for a brand customer that includes the short video platform traffic acquisition service, extensive communication is conducted. This involves understanding the brand customer's specific requirements, product details, target demographics, preferred marketing locations and duration, as well as the budget. Based on this information, we will conduct industry research, data analysis, and precedent examination to select the most suitable service modules for the brand customer and customize specific service package with implementation plans.

The implementation of short video platform traffic acquisition service in a typical service package is as follows:

Firstly, we recommend suitable traffic acquisition plan to the customer according to (i) our analyses regarding the marketing effects of similar products on short video platforms, and (ii) the potential synergies of the procured resources with other services we provide.

Subsequently, we proposed several types of short videos for promotion and assist the customer in conveying its precise requirements to short video platform for the creation of customized short videos, and reviewed the demos with the customer prior to their release.

We then assist the customer in monitoring the key performance indicators of each released short video and provided recommendations for the customer's account development strategies, as well as suggestions for next stage marketing strategies.

We also support the customer by evaluating the popularity of the short videos launched and assist the brand customers in analyzing follower attrition on the brand customer's account and provided suggestions for sustainable user engagement.

The charging basis of the short video platforms varies depending on the service delivery methods. Short video platforms typically offer two major types of service delivery methods:

The commonly used method is information flow advertising, referring to the delivery of advertisements in the form of images, text, videos, etc., to the target consumers we select and suggested to the brand customers. We provide traffic acquisition plan to our customers, taking into consideration (i) the consumer labels provided by the short video platform to categorize different consumer groups, such as age groups; (ii) the budget of the relevant customer for the relevant project, and (iii) the expected return on investment of such customer. We may suggest our customers to adjust the traffic acquisition plan according to the actual effects.



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Fixed advertising spaces, which generally serve as supplementary advertising resources, mainly consist of splash advertisements, top-view first impression advertisements, banners, etc. The services delivered using this approach typically settled through methods such as CPM/CPT.

During the Track Record Period, in line with industry norms and to secure discounts from short video platform traffic suppliers, we typically initiated traffic acquisition from such suppliers and made advance payments based on projected demand for short video platform traffic acquisition services, even when brand customers had not yet ordered such services from us. These advanced payments were recorded as prepayments in our accounting treatments. When brand customers subsequently ordered such services from us, typically together with other marketing services provided by us, they typically made advance payments covering short video platform traffic acquisition services. Upon receipt, we prioritized using our prepaid balances with the short video traffic suppliers. For certain brand customers with good credit, we may use our prepaid balances before receiving payment from them, and we require them to make payments usually within single-digit business days after the conclusion of a project. We ensured timely collection of these payments from brand customers and it is worth noting that these prepayments and the diligent follow-up for collection were based on industry practice.

### *FMCG Product Promotion*

We assist brand customers to promote their FMCG products by offering FMCG product distribution service and FMCG product shelving service through our vending machines. Such FMCG products typically include beverages, food, daily necessities and cosmetics.

- ***Product distribution:*** We assist brand customers to distribute certain amount of FMCG products to their target consumers through our vending machines either for free or at a discount price. Consumers are generally required to complete a designated task, such as following the brand's WeChat official account or signing up for membership of the brand's Tmall flagship shop, in order to obtain the products. We charge fixed fee from the brand customers based on the quantity of products to be distributed. We do not purchase such products from such brand customers, and the vast majority of the products were distributed to the consumers for free. In 2021, 2022 and 2023, the revenue derived from our product distribution service amounted to RMB94.5 million, RMB61.2 million and RMB81.5 million, accounting for 18.8%, 11.1% and 8.1% of our total revenue, respectively.
- ***Product shelving:*** In response to the requests of certain brand customers who wish to display their products in our vending machine slots during specific period to increase product exposure and brand awareness, we have introduced our product shelving service. Specifically, we lease vending machine slots to these brand customers at approximately RMB200 per slot per month. During the agreed-upon period, only the products of these brand customers are shelved and sold in the leased vending machine slots.

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In managing this service, we purchase the products from such brand customers and shelf them on the leased slots during the agreed-upon period. Our brand customers are responsible for delivering the products to be shelved to our warehouses and our brand customers do not handle the shelving to vending machine slots by themselves. In order to tailor to the diverse consumer demographics in different vending machine locations, we customize our product mix in our vending machines through displaying and selling shelved products in leased vending machine slots and generally use other slots to sell merchandise products procured from merchandise sales business segment. We manage the sales of the shelved products together with our merchandise products, and manage inventory by SKU categories during the Track Record Period.

To ensure product quality, we only lease vending machine slots to shelf products that meet our selection criteria, which are consistent with those applied to our other merchandise sales products. For details, see “– Merchandise Sales – Selection of products.” Under such arrangement, we generated revenue from (i) marketing service fees paid by our brand customers for the leased vending machine slots, and (ii) merchandise sales of the shelved products on the leased slots. The revenue derived from merchandise sales is categorized under our merchandise sales business segment. For details, see “– Merchandise Sales” and “– Pricing” in this section. In 2021, 2022 and 2023, the revenue derived from our product shelving service amounted to RMB27.6 million, RMB30.1 million and RMB20.2 million, accounting for 5.5%, 5.4% and 2.0% of our total revenue, respectively.

When users visit the vending machine, they can use their mobile phones to scan the QR code of the product displayed on the LCD screen to start the product pick-up and experience process. In addition to distribution directly through vending machines, we also provide users with a convenient and efficient access to the products through our online platform. Users can browse the product information and locate the nearby vending machines by user positioning to pick up their selected products. The pictures below illustrate the process to obtain the products.



In 2021, 2022 and 2023, the number of FMCG products we distributed were approximately 45.8 million, 36.4 million and 48.7 million, respectively.

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As most of our vending machines were located in tier one and new tier one cities during the Track Record Period, a majority of the FMCG products were distributed to our brand customers’ target consumers in these cities. The table below sets forth a breakdown of FMCG products we distributed by city tier for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Number of distributed products (000’)</b>			
Tier one cities	18,628	13,372	22,205
New tier one cities	26,425	21,192	25,649
Tier two cities	762	1,800	841
<b>Total</b>	<b>45,816</b>	<b>36,364</b>	<b>48,695</b>

The table below sets forth a breakdown of FMCG products we distributed by type of sites for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Number of distributed products (000’)</b>			
Office premises	22,512	17,398	20,959
Rental apartments	18,495	15,788	21,086
Shopping centers	3,121	1,083	1,536
Others	1,689	2,095	5,114
<b>Total</b>	<b>45,816</b>	<b>36,364</b>	<b>48,695</b>

The decrease in the number of distributed products in 2022 compared with that in 2021 was primarily attributable to our adjustment in implementing marketing projects to deal with the impact of the COVID-19 related lock-down measures in certain regions in 2022, which restricted our offline distributions and users’ access to products.

***Value-Added Marketing Service***

Compared to our standard marketing service which aims to assist brands to reach and acquire target consumers, enhance brand awareness and popularize products, our value-added marketing service, primarily consisting of AI interaction and data strategy, aims to empower brands to further deepen consumer impression, optimize marketing strategy and improve product competitiveness. AI interaction provides consumers with an interesting product experience through multi-sensory modules enabling their interaction with our vending machines, while data strategy delivers valuable insights into consumer preference to, and enhanced marketing effects for, our brand customers.

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We provide value-added marketing service by utilizing technologies including IoT, AI, big data and algorithm embedded in our vending machines and operation system. Our research and development team has successfully developed the functions and algorithm to support the implementation and optimization of our value-added marketing service. As of the Latest Practicable Date, our Group had registered 14 patents and 114 software copyrights in the PRC, which we consider to be material to our marketing service business, especially value-added marketing service.

Unlike standard marketing service that serves our brand customers in a standardized marketing template with various service modules typically combined in one package and integrated and synergized with each other, our value-added marketing service is tailored for each brand customer’s diversified and differentiated marketing needs. We price value-added marketing service on a case-by-case basis according to the complexity of project, volume of information collected and processed, and costs on labor and technologies utilized, among others. Value-added marketing service is typically performed and delivered along with standard marketing service. For example, we provided value-added marketing service along with standard marketing service to a convenience food brand customer in 2023. The vending machines providing voice interactive games were essential features of this value-added marketing service. We preliminarily priced this interaction between users and our vending machines on a session and duration basis, namely, RMB30,000 per session per day, and eventually charged at a discounted price considering various factors including the scale of project and the technologies utilized, among others. As compared with standard marketing service, our value-added marketing service typically integrated more technologies, we generally offered less discounts for value-added marketing service.

In 2021, 2022 and 2023, we had 67, 65 and 79 brand customers that procured our value-added marketing service, respectively. For the same years, approximately 6.7%, 10.1% and 11.5% of our total revenue, respectively, was attributable to value-added marketing service. Although the revenue attributable to value-added marketing service was not significant during the Track Record Period, we see this business line as a growth engine of our marketing service business in terms of revenue and profit contribution during the Track Record Period.

The following table sets forth a breakdown of revenue from value-added marketing service by type of service, for the years indicated:

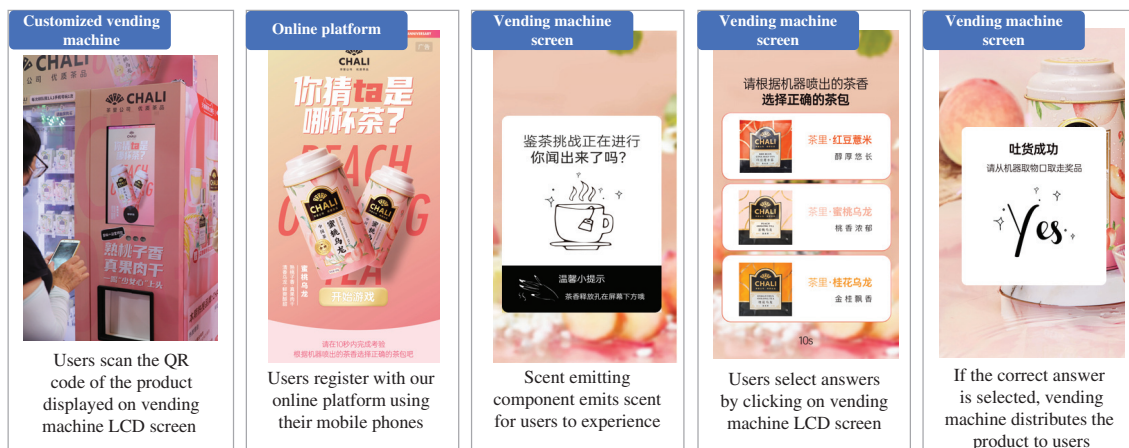
	For the years ended December 31,					
	2021		2022		2023	
	Revenue	%	Revenue	%	Revenue	%
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
AI interaction	32,755	97.3	52,872	94.5	114,028	98.5
Data strategy	916	2.7	3,087	5.5	1,749	1.5
<b>Total</b>	<b><u>33,671</u></b>	<b><u>100.0</u></b>	<b><u>55,958</u></b>	<b><u>100.0</u></b>	<b><u>115,776</u></b>	<b><u>100.0</u></b>

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### AI Interaction

Leveraging our long-term experience in serving a large number of FMCG brands and a wide variety of FMCG products, we assist our brand customers with the planning, design, production and implementation of interactive promotional contents and posts, as well as marketing materials (e.g., text, pictures and audio) into the projects to promote their brands and products. Our proprietary content engine platform combines various marketing templates, interactive modules and operation tools, which allow us to easily modify them to create interactive contents and marketing materials to meet the differentiated and diversified marketing needs of our brand customers. Following the design and production of interactive contents and marketing materials, our content engine platform automatically repeats test tasks, outputs result data after each round of execution, and implements the finalized interactive contents and marketing materials on the relevant vending machines through IoT technologies to launch the marketing projects.

Our vending machine integrates various functional components, which can achieve multi-dimensional display and interactive functions such as image recognition, audio interaction and scent emitting. Our users can easily complete interesting interactive activities through various sensors on our vending machines and their mobile phone applications. Below is one of our representative cases, showcasing how users experience the scent of a product through interaction with our vending machines:



Brand:	Cha Li
Description:	Scenario-based marketing through scent emitting experience
Achievements:	We had been accompanying Cha Li since its early stage of brand development. Leveraging our AI-powered interaction module enabling scent emitting from vending machines, we assisted Cha Li to attract, acquire and enlarge its consumer base, which contributed to our establishment of a long-term and stable cooperation relationship with this brand customer.

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The case below illustrates how users obtain the products through an interactive function incorporating body movement recognition:



Brand: June Yao

Description: Scenario-based marketing through body movement recognition

Achievements: Through our interactive function customized for June Yao, we effectively raised consumer awareness of the new product highlighting its healthiness as a probiotic beverage. Recognizing our marketing value, June Yao engaged us to promote its other new products.

In order to enhance the functionality of our vending machines and operation system, we also collaborate with third-party technology service providers to support us. For example, in 2022, we cooperated with a technology development company to co-develop a contactless pickup functional module to be installed in the vending machine, enabling users to pick up the products by QR code verification through online platform without physically touching the LCD screen of the vending machine. See “– Major Suppliers – Technology Service Providers.”

During the Track Record Period, we typically provided two options for the arrangement of AI interaction services. The first option charged our brand customers based on the number of sessions held. The unit price for each session typically covers the charges for the utilization of venues, preparation of marketing material, the development and implementation of interactive games, the utilization of vending machine and coordination of on-site personnel. The second option charged our brand customers based on the number of vending machines utilized and the duration of such usage. The primary difference between the two options is the scale and complexity of AI interaction activities. In the first option, AI interaction is typically conducted on a larger scale, featuring more complex interactive games and requiring more personnel and material support. These sessions can draw a larger crowd in a shorter period. On the other hand, the second option involves simpler interactive games with fewer personnel and material requirements, incorporating AI interactive activities into the routine operation of the utilized vending machines. Our brand customers can choose from these two options based on their actual needs. The table below sets forth the fee charged per session per day, the fee charged per vending machine per week, the number of projects and customers of the service modules within value-added marketing services for the years indicated.



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	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Option 1:</b>			
The fee charged per session			
per day (RMB) <sup>(1)</sup>	30,000	30,000	30,000
Number of projects	90	95	357
The average of fee charged per project			
(RMB'000)	228.3	174.3	196.1
The range of duration per project (days)	1-28	1-28	1-33
<b>Option 2:</b>			
The fee charged per vending machine			
per week (RMB) <sup>(2)</sup>	5,000	5,000	5,000
Number of projects	3	23	38
The average of fee charged per project			
(RMB'000)	3,585.7	1,590.0	1,321.2
The range of duration per project			
(weeks)	4-5	4-6	1-16
Number of customers			
(Option 1+ Option 2)	24	31	72
Number of total projects			
(Option 1+ Option 2)	93	118	395

*Notes:*

- (1) Refers to fee charged per session per day for the vast majority of our projects using option 1.
- (2) Refers to fee charged per vending machine per week for the vast majority of our projects using option 2.

During the Track Record Period, the unit price for the vast majority of our projects using option 1 and 2 above remained stable, respectively. During the same period, our revenue generated from AI interaction services increased from RMB32.8 million in 2021 to RMB52.9 million in 2022 and further to RMB114.0 million in 2023, primarily driven by the growth in the number of projects using either options. During the Track Record Period, the average fee charged per project for AI interaction services using option 2 decreased, resulted from a higher number of brand customers opting for option 1, as this method could quickly attract consumers in a short period of time. Moreover, within brand customers utilizing option 2, as compared to their orders in 2021, our brand customers utilizing option 2 in 2022 and 2023 tended to allocate shorter timeframes or lessor vending machines for each project to test the market reaction before considering to arrange additional projects.

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### *Data Strategy*

Leveraging our effective standard marketing model, we are able to obtain real and accurate consumer feedback, and continuously optimize the interaction process before product pick-up, questionnaire content design and feedback submission methods through big data and algorithm technology, so as to assist brands to predict the design, packaging, pricing, selling points, target consumer scenario and sales territory more accurately, and then adjust and optimize their manufacturing, logistics, operation and promotion planning, and other related decisions.

The consumption data we collect consists of two main types:

- (i) Data generated directly by users through the use of vending machines and online platform in connection with the pick-up or purchase of FMCG products, including the relevant time and place, and the price paid; and
- (ii) Data collected through questionnaires relating to users’ profiles, consumer behavior and goods selection preferences. We offer various incentives to encourage consumers to provide us with their feedback. In particular, we provide distributed products to consumers as incentives to experience the products and provide feedback in the questionnaire. After filling out the questionnaire, they can receive our platform coupons or other complimentary gifts. We believe such arrangements allow us to continuously engage our consumers in providing useful consumption data to us. We typically collected the following data through questionnaires:
  - (a) *Users’ personal profile*. Such profiles include age, gender, marital status, family members’ status, income, long-term residence, occupation, workplace and education, etc. We obtain users’ consent before collecting their personal information through questionnaires, and comply with relevant laws and regulations in all material respects relating to the collection, storage, use and transmission of personal information. See “– Data Privacy” in this section;
  - (b) *Consumer behavior*. Such information includes categories of products purchased in the past three months, average monthly spending and number of purchases in the relevant categories, purchase channels, and consumption scenarios (e.g. home, office, school and shopping center);
  - (c) *Goods selection preferences*. Such information includes users’ willingness to buy and recommend the product to their acquaintances after experiencing, their level of satisfaction with the product and its uniqueness, price perception, attractiveness of selling points, preference for packaging materials, and areas for improvement. For example, for beverages and food, we survey users’ evaluation of taste and flavor, while for cosmetics and daily necessities, their evaluation of product functionality, texture and fragrance. In addition, in order to provide a more comprehensive product analysis to our brand customers, we also survey users’ most commonly purchased brands, their willingness to purchase and recommend competing products, satisfaction and uniqueness evaluation, and price perception, among others.

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Based on the consumer feedback information we collect, we utilize big data to achieve a rapid generation of consumer portraits through automated labeling. For example, with respect to a new oolong tea product, our product analysis shows that young women in the tier one cities in eastern China rate it the highest. Our product analysis can also help brand customers identify benchmark competitors, adjust product positioning, and increase the conversion and purchase rate of target consumers. For example, with respect to a skincare product with oil control function, our product analysis shows that it is more likely to convert and acquire consumers of a well-known Japanese skincare brand.

Our data strategy provides brand customers with a multi-dimensional and comprehensive product analysis, allowing them to quickly and precisely understand how they make improvements to their products. For example, we designed and implemented a two-stage marketing project for JuneYao in 2022. Leveraging our in-depth industry insights accumulated from serving a large number of beverage products, we analyzed and generated the portraits of consumer groups that are interested in probiotic beverages, as well as the time periods when, and the scenarios under which these consumer groups search, browse and purchase similar products. This enabled us to provide strategic advice on the selection of sites, scenarios and time slots for JuneYao to implement the marketing activities during the first seven-day stage. Based on the consumer preference and behavior information collected and analyzed during the first stage, we recommended JuneYao to adjust its probiotic beverage from the perspectives of packaging design, flavor and product positioning. Then the adjusted product achieved a significant increase in consumer rating. Recognizing the values we delivered in connection with the first stage, JuneYao increased its marketing budget for its second-stage marketing project, of which the time duration was extended to three months and the scale multiplied for several times. Accordingly, our contract value for the second-stage project increased significantly as compared with that for the first-stage project.

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***Our Top Ten Marketing Projects***

The following tables set forth the details of our top ten marketing projects in terms of revenue contribution during the Track Record Period:

**For the year ended December 31, 2021**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
1	Customer E	Brand owner	Food and beverages manufacturing	Vending machine LCD screen display Mobile app/WeChat mini program display Customized vending machine for product promotion and consumer interaction AI interaction Marketing campaign service	3,748	N/A	None	A popular lifestyle-sharing platform	56	10,000	9,375	59	9,434

Notes:

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

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Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
2	Customer E	Brand owner	Food and beverages manufacturing	Vending machine LCD screen display Mobile app/WeChat mini program display Customized vending machine for product promotion and consumer interaction AI interaction	5,182	N/A	None	A popular lifestyle-sharing platform	56	9,000	8,430	60	8,490
3	Customer BB	Brand owner	Sales of cosmetics and daily necessities	Customized vending machine shell display and users' interaction with vending machines AI interaction	330	N/A	None	N/A	35	8,250	0	7,783	7,783

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

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Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
4	Customer CC	Marketing agent	Sales of daily necessities	Vending machine LCD screen display Mobile app/WeChat mini program display Customized product promotion AI interaction	5,432	N/A	None	N/A	42	6,000	5,589	71	5,660
5	Customer DD	Brand owner	Sales of daily necessities and marketing agency	Mobile app/WeChat mini program display Vending machine LCD screen display Customized vending machine for product promotion and consumer interaction AI interaction	3,144	N/A	None	N/A	35	5,980	5,581	60	5,641

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.



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Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
6	Customer EE	Marketing agent	Marketing agency	Vending machine LCD screen display Customized vending machine for product promotion and consumer interaction	3,661	N/A	None	N/A	56	5,000	4,717	0	4,717
7	Customer FF	Brand owner	Food and beverages manufacturing	Vending machine LCD screen display Mobile app/WeChat mini program display Customized product promotion Marketing campaign service and AI interaction	3,682	N/A	None	N/A	70	5,000	4,401	316	4,717

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
8	Customer GG	Brand owner	Sales of FMCG products	Mobile app display Vending machine LCD screen and shell display	5,700	145,831	145,831	N/A	35	4,856	3,811	770	4,581
				Product promotion Users' interaction with vending machines AI interaction									
9	Customer HH	Marketing agent	Marketing agency	Mobile app display Vending machine LCD screen and shell display	4,761	436,525	498,038	N/A	56	4,751	3,859	623	4,482
				Product promotion Users' interaction with vending machines AI interaction									

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)	Revenue for project <sup>(3)</sup> (RMB'000)
10	Customer II	Brand owner	Technology and marketing service	Mobile app display Vending machine LCD screen display Product promotion Users' interaction with vending machines AI interaction	5,927	440,416	483,168	N/A	28	4,650	3,892	495	4,387

Notes:

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

**For the year ended December 31, 2022**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
1	Customer V	Brand owner	Food and beverages manufacturing	Customized vending machine shell display and users' interaction with vending machines AI interaction	262	N/A	None	N/A	35	6,528	0	6,158	6,158
2	Customer E	Brand owner	Food and beverages manufacturing	Mobile app/WeChat mini program display Vending machine LCD screen display Customized vending machine AI interaction Marketing campaign service	3,736	N/A	None	N/A	42	6,000	5,600	60	5,660

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup> (RMB'000)	Revenue from standard marketing service (RMB'000)	Revenue from value-added marketing service (RMB'000)
3	Customer S (Also one of the major suppliers, same as Supplier S)	Brand owner	Beverages and food sales	Vending machine LCD screen display Customized product promotion AI interaction Marketing campaign service	4,582	N/A	None	N/A	21	5,220	4,888	37
4	Customer KK	Brand owner	Sales of food and daily necessities	Customized vending machine shell display and users' interaction with vending machines AI interaction	258	N/A	None	N/A	35	5,158	0	4,866
5	Customer K	Brand owner	Catering management consulting service	Vending machine LCD screen display Mobile app/WeChat mini program display	6,812	N/A	None	N/A	21	5,000	4,717	0

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
6	Customer K	Brand owner	Catering management consulting service	Vending machine LCD screen display Mobile app/WeChat mini program display	5,958	N/A	None	N/A	21	5,000	4,717	0	4,717
7	Customer LL	Brand owner	Food and beverages manufacturing	Vending machine LCD screen display Mobile app/WeChat mini program display Customized vending machine for product promotion and consumer interaction AI interaction Marketing campaign service	4,412	N/A	None	N/A	35	5,000	4,679	38	4,717

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.



**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
8	Customer FF	Brand owner	Food and beverages manufacturing	Vending machine LCD screen display Mobile app/WeChat mini program Customized product promotion Marketing campaign service and AI interaction	4,160	N/A	None	N/A	70	5,000	4,401	316	4,717
9	Customer MM	Marketing agent	Marketing agency	Vending machine LCD screen display Mobile app/WeChat mini program Product promotion	8,747	284,310	304,955	N/A	70	4,900	4,623	0	4,623

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
10	Customer BB	Brand owner	Sales of cosmetics and daily necessities	Customized vending machine shell display and users' interaction with vending machines AI interaction	232	N/A	None	N/A	28	4,632	0 <sup>(4)</sup>	4,370	4,370

Notes:

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.
- (4) This project primarily involved AI interaction activities, which also encompassed supporting services such as customizing the vending machine shell display. However, we did not charge separately for these supporting services; instead, such services were included in the project package as complimentary for this project.

**BUSINESS**

**For the year ended December 31, 2023**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
1	Customer V	Brand owner	Food and beverages manufacturing	Customized vending machine shell display and users' interaction with vending machines Third-party media resources procurement AI interaction	400	N/A	None	A popular short-video platform in China	112	15,000	6,604	7,547	14,151
2	Customer QQ	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	5,556	N/A	None	A popular short-video platform in China	42	13,294	12,542	0	12,542

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
3	Customer NN	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	4,026	N/A	None	A popular short-video platform in China	7	11,128	10,498	0	10,498
4	Customer RR	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	4,567	N/A	None	A popular short-video platform in China	30	10,500	9,906	0	9,906
5	Customer W	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	4,225	N/A	None	A popular short-video platform in China	14	10,300	9,716	0	9,716

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
6	Customer SS	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	2,443	N/A	None	A popular short-video platform in China	31	9,380	8,849	0	8,849
7	Customer NN	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	3,815	N/A	None	A popular short-video platform in China	14	9,375	8,844	0	8,844
8	Customer UU	Brand owner	Manufacturing and sales of paper products	Vending machine LCD screen display Third-party media resources procurement AI interaction	3,322	N/A	None	N/A	56	8,000	4,602	2,945	7,547

*Notes:*

- (1) Refers to the total number of vending machines actually used during the project execution.
- (2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.
- (3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

**BUSINESS**

Ranking	Brand customer	Customer type	Principal business	Marketing service provided	Number of vending machines used <sup>(1)</sup>	Number of users participated <sup>(2)</sup>	Number of pieces of products distributed <sup>(2)</sup>	Social media platform resources utilized/procured	Duration (number of days)	Contract value <sup>(3)</sup>	Revenue from standard marketing service	Revenue from value-added marketing service	Revenue for project <sup>(3)</sup>
										(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
9	Customer RR	Marketing agent	Marketing agency	Vending machine LCD screen display Third-party media resources procurement	2,645	N/A	None	A popular short-video platform in China	31	8,000	7,547	0	7,547
10	Customer UU	Brand owner	Manufacturing and sales of paper products	Vending machine LCD screen display Third-party media resources procurement AI interaction	2,721	N/A	None	N/A	70	8,000	3,958	3,589	7,547

Notes:

(1) Refers to the total number of vending machines actually used during the project execution.

(2) Numbers of users participating and pieces of products distributed in a particular project are unavailable because in such project, brand customer did not purchase FMCG product distribution service and there was no product distribution in such project.

(3) The difference between contract value and revenue represents the 6% value added tax included in the contract value.

## BUSINESS

### Merchandise Sales

In order to better serve the purpose of market test and comparison of competing products, we commenced our merchandise sales business in 2017. Our sales of FMCGs are carried out by our vending machine network, supported by our data-driven operation system and supply chain network. We offer FMCG products including beverages, food, cosmetics and daily necessities to consumers. By placing vending machines in selected locations with high foot traffic, we offer consumers a swift and convenient access to FMCGs of different brands that are popular in the market. Consumers purchase merchandise directly from our vending machines, or place purchase orders through our online platform and pick up the merchandise from the nearby vending machines. In order to achieve a meaningful outcome of market test and comparison between competing products, we typically choose FMCGs of brands that have a higher level of consumer awareness. Our sales of FMCGs also allows us to fully utilize the operational capacity of our vending machines to achieve the maximization of operation efficiency and the increase of our revenue and profit. In 2021, 2022 and 2023, our merchandise sales business generated revenue of RMB105.0 million, RMB111.3 million and RMB144.3 million, accounting for 20.9%, 20.1% and 14.3% of our total revenue, respectively.

The following table sets forth a breakdown of the SKUs of FMCGs we retailed, by major FMCG category, for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
<b>Number of product SKUs</b>			
Beverages	359	555	665
Food	495	568	649
Daily necessities	111	46	161
Cosmetics	55	54	150
<b>Total</b>	<b>1,020</b>	<b>1,223</b>	<b>1,625</b>

The following table sets forth the selected financial and operational performance indicators of our merchandise sales business, for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Average revenue per vending machine (RMB'000) <sup>(1)</sup>	18.5	13.2	22.4
Number of purchase orders ('000) <sup>(2)</sup>	13,186	16,917	16,740
Average price per purchase order (RMB) <sup>(3)</sup>	8.5	6.9	9.8



## BUSINESS

*Notes:*

- (1) *To calculate the average revenue per vending machine during a year, we use the average daily number of vending machines in the relevant year, which is 5,677, 8,435, and 6,435 for the years ended December 31, 2021, 2022 and 2023, respectively.*
- (2) *Purchase orders include those placed through vending machines directly and online platform with users obtaining the ordered products from the vending machines.*
- (3) *Average price per purchase order is calculated based on the total purchase price paid by consumers in obtaining the ordered products from the vending machines (included value added tax) for the relevant year divided by purchase orders in the relevant year.*

The table below sets forth a breakdown of revenue from our merchandise sales business by delivery channel during the Track Record Period:

	<b>For the years ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Vending machines	103,965	109,023	143,930
Courier	997	2,310	390
<b>Total</b>	<b>104,962</b>	<b>111,333</b>	<b>144,320</b>

Consumers generally place orders through vending machines directly, or on our online platform and then pick up their purchased goods from vending machines nearby. All consumers would be directed to our online platform to make payment for their purchase orders if they place their purchase orders at our vending machines. Therefore, during the Track Record Period, a substantial portion of our merchandise sales revenue was generated from FMCGs sold and delivered by our vending machines. During the Track Record Period, a limited number of individual consumers and institutional customers placed their purchase orders on our online platform or by emails, and we couriered their purchased goods to their designated addresses.

The table below sets forth the major categories of FMCGs offered for retail and their respective typical price ranges as of December 31, 2023:

<b>Category</b>	<b>Description</b>	<b>Price Range</b>
Beverages	Include bottled and canned water, tea, functional beverages, carbonated beverages and juice	RMB1.0 to RMB49.0
Food	Include instant food, casual snacks, and puffed and crispy snacks	RMB2.0 to RMB50.0

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## BUSINESS

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Category	Description	Price Range
Cosmetics	Include makeup such as lipsticks and skincare products such as toners, facial cleansers and sunscreen lotions	RMB3.0 to RMB50.0
Daily necessities	Include napkins and toothpastes	RMB3.0 to RMB49.9

In managing this business segment, we have formulated the following operational strategies to increase pedestrian flow and maximize the operation capacity of our vending machines:

- ***Vending machine layout.*** Our vending machine deployment primarily focuses on economically developed tier one and new tier one cities. Moreover, we analyze factors such as population density and purchasing capabilities in these cities to position our vending machines. Specifically, our vending machines should be placed at locations with high pedestrian traffic. For instance, if the vending machine is placed in an office building, we typically require such office building to reach a tenant occupancy rate of over 90%.
- ***Selection of products.*** We continuously monitor market trends and periodically eliminate slow-moving products. When selecting new products, we prioritize those that align with the season, possess strong brand recognition, competitive pricing, and wide consumer appeal. During the Track Record Period, we procured merchandise from either our brand customers or other suppliers. We apply generally the same standards to evaluate the products of both brand customers and other suppliers, selecting items we believe meet our selection criteria. In 2021, 2022, and 2023, within this business segment, our purchases from our brand customers accounted for approximately 79%, 64%, and 56% of our total purchases, respectively. During the same years, our purchases from other suppliers accounted for approximately 21%, 36%, and 44% of our total purchases, respectively. The fluctuation in these proportions is mainly due to the increased diversity of the products offered in our merchandise sales business in 2022 and 2023, resulting in an increase of merchandise purchases from other suppliers.
- ***Pricing of products.*** When selling products as part of marketing programs we manage for our brand customers, the pricing of such products is established according to market benchmarks and the particular format of marketing activities, which may include discounts or the issuance of coupons. For products not included in the marketing programs we manage for our brand customers, we determine selling prices through cost evaluations and market comparisons.

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## BUSINESS

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- **Product mix.** Tailoring to the diverse consumer demographics in different vending machine locations, we customize our product mix and make necessary adjustments. We analyze consumer preferences and offer popular items to ensure our vending machines cater to their tastes. We adjust product mix based on past sales data, replace slow-moving items, and strive to maintain a merchandise mix that resonates with consumers, thereby increasing merchandise sales revenue. Additionally, we simulate consumer perspectives and analyze their consumption habits in different venues to adjust product mix and layout accordingly.
- **Integration of Sales and Marketing.** Our merchandise sales operations are integrated with our marketing efforts. For example, advertising on LCD screen displays can capture consumers' attention, encouraging them to pause, watch, and participate in interaction activities, thereby increasing the tendency of purchasing items from the vending machine.

We value the quality of the merchandise we offer to consumers. Our suppliers are required to (i) possess necessary licenses and qualifications for the provision of merchandise, (ii) deliver ordered merchandise in accordance with the specification set out in the supply agreements within a specified time and compensate us for failure to deliver to specified destination on schedule; and (iii) accept return of defective merchandise, and compensate for our loss.

During the Track Record Period and up to the Latest Practicable Date, we did not observe any potential undue competition with respect to our merchandise sales business, since revenue contribution from this business segment only represented a small portion of our total revenue, and there is no particular concentration of goods or brands in terms of our retail of goods, which further reduced the revenue from sales of goods from respective individual brand customers.

Specifically, we did not observe any undue competition among brand customers, since, (i) consumers are generally attracted to places where they can enjoy abundant choices of FMCG goods and the joy of hunting for new goods, therefore, exclusive sales of one single brand FMCG goods are rarely seen in the industry; and (ii) FMCG goods of the same or similar category generally share highly similar target consumer groups, therefore a successful promotion of new FMCG goods by us through launching various marketing events is actually our advantage to keep attracting precise target consumer groups that FMCG brands are looking for.

Separately, we did not see any undue competition between brand customers and our merchandise sales business, since (i) we served as a reseller of FMCG goods of brand customers, and successfully attracted and retained target consumer groups, which will actually promote relevant brand customers' trust on us to engage it as a marketing service provider; and (ii) we see our merchandise sales business practically supplements our marketing service business, for the reasons that on one hand, by offering FMCG goods frequently sought by consumers, relevant vending machines can attract sufficient pedestrian flow, making them "hot spots" to launch marketing projects; on the other hand, information generated by merchandise sales business regarding consumer preference and behavior offers valuable input for us to prepare suitable plans for brand customers of our marketing service business.

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Based on the foregoing, we do not see that an inclusion of multiple FMCG products of the same or similar category to the our portfolio of goods under different business segments will cause a material adverse impact to our business and financial performance.

We have adopted a series of internal control and risk management measures to minimize risks associated with potential undue competition, including among others, (i) continuously monitoring the development of internal policies of different brand customers, including their restrictions set upon their suppliers and business partners; (ii) conducting routine visit and consultation to brand customers to understand their preference and policies; and (iii) continuously enhancing our market recognition among FMCG target consumers as the “go-to place” to experience and access innovative brands and products to promote our ability to offer marketing service to a wide variety of brand customers. However, we may not be able to meet brand customers’ evolving needs for marketing service at all times. For details, see “Risk Factors – We may fail to provide services that cater to the preferences of our brand customers, or our marketing service business may not be successful in achieving the desired outcomes.”

### **Other Services**

During the Track Record Period, in recognition of our technology capabilities and software development and project management expertise, many customers engaged us to develop IT system, as well as customized software, covering IoT technology utilization, information sharing and analysis, and IT platform development. In managing this business segment, we generally charge customers for our services on a project basis, taking into account the project complexity and human resource costs incurred by our research and development team. Customers of this business segment are corporate clients which generally do not overlap with our brand customers of marketing service. In 2021, 2022 and 2023 our revenue of other services was RMB20.8 million, RMB37.5 million and RMB54.4 million, respectively, accounting for 4.1%, 6.8% and 5.4% of our total revenue, respectively. During the Track Record Period, our customers of this business segment are corporate customers which generally do not overlap with our brand customers of our marketing services.

During the Track Record Period, we obtained IT projects from our long-term customers and their referrals, which led to new customers and projects. Our customers in this business segment typically engaged us in developing tailored software. Upon completion of development, our customers evaluate the product to ensure it meets their expectations, after which we deliver the software along with the corresponding source code. During the Track Record Period, we developed various software in accordance with our customers’ specifications, including data analysis systems, customer relationship management (CRM) platforms, digital campus platforms, and IoT management systems. These IT services are delivered on a project basis and each project is generally non-recurring.

## BUSINESS

In 2021, we undertook the development of a healthcare CRM system for a customer. This project was structured into two phases to align with our customer’s specific needs. The system, tailored to the client’s requirements, incorporates client information management, client service management and client analysis functionalities. We charged approximately RMB3.3 million for this project based on project complexity and development costs.

### OUR VENDING MACHINE NETWORK

Our in-depth vending machine network is the bedrock of our marketing service, through which we are able to connect brands with a vast population of target consumers. We see our vending machines as the first touchpoints for our new users. As of December 31, 2023, we had a network of 7,543 vending machines, covering 22 cities in 14 provincial administrative regions across China. The map below illustrates the geographical layout of our vending machines as of the same date:



## BUSINESS

With denser population of consumers, higher level of consumption and greater mobility, cities of higher tiers in China generally have a higher level of FMCG distribution and consumption. During the Track Record Period, our vending machines were mainly located in tier one cities and new tier one cities. As of December 31, 2023, 98.4% of our vending machines were located in tier one and new tier one cities. The table below sets forth a breakdown of our vending machine coverage by city tier as of the dates indicated:

	As of December 31,					
	2021		2022		2023	
	%	%	%	%	%	%
<b>Vending machines by city tier</b>						
Tier one cities	2,999	35.2	2,707	36.6	3,398	45.0
New tier one cities	5,113	60.0	4,494	60.7	4,026	53.4
Tier two cities	408	4.8	201	2.7	119	1.6
<b>Total</b>	<b><u>8,520</u></b>	<b><u>100.0</u></b>	<b><u>7,402</u></b>	<b><u>100.0</u></b>	<b><u>7,543</u></b>	<b><u>100.0</u></b>

In determining the specific location of each vending machine, we take into account various factors that may affect results and convenience of goods pick-up, as well as visual impact of content exhibited, including composition and preference of nearby residents or frequent visitors, their consumption habit and life style, general pedestrian flow routes within the building, and zoning theme of the surrounding places. During the Track Record Period, we mainly placed our vending machines in commercial properties such as office premises, rental apartments and shopping centers, as these places typically have a large concentration of young people who generally have a higher level of interest in consuming and experiencing FMCG products, especially new products, compared with other demographic groups. The following table sets forth a breakdown of our vending machines by type of sites as of the dates indicated:

	As of December 31,					
	2021		2022		2023	
	%	%	%	%	%	%
<b>Vending machines by type of sites</b>						
Office premises	4,674	54.9	3,771	50.7	3,376	44.8
Rental apartments	3,307	38.8	2,925	39.7	2,957	39.2
Shopping centers	261	3.1	232	3.2	366	4.9
Others*	278	3.2	474	6.4	844	11.2
<b>Total</b>	<b><u>8,520</u></b>	<b><u>100.0</u></b>	<b><u>7,402</u></b>	<b><u>100.0</u></b>	<b><u>7,543</u></b>	<b><u>100.0</u></b>

*Note:*

\* *Others primarily include schools, parks and hotels.*

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Within our integrated system that combine both offline and online channels together for marketing services, we treat our vending machines as the key functional terminals to reach target consumers and accomplish efficient delivery of physical goods, in the way to maximize designed results of relevant marketing events. The effectiveness of our vending machines are affected by factors like concentration of nearby population, as well as the shopping/living habit of consumers who reside within a specific region that can be covered by a vending machine’s effective radius, both of which are generally subject to continuous changes, due to factors like zoning policy, changes of nearby neighborhood environment, or economic conditions. During the Track Record Period, we focused on expanding our vending machine network while also improving its efficiency. Our goal was to effectively reach a larger consumer base and enhance the impact of our marketing efforts.

In particular, there was a decrease in the total number of vending machines as of December 31, 2022, compared to December 31, 2021. This decrease was primarily due to our adaptation to mitigate the impact of COVID-19 in specific regions.

In 2023, in observance of re-vitalization of offline shopping and consumption activities, as well as increase in out-door social and tourism activities, since early 2023, we slightly increased the number of vending machines in shopping centers, as well as schools, parks and hotels. Furthermore, considering the factors that residents in tier-one cities generally represent a stronger factors for brand customers to consider in studying prevailing preference and development trends, we increased number of vending machines in tier-one cities in 2023, while reducing such in other cities. The table below sets forth the movement of our vending machines for the years indicated:

	As of/For the year ended December 31,		
	2021	2022	2023
<b>Number of vending machines on sites at the beginning of the year<sup>(1)</sup></b>	<b>4,178</b>	<b>8,520</b>	<b>7,402</b>
Number of vending machines put into use on new sites during the year <sup>(1)</sup>	5,185	2,801	3,877
Number of vending machines removed from terminated sites during the year <sup>(2)</sup>	843	3,919	3,736
Net increase/(decrease) in the number of vending machines on sites during the year	4,342	(1,118)	141
<b>Number of vending machines on sites at the end of the year<sup>(1)</sup></b>	<b>8,520</b>	<b>7,402</b>	<b>7,543</b>
<b>Average daily number of vending machines<sup>(3)</sup></b>	<b>5,677</b>	<b>8,435</b>	<b>6,435</b>
Number of decommissioned vending machines <sup>(4)</sup>	0	636	501



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*Note:*

- (1) The calculation of vending machines on sites has taken into account the vending machines utilized for all the services modules we provided, which also include vending machines utilized for AI interaction services that held by sessions.*
- (2) Terminated sites consist of vending machine sites where their terms of use have ended either due to expiration or early termination.*
- (3) The average daily number of vending machines is the mathematical average of the number of vending machines in a given year. As such, the average daily number of vending machines in a year can be higher or lower than the number of vending machines at the beginning/end of that year, as the latter only indicates the number of vending machines as of a specific day.*
- (4) These vending machines were decommissioned typically due to the expiration of their service life. We typically assess vending machines that have been in use for five years and may consider disposing of those vending machines below our standards. There were no decommissioned vending machines in 2021 primarily due to the postponement of decommissioning for some machines, driven by the need for rapid expansion of our vending machine network that year. Towards the end of 2021, we procured a large batch of new vending machines to prepare for the renewal of our vending machines. In 2022 and 2023, we evaluated vending machines that had been in use for five years and disposed of those that did not meet our standards.*

We continuously monitor and evaluate the performance of our vending machines. The term of use for a vending machine site typically lasts for one to two years. If we observe that a vending machine on a particular site is not meeting our performance expectations, we may decide not to renew or expand the term of use when it expires, or alternatively, we may opt for early termination, and then redeploy it to a new site. We take into consideration a range of factors for such decisions, include, changes in foot traffic due to local circumstances and the expected duration of impact of such changes, availability of vending machine sites, target consumers in particular sites, and relationship with venue operators. This approach allows us to maintain flexibility and ensure that our resources are effectively allocated to sites that yield the desired results. During the Track Record Period, to ensure the flexibility of adjusting our vending machine layout and enabling swift reallocation of vending machines across various cities and locations, we maintain a certain number of vending machines off-site in our warehouse. The redundancy rates<sup>(1)</sup> of our vending machines in 2021, 2022, and 2023 were approximately 14.0%, 14.2%, and 14.7%, respectively.

In 2022 and early 2023, we strategically adjusted our vending machine layout by (i) relocating vending machines to new sites with higher pedestrian traffic, and (ii) relocating under-performing vending machines in tier two and below cities mainly to tier one cities. By the second half of 2023, we had successfully completed the adjustment of our vending machine layout. The efficiency and operational capacity of the our vending machines have improved in 2023 as compared to 2022 due to this adjustment of the vending machine layout.

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<sup>1</sup> The redundancy rate for a year =  $1 - \frac{\text{(the average of the number of vending machines on site at the beginning and end of a year)}}{\text{(the average of the number of total vending machines at the beginning and end of a year)}}$ .

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In 2023, with more vending machines strategically placed in high-traffic sites and economically robust tier one cities, (i) increasing demand from brand customers in purchasing our LCD screen display services. Consequently, the total revenue from LCD screen display increased from RMB169.2 million in 2022 to RMB266.7 million in 2023. The improvement of efficiency of our vending machines is demonstrated by the improvement in the LCD screen fill rate. We generally set a maximum of eight advertisement slots per vending machine LCD screen (typically within the acceptable range for customers), with these advertisements displaying and rotating one by one. The fill rate of LCD screen in a year is calculated by dividing the total sold advertisement slots by the maximum available advertisement slots for the year. The fill rate of LCD screen decreased slightly from 18% in 2021 to 17% in 2022. This was primarily attributed to the increased average daily number of vending machines in 2022. In addition, the demand for LCD screen displays was affected by the impact of COVID-19, leading to a slower growth in the actual number of sold advertisement slots compared to the increase in the number of vending machines. The fill rate of LCD screen increased from approximately 17% in 2022 to approximately 27% in 2023, reflecting the improved economic efficiency and operational capacity of our vending machines. This also demonstrates the significant growth potential for this service module in the future; and (ii) our merchandise sales business segment also experienced increased revenue per year per vending machine due to the adjustment of the vending machine layout, along with our accumulation of product selection experience, the adoption of a popular product mix, and increased investment in user acquisition.

Furthermore, concerning other service modules with substantial growth in 2023 compared to 2022: (i) in AI interaction, there was an increase in projects utilizing option 1 (session/day). This module does not require a large number of vending machines but rather with more complex AI interactive games integrated into participating vending machines during sessions. Therefore, the revenue of this service module can increase without the need for a substantial increase in vending machine numbers; and (ii) for third-party media resource procurement services, this service module operates independently of vending machines and is thus not affected by the number of vending machines.

Therefore, despite a marginal net increase in the number of vending machines on-site as of December 31, 2023 compared to December 31, 2022, the enhanced economic efficiency per vending machine can be primarily attributed to the adjustment in vending machine layout. Moreover, our revenue growth in 2023 was also propelled by the development of service modules through better utilization of the operational capacity of vending machines.

### *Cooperation with Venue Operators*

We evaluate the suitability of vending machine sites by ourselves or third-party consultants, and primarily source vending machine sites directly from venue operators. Once the vending machine location is determined, we enter into cooperation agreements with the venue operators to place our vending machines on their premises. We are generally allowed to

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deploy vending machines to designated areas on the venue operators’ premises for a yearly occupancy fee plus utility cost. Cooperation agreements with venue operators generally have terms that range from one to two years, and are generally automatically renewable unless either party objects.

Under most of the cooperation agreements, we are responsible for the provision and daily operation of our vending machines, including restocking and maintenance, and entitled to the revenue generated by the vending machines. Under the cooperation agreements without revenue-sharing arrangements, we pay venue operators a fixed occupancy fee per vending machine and utility cost on a yearly basis. In general, we pay occupancy fees of approximately RMB3,000 to RMB5,000 per year for each vending machine at rental apartments and office premises, and RMB5,000 to RMB7,000 per year for each vending machine at shopping centers. Subject to the agreements with the venue operators, the occupancy fees are typically settled on a monthly, quarterly or yearly basis. The occupancy fees and utility costs were recognized as our cost of sales. In rare cases, venue operators share the revenue generated by the vending machines at a percentage typically ranging from 8% to 15%, and settled mainly on a monthly, quarterly or semi-annually basis. In such cases, we are only responsible for the utility cost, and do not need to pay the occupancy fee to the venue operators. The cooperation agreements can generally be terminated upon mutual agreement or unilaterally when the venue operators are in material breach of the agreement.

### Our Users

We continued to expand our user base and promote their activities by keep introducing marketing events for new and mature FMCG product, which may bring exciting and interesting experience for our users. Many of them are attracted to become our users while experiencing our interactive and machine-based games designed to serve relevant marketing events. As of December 31, 2023, we had over 50.1 million registered users. We had approximately 15.9 million AAUs in 2023. The following table sets forth the selected indicators with respect to our users as of/for the years indicated:

	<b>As of/For the year ended</b>		
	<b>December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of registered users ( <i>'000</i> )	36,952	43,017	50,056
Number of newly registered users ( <i>'000</i> )	9,271	6,065	7,039
Number of paying users ( <i>'000</i> )	8,706	9,666	7,815
Average MAUs ( <i>'000</i> )	1,967	1,839	1,900
Average revenue contribution per paying user for merchandise sales business ( <i>RMB</i> )	12.1	11.5	18.5

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We experienced decrease in newly registered users and average MAUs in 2022 from that in 2021, mainly due to the reduced marketing activities from brand customers and reduced foot traffic in that year, both of which were resulted from impact from resurgence of COVID-19 pandemic around China in 2022. The newly registered users and average MAUs increased in 2023 as compared to 2022, primarily due to the positive impact from the revitalization of offline consumption activities.

We experienced an increase of paying users from 2021 to 2022, primarily due to the expansion of our vending machine layout and the increase of our user base. In 2023, we observed a decline in paying users compared to 2022. This was primarily due to the loss of certain paying users resulting from adjustments to our vending machine layout. Specifically, we relocated vending machines to new sites with higher pedestrian traffic, as well as moved under-performing vending machines from tier two and lower cities mainly to tier one cities during 2022 and early 2023. The average revenue per paying user for merchandise sales business decreased from 2021 to 2022 primarily due to the challenges brought by the macro economy, which contributed to the decrease in market size of China’s FMCG merchandise sales market in 2022. See “Industry Overview – China’s FMCG Merchandise Sales Market.” The average revenue per paying user for merchandise sales business increased from 2022 to 2023, primarily due to the increase in our recurring users and the increase in average price per purchase order in 2023.

The table below sets forth the selected indicators with respect to our recurring users as of/for the years indicated:

	<b>As of/For the years ended</b>		
	<b>December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Recurring users ('000) <sup>(1)</sup>	10,986	9,945	11,685
Actual payments from recurring users (RMB'000)	97,067	101,121	152,277
Acquisition cost per user (RMB) <sup>(2)</sup>	9	11	21
User churn rate (%) <sup>(3)</sup>	58.5%	63.4%	64.7%

*Note:*

- (1) *Recurring users refer to users who made purchase or obtained distributed products from our online platform more than once in the same year.*
- (2) *Acquisition cost per user is calculated based on the marketing and promotion expenses for the relevant year divided by the number of newly registered users in the relevant year.*
- (3) *User churn rate is calculated based on the number of users who made purchase or participated in our product distribution in the previous year but not in the relevant year divided by the total number of users who made purchase or participated in our product distribution in the previous year.*

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During the Track Record Period, we have continued to acquire new users and incentivize existing paid users to make repeat purchases on our platforms through diverse promotional strategies, such as offering coupons and introducing more appealing discounted products. As a result, the acquisition cost per user increased accordingly in 2022 and 2023. The number of recurring users saw a slight decline from 2021 to 2022. This was mainly influenced by the impact of COVID-19 in 2022, which imposed certain restrictions on consumer mobility, thereby reducing the opportunities for some consumers to access our vending machines. Nevertheless, during the same period, the actual payment from recurring users increased, primarily due to our efforts on selling merchandise with higher average unit price. The number of recurring users and the actual payment from them increased from 2022 to 2023, primarily attributable to the expansion of our user base, the increased FMCG distribution projects and our efforts in developing the merchandise sales business segment. The user churn rate remained around 60% during the Track Record Period, which was consistent with the market average for the outdoor marketing players conducting similar marketing activities. Our user churn rate is primarily influenced by various factors, including, (i) as an outdoor marketing service provider, we select a portion of our FMCG products based on the marketing projects we undertake. These products feature designs and characteristics tailored to specific consumer groups. Consequently, ongoing changes and adjustments to our product portfolios can impact user churn rate; (ii) a substantial number of our vending machines are placed in office premises and rental apartments. Fluctuations in the resident and employee populations in these locations can also affect churn rate. In addition, in 2022 and early 2023, we strategically adjusted our vending machine layout by relocating vending machines to new sites with higher pedestrian traffic, and relocating under-performing vending machines in tier two and below cities mainly to tier one cities. These relocations also led to an increase in user churn rate in 2022 and 2023. However, those non-recurring users still have access to our online platform and they may repurchase in the future. In addition, the number of our registered users continued to increase during the Track Record Period, enabling us to expand our users base. We will also enhance our membership system in the future to increase user stickiness. Our strategy is to steadily convert certain of our users into paid users or members and eventually into recurring users in the future.

We do not rely solely on offline vending machines to capture potential users. The user group that we reach and maintain through standard marketing model is critical to realize effective market test and ensure the competitiveness of our marketing service business. In order to maintain a valuable and reachable user base, we employ a variety of measures to maintain the appeal to, and to ensure the continued expansion of, this group of people representing the key FMCG target consumers, thereby ensuring our competitiveness as a marketing service provider. These measures include, among others, continuing to

- (i) provide our users with products and services that exceed their expectations, such as new and innovative products, and provide our core online user community with dedicated customer service;
- (ii) optimize the product trying mechanism to achieve exclusive and accurate push of high-value product experience opportunities to premium members; and

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- (iii) expand our channels for reaching out to potential users through user operation, social media branding, user call-back and SMS push, and social media platform promotional contents push, to keep in touch with our users and understand and meet their needs.

### *Our Membership System*

To improve user conversion rate, retention rate and enhance our users’ experience, we launched our membership system in 2016. Our membership system currently categorizes users into regular users and members. Regular users are those who have created their accounts but have not yet made purchases on our platform or participated in our product distribution, while members are users who have made purchases on our platform or have participated in our product distribution.

During the Track Record Period, in managing our membership system, we provided new users with registration rewards to stimulate their purchasing enthusiasm. We provided personalized products and event recommendations based on our members’ historical behaviors and preferences. We also gathered feedback from our members through the membership system for the purpose of improving their overall satisfaction.

In the future, we plan to enhance our membership system and introduce our premium membership program into the system. For details, see “Future Plans and Use of [REDACTED]” in this document.

## **OUR TECHNOLOGY**

We consider technology capability is the key to our success and sustainable growth. We have been investing in technology development and applications, in the way to promote our operation efficiency and offer interesting and well-recognized marketing service.

During the Track Record Period, we invested in the construction and development of our overall IT operation system that works as the foundation for our business operation, allowing efficient collaboration among different function arms within our Group, while assisting our integrated management over our vast vending machine network and operation and maintenance staffs that spread across China. In the meantime, we invested in technology optimization and upgrade of our vending machines, so that we could lead, or keep pace with, evolving consumer preference in undertaking consumption and perform relevant marketing activity related tasks, by offering convenient and interesting consumer experience. Furthermore, we kept investing in application of innovated marketing related technologies, where we utilize AI, big data and algorithm to form a data-driven and cloud-computing oriented infrastructure for our marketing service business.

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### IT Infrastructure

We develop and continuously optimize our IT infrastructure to ensure operation reliability, steadiness, security and volume elasticity of our services, quick and efficient management of vending machine network, and smooth information sharing and communication among different operation departments. In this way, we managed to continuously scale up our business operation, while promoting experience and loyalty of both our brand customers and users. Key components of our IT infrastructure and features therein include:

- (i) ***Vending Machine Layer.*** Utilizing IoT and telecommunication technologies, we designed and developed various tools integrating functional hardware modules that well fit into our overall IT infrastructure to enhance and upgrade innovative functions and features that we introduce to, and implement on, our vending machines. In managing these tools, we are able to monitor, refresh, and remotely control, where necessary, operation of different modules of vending machines that being engaged for different projects and tasks, such as interactive content on LCD screen, functional modules that allow users to smell scent or receive audio information. Consumer behavior information and feedback could also be timely collected and transmitted in a secure and reliable way. In the meantime, this system allows us to access the status of consumer goods and shelves within the vending machines on a real-time basis with sufficient details to support our operation team to make decisions on logistics arrangement based on marketing activity needs and consideration on overall inventory and logistics efficiency.
- (ii) ***Mid-level Business Operation Layer.*** With the support of clouding computing and AI technologies, we developed different sub-systems, each focusing on a key perspective of our business operation, so that our different operation teams could efficiently work together to accomplish relevant tasks in an efficient way. In particular, this system comprises modules serving a secure and reliable operation in relation to interaction with users; integrated management and supervision on vending machine status, including overall shelf arrangement based on relevant marketing projects; smart inventory and logistics management, and data transmission and analysis. Capitalizing on these functions, our operation team may have a quick and convenient access to comprehensive information of our business operation on a real-time basis, resulting in optimized management and operation efficiency.
- (iii) ***Underlying Function Layer.*** This consists of key technology foundation modules that operate as backbone to allow proper functioning of our IT infrastructure. These tools and function modules provide us with comprehensive solutions for cloud computing, server redundancy and data storage recovery technologies. Moreover, we have adopted an off-site disaster recovery system to avoid disruption or collapse of our operation in the event of malfunction. We utilize a role-based access control authority management system, which grants the system users different levels of authority and access right based on their roles, to guarantee the security of our data system.



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### Vending Machine

We design, develop, and engage third-party manufacturers to produce our vending machines with interactive marketing functions, where we continue to invest in to make upgrade in line with evolution in respect of relevant technologies and customer needs for more innovative marketing service. As of the Latest Practicable Date, all the vending machines in our vending machine network were owned by us, and we had iterated our vending machine to its fifth generation. Compared with earlier generations, the fifth generation vending machine enjoys more technology features, including, among others, machine component that performs scent emitting and voice interaction, adjustable cargo lane design allowing vending machine to serve different size of goods that makes it more adaptive to serve different marketing activities, better support to cold-temperature storage and light and sound exhibition capability, making efficient and interactive machine-based marketing services. To iterate the vending machine from the initial generation to the fifth generation, we have continuously upgraded the functions and components, and made breakthroughs and progress in many core technologies, based on which we had obtained 14 patents as of the Latest Practicable Date. See “– Intellectual Property.”

We strategically place and adjust our vending machines to effectively serve brand customers from different industries, taking into account various factors, including particular behavioral habits of target consumers around the specific candidate site, particular specification of relevant goods being involved in marketing activities, and our business strategy regarding different local regions.

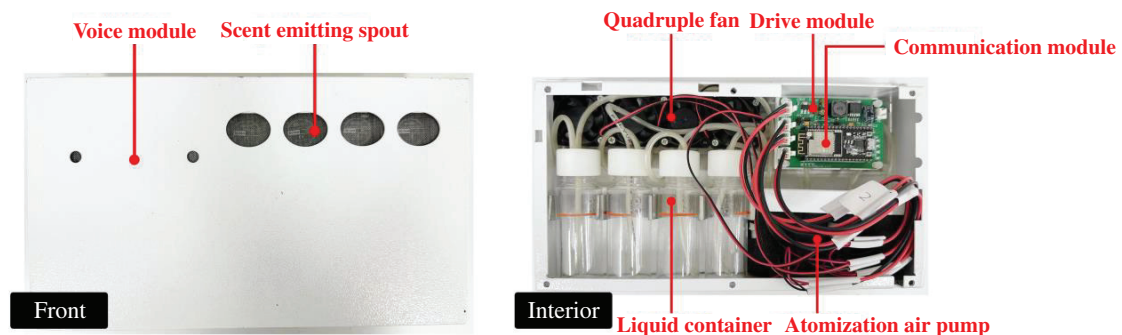
The diagram below illustrates the major functions of our fifth generation vending machine.



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We assemble a series of AI-empowered functional components in our vending machines to provide users with convenient pick-up experience and multi-sensory interaction with vending machine. For example, the dual microphone array has the ability of human voice recognition and sound source localization, thus to interact with human voice by transmitting accurate voice and location information, while using algorithms for noise reduction; the infrared touch frame enables users to pick up the goods by verifying the QR code remotely through mobile phone without physically touching the vending machine; the programmable smart ceiling light and RGB light, remotely controlled through IoT technologies, create a festive atmosphere for users; AI industrial control supports multiple AI capabilities, such as face recognition, body recognition, gesture recognition, beauty algorithm, face lock and object recognition, which can enhance user interaction with our vending machine, and realize multi-person linkage on the same screen. Leveraging these functions and modules, consumers will obtain a more comprehensive and real-person understanding of the FMCG products that brand customers promote through our marketing service or we sell and study through our merchandise sales, enabling consumers to provide a more comprehensive and accurate feedback to the products they obtained or purchased, which allows us to collect more accurate information with respect to various perspectives of FMCG products, such as scent, flavor, packaging and brand positioning, to serve our market test and comparison of competing products.

For example, the scent emitting component is a representative key technology feature of our vending machine that provides users with real-person interaction with vending machine. The communication module communicates with the IPC wirelessly, then the IPC sends instructions to the drive module, which controls the quadruple fan and the atomization air pump to work, so as to control the switch to emit scent. The internal structure of the functional component that performs scent emitting is shown as below:



The table below sets forth the details of various functions and modules of our vending machines that traditional vending machines currently used in the FMCG merchandise sales market in China do not perform or install. Traditional vending machines typically lack internet connectivity, therefore their operators are not able to control, operate and maintain traditional vending machines remotely, transmit transaction and consumer action data generated therefrom, or provide interactions with consumers. Particularly, certain functions and modules of AI host in our vending machines, such as edge computing that can achieve automatized work

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orders, enables the vending machines to operate in a more stable manner, which allows us to collect and transmit user information and consumer feedback information more stably and promptly, so as to enhance the overall efficiency and accuracy of market test and comparison of competing products.

Function/Module	Scenario for Application
	<b>AI host</b>
ROM customization	Based on native android 7.1, the ROM is characterized to make the system purer. Preset applications and daemons enhance peripheral connection and storage security
AI algorithm capabilities	The system loads preset AI models and algorithms <sup>(1)</sup> , which provides rich API calls at the application layer, and at the same time enhances visual data security to prevent malicious decompilation and cracking
Edge computing	As a micro-server, it provides local real-time analysis for the operating status of the terminal when online and offline, ultimately achieving automatized work orders <sup>(2)</sup>
Dual-screen differential displays	The host supports lvds+hdmi dual-screen interface, and dual-screen differential displays and free scheduling of dual cameras in terms of
Dual cameras	software

*Notes:*

- (1) *Preset AI models and algorithms refer to the technology of deployment of models and algorithms supporting AI capabilities on computers installed in our vending machines. Compared with centralized deployment on remote servers, application of such technology is able to improve the speed, stability and customization flexibility of AI interaction on our vending machines. Preset AI models and algorithms support the various functions for users to interact with our vending machines, including facial feature recognition, hand feature recognition, body feature recognition and object feature recognition, among others, which significantly enhanced consumer experience of the selling points of FMCG products promoted by brands.*
- (2) *Automatized work orders' technical core is to collect and analyze the vending machine's operation data through IPC installed in the vending machine, cache and respond to the cloud software and hardware automation strategy, and determine the real-time operation status of the vending machine. When the machine status is abnormal, the corresponding disposal program will be executed according to the preset strategy, and an alarm will be given to the automatic management and control system or the operation and maintenance team. The major functions of automatized work orders include automatically finding the cause of machine failure, automatically creating machine failure work order, automatically ending the work order after machine recovery, responding to cloud strategy to conduct automatic repair, and automatically learning the handling process of unknown failure by machine, among others.*

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Function/Module	Scenario for Application
	<b>Visual interactive camera</b>
Offline recording and photographing	It is used for point environment photography and anti-theft recording
Offline facial feature point recognition	To track facial recognition point-to-object interactions <sup>(1)</sup>
Offline basic attribute identification	To identify gender, age, and activate the corresponding interactive experience
Offline picture similarity comparison	To compare the similarity of the target pictures to trigger the reward if reaching a preset value
Offline hand feature point recognition	To track hand recognition point-to-object interaction, and recognize and determine simple gestures <sup>(2)</sup>
Offline body feature point recognition	There are three ways including posture recognition, movement following, and feature point tracking
Object feature point recognition	To customize object trainings, and recognize and compare objects to get rewards
AR texture + visual beauty	To create hot field and interaction, face beauty + fun stickers
Remote live streaming and interaction	To make robot Q&As, remote live streaming and interaction with backstage personnel to get rewards

### Voice interaction module

Sound source localization + noise reduction	To adapt to offline open environment and accurately locate user’s sound sources
Volume detection	To trigger corresponding actions according to the user’s voice, forming a certain interesting challenge
Voice recognition	Based on offline phrase recognition library, users shout out specified words to complete the challenge
Remote live streaming and interaction	To make remote live streaming and interaction with backstage personnel to get rewards

#### Notes:

- (1) *In the scenario of facial feature recognition, our vending machine aims to not only identify facial features but also supports interactive functions, creating a contextual effect to enhance marketing effectiveness.*
- (2) *Our vending machines’ recognition of hand gestures primarily serves the purpose of engaging consumers to participate in interactions with vending machines, which is one of our marketing methods.*

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Function/Module	Scenario for Application
	<b>Scent emitting module</b>
4-way spray	To solve the problem of selection of the number of new products under a brand in the same issue, and increase the interactive fun at the same time
Programmable	The open API enables the application layer to sensitively control the spray time and intensity, making it more suitable for the characteristics of new products
Hardware modularity	The entirety and parts can be disassembled and replaced independently, with high flexibility
	<b>RGB light</b>
Programmable	To support codes to change the color of the light, used for brand interactive marketing and holiday venue activities, and used to enhance the visual effect of the scenario
Save-energy machine	Under the scenario of unmanned traffic at night, the switch is controlled remotely by codes, saving the machine's energy
	<b>Variable cargo</b>
Product adaptability	It has the ability of tool-free adjustment to the width of the cargo lane, which ensures that the terminal adapts to most regular and special-shaped new products
Cargo distribution	Through the analysis on warehousing data, new introduction mechanism, manual intervention, on-machine inventory, site labels and consumer preferences, combined with the self-developed scheduling model, the machine achieves cargo distribution to replace purely manual scheduling

During the Track Record Period, we acquired a substantial number of our vending machines through direct purchases, and a limited number of vending machines through finance lease arrangements. As of the Latest Practicable Date, we had fully settled all our repayment obligations and none of our vending machines was subject to any outstanding repayment obligations under finance lease arrangements.

### **Big Data and AI Technologies**

Leveraging our technology capability, extensive network of vending machines carrying technology features, and rich industry experience in offering marketing service for FMCG brands, we utilize big data technologies and AI algorithms to access, study and accumulate insights into different industry sectors, as well as preference of different brands. We invest in the following key areas to promote our capability of delivering quality services with optimized efficiency:

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- (i) **Marketing Project Preparation.** We utilize machine learning and AI technologies to collect, clean, study comprehensive information generated by consumers throughout relevant marketing activities and projects, allowing us to generate consumer feedback analysis reports regarding specific products they promote. Capitalizing on our rich industry experience across diversified FMCG categories, as well as technology capability of connecting with other public data base, we managed to further assist our brand customers to refine their marketing strategies and prepare tailor-made marketing service based on their particular demands, precedent case studies, and our predict on consumer behavior based on our analysis.
- (ii) **Tools and Systems to Improve Operation Efficiency and Consumer Experience.** Capitalizing on our in-house research and development team, we have developed a series of tools and systems that can well fit into different business scenario and/or operation procedures, in a way to promote willingness of consumers to join our marketing events, complete tasks and receive enjoyable experience, as well as to improve our operation efficiency, particularly when we generally undertake multiple projects at the same time. Such proprietary tools and systems include:
- Underlying platform or operating system integrating a broad variety of hardware available in the public market, in a way to facilitate smooth users' interaction with vending machines and effective management of vending machine network and respective vending machines, such as (a) basic operating systems that serve as infrastructure to run a variety of functional components, namely our AI interactive system and IoT network system; (b) small-scale function systems designed to complete particular tasks widely used in different scenarios, such as recognition of human being and different FMCG products both in statistic status or in movement, which is a key way for our consumers to give command to vending machines for completing tasks. We also invested in developing systems with a special focus on facilitating users' interaction with vending machines that involves scent and voices.

Working together, these systems make life-like interactions between consumers with vending machines to the extent possible. Our vending machines thus can react to voice, gesture, expression and movement of consumers in an accurate and quick way. Through continuous iteration, we have overcome commonly-seen technology limitations or shortfalls, such as delay in making response, failure to recognize subtle difference between gestures or pronunciations that vary from person to person, and rigid response to consumers when they fail to perform certain requested tasks.

- A large varieties of applications, each carrying particular features designed to exhibit a specific character or atmosphere that are popularly pursued by different FMCG brands to implant into their products and brands, such as enthusiasm for sports, delicious taste, enjoyable scent, science fiction, as well as curiosity and problem-solving. By fine-tuning particular themes and designs

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based on a particular FMCG product involved in a selected project, we turn these applications into effective media and tool to promote consumers to participate in our marketing events, while subtly enhancing their recognition on, and willingness to give feedback to, relevant FMCG products. Our applications include, to name a few, vending machine-based applications, such as “Run in Full Speed (全速奔跑)” featuring action and movement recognition, “Conquer of Life Spring (勇奪生命泉)” featuring voice-recognition technologies, “Perpetual Flower Words (永恒花語)” featuring users’ interaction with vending machines involving different types of scent, and “Gourmet Detective (美味大偵探)” allowing consumers to interact remotely with our vending machine network through their mobile phones.

- (iii) ***Vending Machine Management and Products Distribution.*** In preparing detailed implementation schedule of marketing projects, we utilize big data and AI technologies to recommend engagement of different vending machines, including specific number and location of vending machines, the type and composition of consumer goods for different vending machines to offer, as well as how the vending machines work together to support an interesting marketing campaign, in the way to offer interesting and interactive experience to target consumers, with sufficient incentives for them to complete tasks that are necessary for us to accomplish customer demands. Our technology capabilities allow us to complete goods allocation schedule of, and upgrade promotional contents exhibition on, the vending machine in a high automated way, and monitor operation progress and make timely adjustment on a real-time basis. As a result, we are able to continuously optimize vending machine performance in accordance with the pre-set marketing goals and customer budget automatically.

## SALES AND MARKETING

We implement various sales and marketing measures to promote our marketing service business. In general, we emphasize the deepening of our relationships with existing brand customers, the development of relationships with potential brand customers, and the exploration of untapped market opportunities. We obtain new projects from existing brand customers as a result of our high-quality service, high standard of performance, and effectiveness in achieving their marketing objectives in historical projects. In the process of acquiring new brand customers, we mainly build up industry reputation, promote our industry cases, and speak out at major domestic conferences to establish our professional reputation and brand awareness in promoting FMCGs and interacting with consumers. Further, some of our new brand customers are introduced to us through referrals from our existing customers and word-of-mouth.



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Our dedicated marketing force, consisting of two teams, namely KA marketing team and business development team, are responsible for acquiring, developing and maintaining our existing and prospective customers. Equipped with in-depth industrial knowledge and professional experience, our two marketing teams focus on their respective customer groups while cooperate with each other to create synergy and improve our overall sales efficiency and marketing effectiveness.

Our KA marketing team, consisting of 15 employees as of December 31, 2023, is primarily responsible for serving, maintaining and developing KA customers. Dedicated to establishing a strong relationship with KA customers, our KA marketing team specializes in providing customized marketing service tailored to the KA customers’ personalized promotional needs. Our business development team, consisting of 18 employees as of December 31, 2023, is primarily responsible for identifying and developing new brand customers that are typically small to medium-sized companies and seek our standardized marketing service.

Our sales and marketing personnel typically communicate with existing and potential brand customers through phone calls and on-site visits to understand their marketing and promotional needs. Furthermore, once we identify new products in the market, our sales and marketing personnel reach out to the potential customers to introduce our experience and expertise. They are also responsible for the negotiation and execution of service contracts following successful customer acquisitions.

Our two marketing teams work closely with each other. The business development team shares potential customers information and business opportunities with the KA marketing team, so that the KA marketing team can participate in key business negotiations and executions of business agreements. Moreover, our two marketing teams regularly conduct knowledge and experience sharing and training to enhance the understanding of each other and improve their professional knowledge and skills, which will contribute to the enhancement of our overall sales and marketing capability. Leveraging the organizational structure of our sales and marketing team, we are able to maximize our market coverage by focusing on both KA customers and non-KA customers.

Due to the nature of our marketing service business, the users of our online platform “Quna (趣拿)” typically overlap with the individual consumers of our merchandise sales business. In this regard, we expand our individual consumer base primarily through our offline vending machines and online platform. We place vending machines and hold offline marketing campaigns in commercial properties to attract new users by displaying brand and product information and providing FMCG products at a try-me discounted price or for free, which can easily lead to user conversion and spread among user groups. Our online promotion and user acquisition measures mainly include, among others, providing AI interactions and flash sales to attract new users to download our mobile app and register through the mobile app or WeChat mini programs, posting on major social media platforms such as Weibo, WeChat official account and Xiaohongshu and cooperating with MCNs to engage KOLs to promote our platform, pushing SMS and social media platform promotional contents related to new product launches and promotions, and recommendations by our existing users.

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Our sales and marketing team are equipped with extensive industry experience. In particular, Mr. CAO Liwen (曹理文), vice president of sales of our Group, had 22 years of experience in the marketing industry as of December 31, 2023.

### PRICING

During the Track Record Period, our pricing and fee structures differ across our business segments, outlined as follows:

#### Marketing Service

We charge our brand customers fixed fees on a project basis for our marketing services. Our brand customers can select the marketing services they require from our various service modules to create their customized projects. For each project, we apply a fixed fee, with the specific price determined by the pricing of each service modules contained in such project. The pricing methods for service modules under this business segment are as follows:

##### *Standard marketing service*

- Within our marketing campaign services, the pricing of each campaign primarily encompasses the costs of event planning, theme-related design and production, vending machine rental fees, and on-site personnel support costs.
- Within our multi-channel media promotion services, we set unit prices for LCD screen display, vending machine shell display and social media platform posts. The table below sets forth the unit price range for such service modules during the Track Record Period:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
LCD screen display (RMB/vending machine/week) <sup>(1)</sup>	1,000 to 6,000	1,600 to 6,000	600 to 6,000
Vending machine shell display (RMB/vending machine/week) <sup>(1)</sup>	4,000 to 6,000	1,000 to 6,000	4,000
Social media platform posts (RMB/post or article) <sup>(2)</sup>	10,000 to 60,000	40,000 to 60,000	50,000

*Note:*

- (1) Refer to the unit price range for the vast majority of the projects using the relevant service module.
- (2) The unit price of social media platform posts depends on the specific content customized and sent according to the customer's requirement. The unit price includes the price for sending one article or post, without taking into consideration click-through-rate or page views after posting such content.

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The wide range of unit prices for LCD screen displays is due to the application of different prices based on the screen size. The wide unit price range for vending machine shell displays in 2022 resulted from a few projects, particularly those with less workload involved in designing and decorating the customized vending machines, we reduced unit prices accordingly. Nevertheless, during the Track Record Period, the unit price for the majority of vending machine shell display projects was RMB4,000 per vending machine per week. The unit price of social media platform posts depends on the specific content customized according to the customer’s requirement, taking into consideration the length and complexity of such content, which led to the variation of unit prices.

For our online platform display services, we utilize different unit prices depending on the platforms and display formats, such as push notifications, App launch screen/splash screen display, banners, and interstitial advertisements/pop-up advertisements. The unit prices for such services depend on various factors for each projects. For reference purpose, the table below sets forth representative examples for unit price ranges for such service modules during the Track Record Period:

	For the year ended,		
	2021	2022	2023
Push notifications (examples for reference)	RMB1,000 per 1,000 pushes	RMB1,000 per 1,000 pushes	RMB1,000 per 1,000 pushes
Launch screen/splash screen display (examples for reference)	RMB200,000 per day	RMB200,000 per day	RMB200,000 per day
Banners (examples for reference)	RMB200,000 per week – RMB504,000 per week	RMB200,000 per week – RMB400,000 per week	RMB200,000 per week – RMB400,000 per week
Interstitial advertisements/ pop-up advertisements (examples for reference)	RMB1,000 per 10,000 views/ pop-ups	RMB1,000 to RMB1,600 per 10,000 views/ pop-ups	RMB1,000 per 10,000 views/ pop-ups

Regarding procurement of third-party media resources, pricing is determined based on the type of media obtained. For instance, SMS push services are priced based on the number of messages sent, with a unit price around RMB0.1 per message during the Track Record Period. For short video platform traffic acquisition service, the standard procurement procedure for users on social media platforms typically involves an initial deposit or top-up to their accounts, followed by the allocation of these funds to acquire various traffic acquisition options provided by the platforms. The pricing for these traffic on the social media platforms is determined by the relevant platform’s pricing model. In this context, we initially recommend suitable traffic acquisition plans to our customers taking into consideration their specific requirements and the synergies with other marketing

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services provided to the relevant customer. Subsequently, we charge our customer for these services at a cost plus model for the corresponding amount of traffic procured from the third-party media platform, plus a service fee, typically set at around 5% of the amount of traffic acquired.

- Within FMCG product promotion module, we offer different pricing methods for FMCG product distribution and FMCG product shelving. The pricing for FMCG product distribution is based on the quantity of distributed products, typically ranging from RMB2 to 10 per unit (i.e., piece of product). If such distribution requires consumers to complete questionnaires, the price is typically RMB25 per unit. The pricing for FMCG product shelving is charged by leasing vending machine slots to our brand customers, priced at approximately RMB200 per vending machine slot per month. We procure such products from such brand customers and the revenue generated from the sales of such products is categorized under our merchandise sales business segment.

### *Value-added marketing service*

- The pricing of our AI interaction services is determined by the sessions of AI interactive services or the number and duration of the utilization of vending machines involved in a specific marketing project. The price for each AI interaction session primarily reflects the labor and the implementation of AI technology invested in such sessions, which may differ from case to case. For details, see “– Our Business – Value-Added Marketing Service – AI Interaction” in this section.
- Our data strategy services are primarily priced based on the complexity of analysis and the volume of data involved.

We may offer discounts to our brand customers for the marketing service modules mentioned above, taking into account factors such as project complexity, duration, content, the number and duration of vending machines to be utilized, and the quantity of FMCG products distributed.

### **Merchandise Sales**

The pricing of our merchandise generally reflects manufacturers’ and distributors’ suggested retail prices, which tend to be consistent with similar products in nearby markets. However, we retain the flexibility to set retail prices based on actual circumstances, particularly for promotional purposes. Our pricing strategy incorporates tiered pricing by city, enabling adjustments based on factors such as costs, competition, consumer behavior, and inventory turnover at specific locations.

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### OUR CUSTOMERS

During the Track Record Period, customers for our marketing service business primarily consisted of corporate customers including brand owners and marketing agents. A brand owner is (i) a corporate customer that directly owns or exclusively distributes the brands, or (ii) a related entity of such corporate customer. A marketing agent is a corporate customer that acts on behalf of brand owners as their agent to procure marketing service or services. Similar to marketing agents, we design marketing strategies and marketing plans for brand owners that are our customers. We differentiate from marketing agents primarily because we have our self-operated platform to execute and deliver marketing service, including our online platform and vending machine network, which also serve as our touch point for target consumers. However, marketing agents typically do not have such self-operated platforms, and cooperate with a diverse range of media channels to ensure dissemination of advertisements to the brand owners’ target consumers. Moreover, as marketing agents generally do not involve in direct interactions with target consumers, they typically have a limited access to consumer feedback. In contrast, our online platform collects consumer feedback which is valuable to brand owners.

During the Track Record Period, customers for our merchandise sales business primarily consisted of individual consumers who purchase consumer goods from our vending machines directly, and from our online platform through placing online purchase orders and picking up the goods from nearby vending machines.

During the Track Record Period, we had 472 brand customers that procured our marketing service. These brand customers were mainly enterprises from the FMCG industry in China. Our marketing projects with our brand customers are primarily through fee quotation. We provide each type of marketing service in accordance with the relevant scope and details of the services specified in the corresponding agreements. Most of our brand customers assess our performance mainly based on whether we have fulfilled all the requirements as set out in the work scope in their service agreements.

The following table sets forth a breakdown of revenue from marketing service business by customer type, for the years indicated:

	For the years ended December 31,					
	2021		2022		2023	
	Revenue	%	Revenue	%	Revenue	%
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Brand owner	139,425	37.0	178,413	44.1	328,612	40.7
Marketing agent	237,228	63.0	226,397	55.9	479,360	59.3
<b>Total</b>	<b><u>376,653</u></b>	<b><u>100.0</u></b>	<b><u>404,809</u></b>	<b><u>100.0</u></b>	<b><u>807,971</u></b>	<b><u>100.0</u></b>

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The tables below provide the number and average revenue per customer of our KA customers and non-KA customers within our marketing service business during the Track Record Period. The table below sets out details on our KA and non-KA customers that engaged us for marketing services for the years indicated. We also listed details of KA and non-KA customers in respect of standard marketing service and value-added marketing service as well.

		For the year ended December 31,		
		2021	2022	2023
<b>Marketing service</b>	<b>KA customer</b>	<b>27</b>	<b>28</b>	<b>47</b>
	<b>Non-KA customer</b>	<b>147</b>	<b>102</b>	<b>244</b>
– Standard marketing service	KA customer	26	26	47
	Non-KA customer	145	92	238
– Value-added marketing service	KA customer	22	21	29
	Non-KA customer	45	44	50

		Average revenue per customer*		
		For the year ended December 31,		
		2021	2022	2023
<i>(RMB in million)</i>				
<b>Marketing service</b>	<b>KA customer</b>	<b>10.5</b>	<b>11.4</b>	<b>13.8</b>
	<b>Non-KA customer</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>
– Standard marketing service	KA customer	9.8	11.2	11.8
	Non-KA customer	0.6	0.6	0.6
– Value-added marketing service	KA customer	1.3	1.4	3.3
	Non-KA customer	0.1	0.6	0.4

*Note:*

\* The average revenue per customer is calculated by dividing the total revenue generated by either KA customers or non-KA customers by their respective total number of customers.

Leveraging our effective business model and strong service capabilities, we have established stable relationships with our KA customers, with an average of over two years of cooperation history as of December 31, 2023. These KA customers constituted a meaningful proportion of our repeat customers in terms of revenue contribution during the Track Record Period.

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The following table sets forth the number of, and total revenue from our repeat customers of marketing service during the Track Record Period:

	<b>For the years ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of repeat customers*	54	52	43
Total revenue from repeat customers (RMB'000)	251,875	252,900	322,792

*Note:*

\* Repeat customers are those who have remained our brand customers for the previous calendar year.

The number of repeat customers decreased during the Track Record Period because in responding to the challenges brought by the macro economy, we strategically adjusted our customer service focus and invested less resources in maintaining brand customers that were small and medium sized companies and contributed less revenue as compared with large scale brand customers. However, leveraging our continuously refined operation and enhanced service capabilities, we managed to increase the total revenue from repeat customers from 2021 to 2022, and to 2023.

### Major Customers

For each year during the Track Record Period, our five largest customers generated RMB110.8 million, RMB101.5 million and RMB153.3 million of revenue, respectively, accounting for 22.0%, 18.4% and 15.2% of our total revenue for the same years, respectively. For each year during the Track Record Period, our largest customer generated RMB24.3 million, RMB25.4 million and RMB35.4 million of revenue, respectively, accounting for 4.8%, 4.6% and 3.5% of our total revenue for the same years, respectively.



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The information of our five largest customers in each year during the Track Record Period is set forth below:

***For the Year Ended December 31, 2021***

Rank	Customer	Principal business	Year of incorporation	Registered capital RMB'000	Location	Services provided by us	Commencement of business relationship	Revenue RMB'000	Percentage of total revenue %
1	Customer E	Food and beverages manufacturing	2019	34,783	Meishan	Marketing service	2020	24,340	4.8
2	Customer F	Marketing agency	2019	50,000	Beijing	Marketing service	2020	24,302	4.8
3	Customer B	Marketing agency	2013	10,000	Nanjing	Marketing service	2014	24,104	4.8
4	Customer G	Marketing agency	2011	5,000	Shanghai	Marketing service	2018	20,217	4.0
5	Customer H	Marketing agency	2016	10,000	Beijing	Marketing service	2019	17,877	3.6

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*For the Year Ended December 31, 2022*

Rank	Customer	Principal business	Year of incorporation	Registered capital RMB'000	Location	Services provided by us	Commencement of business relationship	Revenue RMB'000	Percentage of total revenue %
1	Customer B	Marketing agency	2013	10,000	Nanjing	Marketing service	2014	25,368	4.6
2	Customer I	Software development and Internet information service	2020	6,000	Xiaman	Marketing service	2022	23,531	4.3
3	Customer J	Food and beverages manufacturing	2016	30,000	Shigatse	Marketing service	2022	20,019	3.6
4	Customer K	Catering management consulting service	2018	11,100	Jinan	Marketing service	2022	16,509	3.0
5	Customer H	Marketing agency	2016	10,000	Beijing	Marketing service	2019	16,113	2.9

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*For the Year Ended December 31, 2023*

Rank	Customer	Principal business	Year of incorporation	Registered capital RMB'000	Location	Services provided by us	Commencement of business relationship	Revenue RMB'000	Percentage of total revenue %
1	Customer RR	Marketing agent	2021	5,000	Hangzhou	Marketing service	2023	35,377	3.5
2	Customer NN	Marketing agent	2020	1,000	Xiamen	Marketing service	2023	34,338	3.4
3	Customer F	Marketing agent	2019	50,000	Beijing	Marketing service	2020	31,410	3.1
4	Customer EEE	Marketing agent	2022	10,000	Nanjing	Marketing service	2023	27,726	2.8
5	Customer V	Food and beverage manufacturing	2021	2,282	Wuxi	Marketing service	2022	24,478	2.4

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest customers in each year during the Track Record Period. We have indirectly held a 10.5% equity interest in Customer K since January 2023, which was one of our five largest customers in 2022. To the best knowledge of our Directors, except for Customer K, each of our five largest customers in each year during the Track Record Period was an Independent Third Party.

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### General Contract Terms with Brand Customers

We use the same form service agreement for brand owners and marketing agents that become our brand customers. We do not differentiate in serving these two types of customers in terms of work scope, labor, technical, marketing resources invested, or any other respects. In addition, we had not paid any commission to any marketing agents which may result in a deduction to service fee payable to us. We do not see any substantial differences between these two types of customers from respects of our business operation or profitability.

The general terms of our marketing service agreements vary based on negotiations with our brand customers and the types of marketing service we provide. We generally adopt a credit term of three to six months. We are typically engaged by our customers on a customized project basis. The payment by our brand customers is based on our performance of each of the procured services as specified in the agreements. Terms of our service agreements normally include the following:

- **Term.** Generally within one year for a framework service agreement, and generally one to three months for a project service agreement.
- **Responsibilities.** The customers shall ensure that the source of their products is legitimate, the quality of their products and the content of their advertisements meet the requirements of the relevant laws and regulations. The customer shall indemnify us for any loss arising from their violation of any such laws and regulations. The launch of each individual marketing content is subject to our review and approval.
- **Payment Terms.** Depending on commercial negotiation, typically we receive 100% of payment after the completion of services.
- **Payment Process.** Generally we issue an invoice for the payment amount, and the customer settles the amount within the agreed period.
- **Project Completion.** Completion of our services are generally evaluated based on promotional activities and marketing services being performed, time lapse of usage of vending machines for FMCG product promotion, and product review reports being delivered.
- **Damages and Liability.** Typically, a non-breaching party may be entitled to recover from the breaching party damages, expenses and costs in respect of breach of agreement.
- **IP Infringement.** The customer shall guarantee that all intellectual properties provided to us, such as trademarks, copyrights and know-hows shall not infringe upon or otherwise violate intellectual property rights or other rights held by other third parties. In the case of any violation or infringement, the customer shall indemnify our loss.

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### **Service for Individual Consumers**

We strive to optimize our individual consumers’ experience by offering high-quality customer services. We have invested significant management, financial and human resources to offer our customers personalized services across our various lines of business. We have a dedicated customer service department to handle customer queries and complaints, and provide comprehensive training to our customer service personnel to ensure consistent and high-quality service.

We maintain a hotline, WeChat official account and WeChat mini programs to answer questions and complaints from our customers. Our customers can leave complaint messages to us on our WeChat official account and WeChat mini programs 24/7. Upon receiving feedbacks from a customer, our system will assign a customer service personnel to immediately follow up until the issue is resolved. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint from our customers.

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**MAJOR SUPPLIERS**

During the Track Record Period, our major suppliers primarily included technology service providers, vending machine manufacturers, manufacturers and distributors of beverages, food and other FMCGs, and agents of social media platforms in China. We do not enter into business contracts with social media platforms directly. Instead, we procure social media platform resources from agents of social media platform companies, which is an industry norm. For each year during the Track Record Period, purchases from our five largest suppliers accounted for 48.3%, 33.5% and 30.5% of our total purchases for the same years, respectively. For each year during the Track Record Period, purchases from our largest supplier accounted for 27.0%, 9.5% and 10.1% of our total purchases for the same years, respectively. The table below sets forth the details of our five largest suppliers in each year during the Track Record Period:

***For the Year Ended December 31, 2021***

Rank	Supplier*	Principal business	Year of incorporation	Registered capital RMB'000	Location	Products/ services purchased	Commencement of business relationship	Purchase amount RMB'000	Percentage of total purchase %
1	Supplier M	Machine manufacturing and technology development service	2002	648,470	Weihai	Vending machine	2018	134,264	27.0
2	Supplier P	Information technology development and marketing service	2013	10,000	Nanjing	Site expansion	2018	34,679	7.0
3	Supplier Q	Human resources service	2019	10,000	Xianning	Human resources outsourcing	2020	27,124	5.5
4	Supplier O	Technology and marketing service	2018	10,000	Beijing	Marketing service	2019	24,934	5.0
5	Supplier R	Information technology development service	2016	15,000	Shanghai	Technology development service	2020	19,017	3.8

Note:

\* Suppliers that are under the control of the same ultimate holding company, despite being separate legal entities, are regarded as one single supplier.

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***For the Year Ended December 31, 2022***

<b>Rank</b>	<b>Supplier*</b>	<b>Principal business</b>	<b>Year of incorporation</b>	<b>Registered capital RMB'000</b>	<b>Location</b>	<b>Products/ services purchased</b>	<b>Commencement of business relationship</b>	<b>Purchase amount RMB'000</b>	<b>Percentage of total purchase %</b>
1	Supplier P	Information technology development and marketing service	2013	10,000	Nanjing	Site expansion	2018	33,642	9.5
2	Supplier O	Technology and marketing service	2018	10,000	Beijing	Marketing service	2019	31,283	8.8
3	Supplier S	Beverages and food sales	1989	334,469	Shanghai	Beverages	2021	18,854	5.3
4	Supplier T	Human resources service	2012	2,000	Nanjing	Human resources outsourcing	2014	17,812	5.0
5	Supplier U	Value-added telecommunication and information technology development service	2017	10,000	Nanjing	Technology development service	2022	17,337	4.9



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**For the Year Ended December 31, 2023**

Rank	Supplier*	Principal business	Year of incorporation	Registered capital RMB'000	Location	Products/ services purchased	Commencement of business relationship	Purchase amount RMB'000	Percentage of total purchase %
1	Supplier AAA	Cultural and artistic activity arrangement; technical services; advertising service	2016	20,000	Beijing	Marketing service	2023	73,145	10.1
2	Supplier BBB	Value-added telecommunication and information technology services; advertising service	2018	50,000	Wuhan	Marketing service	2023	56,753	7.9
3	Supplier O	Technology and marketing service	2018	10,000	Beijing	Marketing service	2019	32,057	4.4
4	Supplier CCC	Technology development; advertising service	2016	10,000	Beijing	Marketing service	2023	29,967	4.2
5	Supplier DDD	Development and manufacturing of vending machine and sensors	2014	10,000	Danyang	Vending machines	2014	28,250	3.9

Note:

\* Suppliers that are under the control of the same ultimate holding company, despite being separate legal entities, are regarded as one single supplier.

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As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers in each year during the Track Record Period. To the best knowledge of our Directors, each of our five largest suppliers in each year during the Track Record Period was an Independent Third Party.

### **Technology Service Providers**

In order to focus our resources on the design, sales, marketing and technical support of marketing service, we engage third-party technology service providers to provide us with services necessary for the improvement of our technological capabilities, particular those to be utilized in the development and iteration of the functional modules of our vending machines. We choose third-party technology service providers based on a variety of factors, including their research and development capabilities, service quality, history of cooperation with us, and pricing.

Our third-party technology service providers are typically required to complete a technological development project based on our requirements and goals as set forth in the agreement they enter into with us. They shall complete the project within the prescribed time period, and deliver all relevant research and development work products and accompanying documents and materials to us, after which we are entitled to maintenance and other auxiliary services. In addition, we are typically entitled to all intellectual properties conceived and developed during such information technology development process, and have the exclusive right to commercialize any of such intellectual properties, including but not limited to the technical materials, documents, source codes and applications. We are also entitled to all the equipment, devices or materials purchased or generated in such process.

We typically pay the service fee in instalments, with the last instalment to be paid upon the delivery of project work product to our reasonable satisfaction. Moreover, each party shall maintain the confidentiality of information obtained in relation to the relevant agreement or project, and not to disclose to any third parties, typically for two years from the effective date of the agreement. Finally, the information technology service agreements may generally be terminated upon mutual consent between the parties, and we are entitled to unilateral termination if the service providers fail to deliver designated work products in the case of a material delay.

### **Vending machine Manufacturers**

We engage machine manufacturers to produce vending machines customized to our specifications. For example, in addition to the type and size of machines, we also specify the design of their internal compartments, payment modules, display screens, and functional modules, based on our desired application scenarios. We select machine manufacturers based on a range of factors, including product quality, price, delivery time, after-sale services, and payment terms.

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Under our agreements with machine manufacturers, they are typically required to (i) deliver ordered machines within a specified time and take mitigation measures if they fail to deliver to specified destination on schedule; (ii) conduct full inspection before delivery according to our inspection standards; (iii) accept return of machines that do not meet our quality standards; (iv) compensate for our losses incurred due to seriously defective machines, and (v) provide after-sale services, typically with a one-year quality warranty period. We typically pay 30% of the purchase price as an advance payment after the contract comes into effect and the order is placed, 30% of the purchase price after the machines have been produced and passed quality inspection, 30% of the purchase price after the machines have been delivered, installed and accepted, and the remaining 10% of the purchase price within 15 days after six months have lapsed following our acceptance of the machines. We typically enter into confidentiality agreements or stipulate confidentiality provisions in our procurement contracts with machine manufacturers to protect our intellectual properties. Generally, we possess software related intellectual properties and machine manufacturers possess hardware related intellectual properties. See “– Intellectual Property.”

### **Manufacturers and Distributors of Beverages, Food and Other FMCGs**

We have adopted a series of measures to effectively control our procurement costs, including among others, entering into framework agreements with suppliers to ensure stable prices for our merchandise. We also typically procure merchandise at prices lower than the recommended prices set by merchandise suppliers. Therefore, we believe we are not prone to fluctuations in procurement costs.

We have formulated a comprehensive set of criteria for selecting beverages and food manufacturers and distributors, including their brands and reputation, merchandise popularity and quality, order services, delivery services, after-sale services, and credit terms. Our procurement agreements with FMCG manufacturers and distributors typically have terms of one year. The agreements typically specify the payment terms, packaging and delivery, quality standards and shelf life of the merchandise procured, and liabilities for breach of contract. The specifications of merchandise to be procured are generally stipulated in purchase orders and may be varied by us from time to time based on our business needs. The procurement agreements are generally terminable by (i) unilateral termination, if the supplier is in material breach of contract; (ii) prior written notice by any party; and (iii) mutual agreement. Our suppliers are required to (i) possess necessary licenses and qualifications for the provision of merchandise, (ii) deliver ordered merchandise in accordance with the specification set out in the purchase orders within a specified time and compensate us for failure to deliver to specified destination on schedule; and (iii) accept return of defective merchandise, and compensate for our loss. We typically settle the payment by bank transfer before the suppliers arrange delivery of merchandise.

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### MCNs

During the Track Record Period, we cooperated with MCNs to engage KOLs to promote our platform. These MCNs typically cooperate with a large number of KOLs among whom we select certain KOLs based on our marketing needs and MCNs’ recommendations. As we do not rely on any particular KOLs for our marketing activities, and our selections of KOLs change from time to time in order to adapt to the evolving marketing needs of our brand customers and us, we do not see any concentration risk on one or more KOLs in relation to our marketing activities. These KOLs posted marketing contents and conducted live streaming promotional activities on social media platforms, and are subject to relevant laws and regulations relating to live streaming promotional activities such as the *Administrative Measures for Live Streaming Marketing (for Trial Implementation)* (《網絡直播營銷管理辦法(試行)》). Our Directors are of the view that, as confirmed by our PRC Legal Adviser, (i) the purpose of this regulation is to manage entities and individuals directly participated in the live streaming sessions, including live streaming platforms, operators of live streaming rooms, live streaming marketers, and live streaming marketing service agencies. Although during the Track Record Period, under very few circumstances, we engaged KOLs through MCNs for live streaming sessions, neither we nor our employees directly participated in the live streaming sessions and are therefore not subject to this regulation, (ii) up to the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects concerning online marketing, and (iii) there is no material impediment for us to comply with the relevant laws and regulations concerning online marketing. Based on the independent due diligence conducted by the Sole Sponsor and having considered the views and basis of the Directors and the PRC Legal Adviser as disclosed above, nothing has come to the attention of the Sole Sponsor (as a non-legal expert) which would cause it to disagree with the reasonableness of the above view and analysis of the Directors and the PRC Legal Adviser.

As we cooperate with MCNs to engage KOLs to promote our platform during our course of business, we are deemed as an “advertiser” of the advertisements published by KOLs. According to the Advertisement Law, advertisements made by advertisers shall not contain any false or misleading information, or deceive or mislead consumers. If the advertisements published by KOLs contain any false or misleading information, or deceive or mislead consumers, we will be subject to liabilities arising from any false or misleading information contained in such advertisements. According to the certification documents obtained by us for no violation of laws and regulations and our PRC Legal Adviser’s opinion, during the Track Record Period, we had not been imposed any penalties by the competent governmental authorities, or subject to any compensation claims from consumers for publishing any false or misleading advertising content by KOLs. See “Risk Factors – Risks Relating to Our Business and Industry – Risks Relating to Our Services – We are subject to, and may expend significant resources in defending against, government actions and civil claims in connection with false, fraudulent, misleading, or otherwise illegal marketing content.”

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Service fee payable to MCNs is stipulated in the service agreements between MCNs and us, and recognized as our marketing and promotion expenses in selling and distribution expenses in our statement of profit or loss when their services are rendered. We did not enter into any profit sharing arrangements with MCNs. Material terms of service agreements with MCNs typically include the following:

- ***Duration.*** Generally one day for one-time session of services, and generally one to two weeks for a package of services for our annual or seasonal marketing campaigns.
- ***Responsibilities.*** MCNs shall provide services including marketing content creation and distribution in accordance with our detailed requirements. MCNs shall ensure that the marketing content is in compliance with the relevant laws and regulations. MCNs shall indemnify us for any loss arising from their violation of any such laws and regulations or their infringement of third parties' intellectual property rights.
- ***Payment Terms.*** Depending on commercial negotiation, typically we pay 100% of service fee after the completion of one-time session of services, and pay the service fee in two equal instalments upon signing of service agreements and completion of services for packages of services for our annual or seasonal marketing campaigns.
- ***Damages and Liability.*** Typically, a non-breaching party may be entitled to recover from the breaching party damages, expenses and costs in respect of breach of agreement.
- ***IP Ownership and Infringement.*** All intellectual properties shall be owned by us following our payment of service fees in full. MCNs shall guarantee that all intellectual properties provided to us shall not infringe upon or otherwise violate intellectual property rights or other rights held by third parties. In the case of any violation or infringement, MCNs shall indemnify our loss.

### **Overlapping of Major Customers and Suppliers**

During the Track Record Period, in managing our merchandise sales business, we sourced goods for resale from a large number of our customers to which we provided marketing service. It is common in the marketing service industry that marketing service customers supply their products to marketing service providers for retail. We consider we benefits from such arrangement because by conducting retail of relevant goods, we are able to enhance our business relationship with relevant brand customers, while further accumulating consumer behavior information in respect of relevant products and brands, further enhancing our capability of providing quality marketing service.

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The table below sets details of overlapped major customers and suppliers for the years indicated:

Company Name	Services procured from us as our customer	Products provided to us as our supplier	For the year ended December 31,					
			2021		2022		2023	
			Revenue	Purchase	Revenue	Purchase	Revenue	Purchase
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer S (Also one of the major suppliers, same as Supplier S)	Marketing service	Beverages	1,887	6,633	8,038	18,854	6,937	21,409
Customer E	Marketing service	Beverages	24,340	11,115	6,132	10,519	-	1,959

In 2021, 2022 and 2023, revenue from the provision of marketing service to these major suppliers contributed approximately 0.4%, 1.5% and 0.7% of our total revenue, respectively, and purchases from these major customers contributed approximately 2.2%, 3.0% and 0.3% of our total purchase, respectively. During the Track Record Period, our revenue and purchases from the overlapping customers and suppliers were not inter-conditional with each other.

Our Directors have confirmed that all of our revenue and purchases from the overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms. The terms of our agreements with these overlapping customers and suppliers are substantially the same as those with our other customers and suppliers. As of the Latest Practicable Date, to the best information and knowledge of our Directors, all of these customers and suppliers were Independent Third Parties.

## LOGISTICS AND INVENTORY MANAGEMENT

### Logistics

Our brand customers and suppliers are responsible for delivering the products and merchandise to our warehouses. During the Track Record Period, we did not form an internal delivery team; instead, we enlisted third-party delivery services to transport products and merchandise from our warehouses to vending machines. For a limited number of marketing projects where we provided FMCG product promotion service only, we engaged third-party delivery service providers to transport the products and merchandise to consumers. Consumers typically pick up the products and merchandise directly from the vending machines by themselves, therefore we generally don't need logistics when delivering to the end consumers, unless under scenarios as aforementioned. Our set of criteria for selecting such third-party delivery service providers includes, among other things, their prices and service quality.

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As of December 31, 2023, we operated 22 warehouses, including 21 operated by ourselves and one operated by a third party, supporting the delivery of the products and merchandise in 22 cities where our vending machines are deployed.

### **Inventory Management**

Through our operation system, we are able to monitor information such as inventory level, movement of our SKUs and stock description on a real time basis. In practice, we maintain data for merchandise and inventory in our centralized operation system, based on which we get daily average sales and inventory level of each SKU in each of our vending machines. Particularly, we pay close attention to food and beverage products. For merchandise with a short shelf life, we will negotiate with our brand customers in advance to arrange delivery to us in batches, thus preventing overstocking issues. Our warehouse managing staff will timely alert us when the remaining shelf life is less than (i) 35 days in the case of shelf life of less than 180 days; or (ii) 45 days in the case of shelf life of longer than 180 days. Merchandise with shelf life of less than that as prescribed by relevant laws and regulations will be disposed of promptly. We conduct monthly and semi-annual audit to ensure the accuracy and safety of our inventory. Our inventory turnover days increased from 69.4 days in 2021 to 128.8 days in 2022, then decreased to 117.2 days in 2023, aligning with our business expansion. In particular, our inventory turnover days experienced a significant increase in 2022, primarily due to reduced inventory consumption during the recurrence of COVID-19.

### **Operation and Maintenance Support**

As of December 31, 2023, we had a team of 82 operation and maintenance personnel nation-wide, who are responsible for ensuring the smooth operation of our vending machines. We are devoted to continuously enhancing our operation and maintenance support by, among others, optimizing management, providing operational skill training and incentivizing talents. In addition, our centralized operation system sends notification to the responsible operation staff upon identification of any malfunction, which ensures timely repair of any malfunctioning vending machine. In 2021, 2022 and 2023, our operation costs for the maintenance of our vending machines mainly included remuneration paid to our maintenance personnel, which amounted to approximately RMB0.7 million, RMB0.6 million, and RMB0.7 million for the respectively, accounting for 0.4%, 0.3%, and 0.1% of our total cost of sales in the same years, respectively.

### **QUALITY CONTROL**

We place great emphasis on the quality of the products and merchandise provided through our vending machines. Led by experienced operation and procurement teams, when evaluating our brand customers and suppliers, we have established stringent screening procedures for potential brand customers and suppliers. We take into account factors including industry reputation, brand recognition, product quality, production scale and procurement price. We also verify all required licenses and permits before we enter into marketing service agreements and procurement agreements. In addition, our brand customers and suppliers are contractually obligated to ensure that the products and merchandise they provide to us are within their shelf life and with appropriate quality certificates.



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To ensure the high quality and safety of products and merchandise distributed to our users, all such products and merchandise must strictly comply with applicable standards in all respects. In the event we receive complaints from our users or become aware of product quality issues, we will conduct a thorough inspection of various stages along the supply chain to identify issues impacting product quality and safety. We will perform immediate risk analysis, formulate relevant measures and stringently oversee their implementations.

As a result of our stringent quality control procedures, we did not experience any material product liability or other legal claims during the Track Record Period. See “Risk Factors – Risks Relating to Our Business and Industry – Our reputation, performance and financial condition could be adversely affected by any failure to maintain effective quality control mechanism and food safety monitoring system, which may subject us to product liability claims” in this document.

## RESEARCH AND DEVELOPMENT

Our marketing service hinges on two of our proprietary technologies – the data transmission and interaction applications between vending machines and our operation system, and the mechanical structure of our vending machines. Therefore, continuous research and development to improve our core technologies is critical to our future growth and our ability to remain competitive. As of the Latest Practicable Date, we had 14 registered patents and led the technological developments of the industry in areas such as data transmission and interaction applications between vending machines and our operation system, and structural designs and components of vending machines.

We developed independently the data transmission and interaction applications between vending machines and our operation system, including “Quna AI Interactive App (趣拿AI互動App)”, “Quna Customized AIOS (趣拿定制AIOS)” and “Quna Vending App (趣拿售賣App)”, and certain mechanical component of our vending machine, namely the scent emitting module. For details of the scent emitting module, see “– Our Technology – Vending Machine.” We are responsible for the test, deployment, operation and maintenance of these applications and the scent emitting module.

We also leverage the development and manufacturing capabilities of third-party suppliers to develop the mechanical components of our vending machines in order to achieve cost-efficiency, since many such mechanical components are well developed and widely used in traditional vending machines currently used in the market. Such mechanical components installed in our vending machines include AI industrial personal computer, vision interactive camera, programmable RGB light and voice interactive module. For details of these mechanical components, see “– Our Technology – Vending Machine.” While such mechanical components are tested and deployed by third-party manufacturers of vending machines and mechanical components, we are responsible for the relevant operation and maintenance work.

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As of December 31, 2023, we had a dedicated team of 30 employees in our research and development department, with an average of over three and a half years of employment relationship with us. A majority of our research and development team holds a bachelor’s degree or above. Our research and development team is responsible for the design, development, maintenance and optimization of our proprietary technologies and infrastructure, including our vending machines and operation system. In 2021, 2022 and 2023, our research and development expenses amounted to RMB59.0 million, RMB30.1 million and RMB63.3 million, respectively, accounting for 11.7%, 5.4% and 6.3% of our total revenue in the same years, respectively. During the Track Record Period, our research and development expenses decreased primarily due to less outsourcing fees incurred. This decrease was attributable to the improved functionality of our system modules and our enhanced in-house capabilities.

During the Track Record Period, capitalizing on our in-house research and development team, we have developed a series of tools and systems that can well fit into different business scenario and/or operation procedures, in a way to promote willingness of consumers to join our marketing events, complete tasks and receive enjoyable experience, as well as to improve our operation efficiency, particularly when we generally undertake multiple projects at the same time. For details, see “– Our Technology – Big Data and AI Technologies” in this section. In particular, our in-house research and development team managed to ensure our systems and applications to achieve ideal performance without using expensive or complex hardware component. Leveraging on our technology capability to utilize hardware component generally available in the public market, and integrate these components from different third-party suppliers into a unified system offering stable and smooth performance, we are able to keep launching successful marketing events and delivering satisfying marketing results to our brand customers.

Going forward, we will focus our research and development efforts on improving services related technologies through enhancing the capabilities of our technology infrastructure, including optimizing our AI algorithms, expanding data applications and continuously iterating our vending machines to enhance our competitiveness in FMCG outdoor marketing market. We will continue to introduce and develop AI technologies and algorithms integrated with the multiple functions realized by our vending machines to enhance our data accuracy and diversity, improve our user experience, and expand our service boundaries. We may also recruit technical talents with a view to optimize our operation system and internal control, and improve our overall operating efficiency through simultaneous upgrades to hardware and software infrastructure.

## DATA PRIVACY

We have in place a robust data protection policy to ensure our compliance with the applicable laws and regulations. In order to better serve our brand customers and individual users, we collect transaction data such as purchase orders and payment results, and users’ personal data such as age and gender in product surveys upon users’ consent, and conduct data analysis based thereupon such as users’ buying preferences. We only collect information as necessary for our operation. Before users access our online platform and log in to their

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accounts, we will explain the purpose, manner and scope of our processing of user personal information and how users can exercise their rights in relation to their personal information by way of user privacy policy, and obtain users' consent. Before we collect sensitive personal information, such as users' income, we will also inform users of the personal information processing rules abide by us through a separate privacy statement and obtain the users' separate consent. With respect to user personal information processing and use, we integrate and analyze the user information collected through our online platform and the behavioral data generated by users in the process of receiving and purchasing products, and generate user behavioral tags and profiles based on such analysis. On one hand, users' information and data are used for personalized recommendation of goods and the formulation of strategies relating to mix of goods placed in our vending machines for retail, thereby improving our operating efficiency. On the other hand, users' information and data are used for generating product analysis, thereby helping our brand customers understand the characteristics of products and consumer preferences of target consumer groups, so as to optimize their marketing strategies and business decisions. With respect to users' personal information transmission and provision, we only transmit to our brand customers the summarized information and data of a target consumer group, and do not transmit any users' personal information that can identify user identity. Accordingly, our brand customers are not able to identify or trace any user's personal information through any specific content in the product analysis that we provide to them. In addition, we had never sold or otherwise provided any user personal information collected by us to any third parties in any manner that is not in compliance with relevant laws and regulations.

We store user personal information in cloud storage centers operated by well-known third-party cloud service providers, and purchase high-level security tools provided by such cloud service providers. We protect data security through encryption, firewall protection, vulnerability scanning, access control and other security measures to prevent unauthorized access and malicious attacks. To ensure data security, we use information and data also in accordance with the purposes and permissions authorized by our business operation teams. At the same time, we emphasize on the privacy of our users and provide them with routes to access, modify and delete their personal data through our online platform.

We have established our internal control systems related to data security and privacy protection in accordance with relevant laws and regulations, to keep track of the data privacy and data security actions taken throughout the life cycle of our marketing service. To ensure the security and integrity of our data, we have adopted technical solutions such as encrypting such data and storing them in high security level cloud storage center under the protection of firewall to prevent unauthorized access and malicious attacks. We also perform remote backups of data to ensure security.

Although we use cloud storage centers operated by third-party cloud service providers to store user personal information, as agreed in the contracts between the third-party cloud service providers and us, the data uploaded, stored, processed, downloaded, distributed and otherwise handled by us through the services provided by third-party cloud service providers are all business data owned us. With respect to such user personal information, according to the

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provisions of the *Personal Information Protection Law* (《個人信息保護法》), since we are a personal information processor, we also have the right to process user personal information based on user authorization and consent in accordance with the processing methods explained in our privacy policies.

With regards to the organizational and technical safeguards in place, we provide employees with trainings for data-related matters and privacy practice on a regular basis. We also have clear and strict authorization and authentication procedures for data decryption and access. Employees are required to obtain authorization for access of data, which would only be granted for data that are directly relevant and necessary to the employees’ job responsibilities. We pay close attention to the latest enacted cybersecurity law and data protection law, in order to comply with the relevant laws and regulations. We (i) have established an informatization committee and set up an information security team thereunder, which is responsible for coordinating the implementation of cybersecurity, data security and personal information protection; (ii) have formulated internal management policies and operating protocols in respect of cybersecurity, data security and personal information protection, and designated employees being in charge of cybersecurity, personal information protection and network information content ecosystem management; (iii) have entered into confidentiality agreements with employees, and organized trainings on cybersecurity awareness, data security rules and personal information protection rules to boost employees’ awareness of cybersecurity, data security and privacy protection; (iv) have obtained the filing certificate of Grade III security protection of information system, and taken security technical measures such as data encryption, data backup, bastion host monitoring and log record to prevent unauthorized access to network data as well as data leakage, theft, tampering or loss; (v) have complied with the necessity principle for personal information processing, and processed user personal information to the extent necessary to achieve the purpose of processing and under the condition of taking necessary protective measures; (vi) have informed the users their rights relating to personal information protection in a clear and understandable manner, and established a response and handling mechanism for easier access to rights requests; (vii) have conducted personal information protection impact assessment in respect of handling sensitive personal information and using personal information for automated decision-making and other scenarios according to Article 55 of the Personal Information Protection Law, and prepared and kept personal information protection impact assessment reports. As of the Latest Practicable Date, we had not experienced any material incidents relating to cybersecurity, data security or personal information security.

With respect to third-party service providers that provide cloud storage center service to us, we have reviewed their technical security and privacy protection capabilities during the process of selecting third-party service providers. For example, such third-party service provider shall have obtained several certifications including ISO 27001 information security management system certification, ISO27701 privacy information management system certification, SOC1/2/3 third-party audit report, cloud computing service capability assessment by the MIIT, Payment Card Industry Data Security Standard (PCI DSS), recordal filing of cybersecurity hierarchical protection with the Ministry of Public Security.

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In addition, we have contractually agreed with the third-party service providers that such third-party service providers (i) shall not engage in any unauthorized use or disclosure of our data, except for performing the services as required by us, (ii) shall delete all data on the cloud storage center stored by us, including all caches or backups, as agreed when our cooperation relationship is terminated; and (iii) shall perform their security obligations to protect all data on the cloud data center stored by us in accordance with applicable legal requirements.

We process data by using the information system which hosts in the server located within the territory of PRC, and store and use all user personal information within the territory of PRC. In addition, we had not provided, and will not provide overseas brand customers with the user personal information collected by us within the territory of PRC. Therefore, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any cross-border transmission of data in the ordinary course of business.

As to data processing and usage, as a key component of our marketing service, we provide our brand customers with product review reports reflecting the features of target consumer group and summarizing their buying preferences. We do not provide any personal information of our users to the brand customers, and they are not able to identify or trace back any consumer’s personal information through any specific content contained in such product review reports.

In addition, we utilize a complete set of data privacy and data security management systems containing various data protection procedures. In China, our main system is accredited the Multi-Layer Protection Scheme (MLPS) Level III Certification (“信息系統安全等級保護三級”) awarded by the local branch of the Ministry of Public Security of the PRC, which endorses our capability in system operation and information security.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data. As advised by our PRC Legal Adviser, up to the Latest Practicable Date, we had not been subject to any material administrative penalties due to any violation of applicable data privacy laws and regulations. As of the Latest Practicable Date, (i) we had not experienced any data or personal information leakage incidents, been involved in any litigation or arbitration regarding cybersecurity or data protection, received any inquiry, notice, warning, or been subject to any investigation, sanctions, penalties or other legal proceedings that would have material and adverse impacts on our business operation for violating data protection and privacy laws and regulations; (ii) we had not received any notice from the key information infrastructure protection work authorities that we had been identified as a critical information infrastructure operator; (iii) we had not been involved in any investigations regarding cybersecurity review or our proposed [REDACTED] from the CAC; and (iv) our business operation is unlikely to be considered as affecting national security based on the factors set out in Article 10 of the Cybersecurity Review Measures. In view of the foregoing, our PRC Legal Adviser is of the view that we would be able to comply with the Cybersecurity Review Measures in all material aspects. See “Risk Factors – Risks Relating to Our Business and Industry – Risks relating to extensive government regulations – Regulatory or legislative developments for online businesses, including privacy and data protection regimes, are rapidly evolving and could create relevant costs”, “Risk Factors – Risks Relating to Our Business and Industry – Risks relating to extensive government regulations – As our business is subject to evolving laws, regulations and

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governmental policies regarding cybersecurity, privacy and data protection, actual or alleged failure to comply with applicable laws, regulations and governmental policies could damage our reputation, deter current and potential customers or end users from using our marketing service, and subject us to significant legal, financial and operational consequences” and “Regulatory Overview – Regulations in Relation to Cyber Security, Data Security And Personal Information Protection” in this document.

### INTELLECTUAL PROPERTY

As our marketing service is based on technology, intellectual property rights are essential to protect our business operations. As of the Latest Practicable Date, we held 14 patents, which covered key aspects of our operation, including structural designs and components of vending machines, and data transmission and interaction technologies between our vending machines and operation system.

As of the Latest Practicable Date, we also had 26 trademarks, 114 software copyrights, and four domain names. For details about our material intellectual property rights, see “Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights” in Appendix IV to this document. We also entered into non-competition and confidentiality agreements with our employees in the research and development team to protect the outcome of our research and development efforts. Our legal staff are primarily responsible for the application, management and monitoring of our intellectual property rights.

We actively defend our material intellectual property rights where possible. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any occasion of unauthorized use of our intellectual property rights by third parties which would have a material impact on our business or operation. See “Risk Factors – Risks Relating to Our Business and Industry – Risks relating to our intellectual property rights – We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand and adversely affect our business” in this document. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or pending legal proceedings or claims for infringement upon third parties’ intellectual property rights.

### COMPETITIVE LANDSCAPE

The FMCG outdoor marketing market in China has witnessed stable growth in the past few years. According to CIC, the size of the FMCG outdoor marketing market in China increased from RMB36.7 billion in 2019 to RMB41.3 billion in 2023 at a CAGR of 3.0% from 2019 to 2023, which is expected to keep growing at a CAGR of 10.2% from 2023 to 2028. See “Industry Overview – China’s FMCG Outdoor Marketing Market” in this document. According to CIC, FMCG outdoor marketing market accounts for 6.4% market share of the FMCG marketing market in 2023, and we are the fourth largest FMCG outdoor marketing service provider in China in terms of revenue in 2023, with a market share of approximately 1.2%, while the largest market player had a market share of 14.3%. Our revenue generated from marketing service increased from RMB376.7 million in 2021 by 7.5% to RMB404.8 million in 2022 and further increased by 99.6% to RMB808.0 million in 2023.



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Our major competitors consist of other FMCG marketing service providers. We believe we are competitively positioned because of our specialized position in the market, strategic layout of marketing network, refined operational capabilities and in-depth industry insights, high-quality and well-structured customer base, strong research and development strengths and technical capabilities, and experienced management team with rich industry experience and entrepreneurship. See “– Our Strengths” in this section.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We are subject to various risks in our operations, see “Risk Factors – Risks Relating to Our Business and Industry” in this document. We have established and currently maintain a robust risk management and internal control systems comprising policies, procedures, and reporting mechanisms in essential aspects of our business operations to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. We embed a culture of compliance in the daily work routine of our employees through compliance trainings, and set various expectations for our employees’ work performances in terms of compliance.

Our Board is responsible for establishing and monitoring our risk management and internal control systems, while our senior management oversees the daily implementation of the procedures and measures of each department. We review our risk management and internal control systems on a regular basis to adapt to the changes in market conditions and the regulatory environment and their impacts on our business. To prevent oversight, our Board has established an audit committee to make recommendations to our Directors on the appointment and removal of external auditors, review the financial statements and render advice in respect of financial reporting and internal controls, and oversee our risk management and internal control systems and any significant risks. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

#### **Credit Risk Management**

We are exposed to the credit risks in relation to defaults of our customers. In order to mitigate the credit risks and ensure the collectability of trade receivables of our projects and transactions, we have adopted credit risk measures to review and monitor our trade receivables on an ongoing basis from time to time. Before accepting any new customers, our staff from finance department will assess the creditworthiness of potential customers and determine their appropriate credit limits individually to make sure we traded only with recognized and creditworthy third parties, which will also be reviewed by our finance department regularly in order to effectively monitor our customers. All new customers who wish to trade on credit terms are subject to credit verification procedures. These procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time.



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In addition, we have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer’s office and initiating legal proceedings. However, if we are not able to manage the credit risk associated with our trade receivables effectively, our financial performance and results of operations may be materially and adversely affected. See “Risk Factors – Risks Relating to Our Business and Industry – Risks Relating to Our Financial Position and Need for Additional Capital – We are exposed to credit risk of our brand customers and we may experience delays or defaults in collecting our trade and other receivables and our results of operations, financial position and liquidity may be materially and adversely affected.”

### **Human Resources Risk Management**

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. Firstly, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. Secondly, employees and parties outside our Company are encouraged to provide information and report violations of professional ethics by our employees or suspected corruption cases via email. Thirdly, we carefully evaluate risk events and conduct investigations when necessary. Fourthly, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Lastly, we conduct internal control inspections regularly. Employees are required to acknowledge and accept our internal code of conduct that lists relevant policies and regulations in detail, including but not limited to clear definitions of bribery and corruption. We impose penalties on Directors, senior management and employees, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption.

### **Information System Risk Management**

Our objectives for information system management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous, stable and compliant environment. We have implemented policies and procedures to (i) monitor the key operation indicators of our operation system and give an alarm if such indicators go beyond the security thresholds; (ii) manage the authorities of our employees to access certain functions of our operation system; (iii) manage the network and hard drive capacities; and (iv) categorize system malfunctions and accidents into various levels according to their seriousness and urgency, and implement different mechanisms to fix them.

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We had not experienced any material system failure or malfunctioning of our operation system or our vending machines during the Track Record Period and up to the Latest Practicable Date.

### **Product Quality and Safety Management**

We have put in place comprehensive product quality and safety management system to (i) maintain and monitor the product safety and quality for the products distributed or sold through our vending machines, and (ii) protect us against claims for sub-quality or contaminated products.

We select our suppliers based on qualification, brand, reliability and volume. We perform background checks on our suppliers, examine their business licenses and the relevant licenses and certificates for their products they provide before we enter into any agreement. We evaluate their brand recognition and make inquiries about the market acceptance of their products among players in the same industry. We have personnel dedicated to the management of our suppliers with respect to product quality, logistics and returns. According to our agreements with suppliers, we have the right to return any sub-quality products. We also have the right to return any damaged or contaminated products if caused by our suppliers. With respect to our merchandise sales business, we have adopted a seven-day no-reason return policy for consumers purchasing FMCG from our vending machines and online platform, in accordance with the relevant PRC Laws. However, in particular, foods are eligible for seven-day no-reason returns only if they are unopened and the quality is not affected.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall and return.

### **Compliance Risk Management**

#### ***Compliance with the Administrative Provisions on Mobile Internet Application Information Services***

In order to comply with the requirements of the *Administrative Provisions on Mobile Internet Applications Information Services*, we have adopted the following measures:

- (i) *Information content management.* We have established the User Account Credit Management Policy (《用戶賬號信用管理制度》), the Account Information Dynamic Verification Policy (《賬號信息動態核銷制度》) and the User Registration and Information Release Review Policy (《用戶註冊和信息發佈審核制度》), and a complaint reporting system to review the information content and prevent malicious information;

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- (ii) *Data security protection.* We have established an informatization committee and set up an information security team, who are responsible for coordinating the implementation of cybersecurity, data security and personal information protection. At the same time, we have formulated our internal management policies and operating protocols in respect of cybersecurity, data security and personal information protection including the Data Management Policy (《數據管理制度》), the Management Policy for System Account Authority (《系統賬號權限管理制度》) and the Management Policy for Personal Information Protection (《個人信息保護管理制度》), and designated personnel to take in charge of the management of cybersecurity, personal information protection and network information content ecosystem. We have entered into confidentiality agreements with our employees, and organized trainings on cybersecurity awareness, data security rules and personal information protection rules to boost employees’ awareness. In terms of technical measures, we have taken technical security measures such as data encryption, data backup, bastion host monitoring and log record to prevent unauthorized access to network data as well as data leakage, theft, tampering or loss;
- (iii) *Verification of users’ real identities.* We have implemented relevant measures to verify the real identity information of users applying for registration on our online platform based on users’ mobile phone numbers;
- (iv) *Personal information protection.* We have posted personal information processing rules on our online platform to inform users with respect to our name and contact information, the purpose, method and type of personal information to be processed, among others. We process users’ personal information upon obtaining their consents. When a user uses our online platform for the first time, we will display the privacy policy in the form of a pop-up window and obtain the user’s consent to the processing of his/her personal information. If the user refuses to agree to the privacy policy, he/she will have the option of access to our online platform through a browsing mode under which no personal information will be collected.

### *Compliance with the Advertisement Law*

As advised by our PRC Legal Adviser, when we engage MCNs to publish posts on social media platforms, we are categorized as “advertiser” under *the Advertisement Law of the People’s Republic of China* (《中華人民共和國廣告法》) (the “**Advertisement Law**”). Under such circumstances, we shall bear legal liabilities if we publish advertisements in violation of laws and regulations, including but not limited to (i) publishing advertisements with content or themes that are prohibited by laws and regulations; (ii) publishing advertisements for certain goods (such as medical devices) without being reviewed by the competent authorities; (iii) publishing advertisements for medical treatment, pharmaceuticals, medical devices or dietary supplements in a disguised manner such as introducing health and wellness knowledge, etc.; or (iv) advertising goods or services that are prohibited from being produced, sold, provided or advertised. In addition, we shall be responsible for the authenticity of the advertisement.

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As advised by our PRC Legal Adviser, when we provide design services for advertisement and display advertisement online or on the screen/shell of vending machines, such as in providing AI interactive advertisements, we are considered “advertising agency” and/or “advertising publishers” as per the Advertisement Law’s definition. Under such circumstances, we also bear the responsibilities outlined for “advertiser” as mentioned in (i) to (iv) above. In addition, if we provide advertising design, production, agency or publishing services with respect to an advertisement when we know or should have known that the advertisement is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate our income from such advertising services, impose penalties, order us to cease dissemination or correct such advertisement, or order us to suspend or revoke our business license under certain serious circumstances.

We have adopted internal control measures to ensure the compliance with the Advertisement Law, including among others, (i) our legal department reviews the content of advertisements associated with our projects to ensure adherence to relevant laws and regulations. In cases of suspected violations, our legal department alerts the project team about associated risks and provides appropriate guidance; (ii) our legal department actively monitors developments in laws and regulations related to our marketing activities. They prepare training materials and conduct training sessions for employees to ensure awareness and compliance with these laws and regulations; and (iii) our sales department is responsible for the registration, review, and file management procedures for accepting advertising-related business. In particular, under very few circumstances where we cooperated with MCNs to engage KOLs for live streaming sessions, we have implemented internal control measures to ensure the compliance with Advertisement Law. These measures include that (i) we conduct strict screening of MCNs based on our supplier selection standards for service providers; (ii) we require MCNs to select KOLs with good reputation and we also conduct public search on selected KOL(s) by ourselves; If any selected KOL(s) has negative information that could harm the brand image, we will require MCNs to find alternative options; (iii) we facilitate discussion between brand customers and the selected KOL(s) to ensure alignment with the brand customer’s requirements; and (iv) we assist brand customers in reviewing live streaming plans and scripts to ensure compliance with the Advertisement Law.

During the Track Record Period, we have not been subject to penalties by the relevant competent authorities or compensation claims from consumers for publishing inappropriate, illegal or offensive advertising content. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, we have not published inappropriate, illegal or offensive advertising content. As confirmed by our Directors and our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with all relevant PRC laws and regulations in all material aspects concerning advertising.

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### EMPLOYEES

As of December 31, 2023, we had 187 employees, all located in China. The following table sets forth the number of our employees as of December 31, 2023 by function:

Function	Number of Employees	% of Total
Operation and maintenance	82	43.9
Sales and marketing	33	17.6
General and administration	8	4.3
Research and development	30	16.0
Others	34	18.2
<b>Total</b>	<b>187</b>	<b>100.0</b>

We primarily recruit our employees through third-party recruitment platforms and headhunters. After collecting and approving the recruitment plans from each department on our office administration system, we will submit our recruitment plans to such third-party recruitment platforms or headhunters, which will then publish them through various recruitment channels. The portfolios of candidates will be screened and assessed by our human resources department and the relevant department heads.

Our success depends on our ability to attract, retain and motivate qualified employees. We offer our employees a competitive remuneration package which includes salary, benefits, bonuses and incentives. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. As required by the PRC Laws, 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. However, the salary basis on which our PRC subsidiaries or branches made such contributions did not fully comply with the legal requirements. For details of the maximum potential penalties for which we may be liable, see “Risk Factors – Risks Relating to Extensive Government Regulations – We are subject to regulatory requirements in labor-related laws and regulations of the PRC.”

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice from the relevant PRC authorities requiring us to rectify or pay the outstanding amounts or been imposed any penalties in respect of social insurance and housing provident funds.

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During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. The number of dispatched contract workers hired by us exceeded 10% of our total number of employees during the Track Record Period, and we employed a vice president in labor-dispatch form, which were not in compliance with relevant laws and regulations. However, such non-compliances had been fully rectified as of the Latest Practicable Date, and as advised by our PRC Legal Adviser, the likelihood of us being imposed administrative penalties is remote. For details of the maximum potential penalties for which we may be liable, see "Risk Factors – Risks Relating to Extensive Government Regulations – We are subject to regulatory requirements in labor-related laws and regulations of the PRC."

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.

We have formed a labor union to promote an open, transparent and inclusive work environment through an emphasis on communication and participation. We believe that we maintain good working relationships with our employees and we had not experienced any strikes or labor disputes that had any material adverse effect to our operations during the Track Record Period and up to the Latest Practicable Date.

### **Internal Control Measures**

To prevent recurrence of non-compliance in relation to full contribution on social insurance and housing provident funds, we have taken the following measures:

- communicating regularly with the competent governmental authorities to determine whether our calculation and contribution of social insurance and housing provident funds are in compliance with the relevant laws and regulations;
- consulting regularly with our legal adviser to understand compliance risks; and
- consulting our auditors to assess the need for supplementary accruals for social insurance and housing provident funds.

To prevent recurrence of non-compliance in relation to hiring dispatched contract workers, we have taken the following measures:

- monitoring regularly the number of dispatched contract workers and the total number of our employees; and
- adjusting the ratio of dispatched contract workers from time to time so that the number of dispatched contract workers does not exceed 10% of the total number of our employees.

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### AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions during the Track Record Period and up to the Latest Practicable Date.

Award/Recognition	Issuing Entity	Time of Receipt
The 7th Digital Marketing Annual Awards (“DMAA”) – Gold Award (第七屆國際數字營銷獎金獎)	The Committee of DMAA (國際數字營銷獎組委會)	2024
Top Brand Innovation Award – Annual Marketing Case (傑出品牌創新獎–年度營銷案例)	The Committee of Top Brand Innovation (傑出品牌創新組委會)	2023
High and New Technology Enterprise Qualification (高新技術企業)	Science and Technology Commission of Shanghai Municipality, Shanghai Department of Finance and Shanghai State Municipal Taxation Administration (上海市科學技術委員會、上海市財政局、國家稅務總局上海市稅務局)	First obtained in 2016, and renewed in 2019 and 2022
Shanghai Municipal “Specialized, Refined, Unique and Innovative” Enterprise (上海市“專精特新”企業)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)	2022
Little Giant of Science and Technology Award in Science and Technology Innovation Action Program of Shanghai (上海市科技創新行動計劃項目科技小巨人)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)	2021



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### INSURANCE

We maintain standard benefit plans required by the PRC Laws, including medical insurance, maternity insurance, pension insurance, unemployment insurance and work-related injury insurance. We obtain such insurance from reputable insurance carriers in accordance with commercially reasonable standards. In line with general market practice, we do not maintain business interruption insurance or key man life insurance, which are not mandatory under the applicable laws. For a discussion of risks relating to our insurance coverage, see “Risk Factors – Risks Relating to Our Business and Industry – Risks relating to our general operations – Our insurance coverage may be insufficient to cover all risks involved in our business operations” in this document. Our Directors believe that our insurance coverage is adequate and in line with industry norms.

### PROPERTIES

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice and Chapter 5 of the Listing Rules, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2023, none of the properties leased by us had a carrying amount of 15% or more of our total assets.

Our corporate headquarter is located in Shanghai, China. As of the Latest Practicable Date, we did not own any properties and leased 25 properties in China for our business operation, with an aggregate gross floor area of approximately 9,454.33 sq.m..

In the event that any of our leases expire after the end of their respective lease term, we would need to seek alternative premises and incur relocation costs. We believe that there are alternative properties at comparable rental rates available in the market, the use of which would not materially and adversely affect our business operations, and we thus do not rely on the existing leases for our business operations. For details of the risks with respect to our leased properties, see “Risk Factors – Risks Relating to Our Business and Industry – Risks Relating to Our Services – We may not be able to find suitable sites for our vending machines on commercially acceptable terms, if at all. Any substantial increase in occupancy fee and/or utilization cost, non-renewal, or unexpected early termination of cooperation agreements may affect our business” in this document.

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### **Leased Properties Pending Building Ownership Certificates (房屋所有權證)**

As of the Latest Practicable Date, with respect to 12 of our leased properties with an aggregate GFA of 4,444.0 sq.m, representing approximately 47.00% of our total leased GFA, the lessors of such leased properties had not been able to obtain or provide us with sufficient and valid building ownership certificates that evidence their rights to lease the properties or proofs of authorization from property owners to sublease the properties to us. Such leased properties are used for warehouse and office purposes.

As advised by our PRC Legal Adviser, without ownership certificates or proofs of authorization from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the leases or our land use rights. Pursuant to the applicable PRC Laws, if the lessors do not have the requisite rights to lease these properties, the relevant lease agreements may be deemed invalid and we may be required to vacate these properties. However, in the event that we are unable to continue using such properties due to the third parties' claims against the ownership of such properties, we are entitled to terminate the relevant lease agreements at our election. In addition, if we are unable to continue using such properties due to the third parties' claims or challenges against the relevant leases or our property use rights under the relevant leases, we are entitled to request the lessors to reduce or waive the rents. Such contractual protections significantly mitigate our risks arising from these leased properties due to claims for vacation from the legal owners of the properties.

In view of the foregoing, our Directors are of the view that the abovementioned title defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our leases with respect to these defective leased properties had not been subject to any claims, disputes, governmental orders or administrative penalties in connection with rights to lease and use such leased properties during the Track Record Period and up to the Latest Practicable Date, (ii) we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so; and (iii) considering these defective leased properties are geographically dispersed across China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to a significant number of these defective leased properties, and we do not expect to incur the administration burden to relocate many properties in a short time period.

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### **Leased Properties with Usage Defects**

As of the Latest Practicable Date, with respect to the 13 leased properties that we had obtained copies of building ownership certificates, the actual use of eight leased properties with an aggregate GFA of 1,838.92 sq.m., representing approximately 19.45% of our total leased GFA, did not fit into the prescribed scope of usage shown on the relevant ownership certificates. However, as we mainly stored FMCG products which typically do not require special warehousing conditions, conducted regular inspections on these properties by ourselves or relevant third-party property management companies, and had not encountered any material safety issues with respect to these properties during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that these properties do not have material safety issues for being used as warehouses.

Our PRC Legal Adviser advised us that, if the properties are leased for the usage incompatible with the prescribed scope, our usage of such leased properties with usage defects may be interrupted.

Our Directors are of the view that the abovementioned usage defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Director's knowledge, our leases with respect to these defective leased properties had not been subject to any claims, disputes, governmental orders or administrative penalties in connection with the actual use of such leased properties during the Track Record Period and up to the Latest Practicable Date; and (ii) we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so.

### **Lease Registration**

Pursuant to the applicable PRC Laws, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 22 of our lease agreements with landlords were not registered with the relevant government authorities in China. This was primarily due to the difficulty in procuring our lessors' cooperation in registering such leases.

Our PRC Legal Adviser advised us that, according to the applicable PRC Laws, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in China to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. According to our PRC Legal Adviser, the maximum amount of administrative penalties in relation to such non-compliance amounts to RMB220,000. However, as of the Latest Practicable Date, we had not been ordered to register our lease agreements or fined by the relevant authorities in China with respect to these lease agreements. In view of the foregoing, our Directors are of the view that non-registration of these lease agreements will not materially and adversely affect our business operations.

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We will rectify the non-compliance in not completing the registration and filing of all our lease agreements in a prompt manner by taking practical actions to have our lease agreements properly registered and filed with the relevant real estate administration bureau to extent practicable. However, since certain application materials for the lease registration shall be provided by the landlord, such as the identity proof of the landlord and the property ownership certificate of the leased property, which may be unavailable to us from time to time, we cannot assure you that we are able to complete all the outstanding lease registrations promptly.

For further details on the risks associated with our leased properties, see “Risk Factors – Risks Relating to our Business and Industry – Risks relating to extensive government regulations – Our leased property interests may be defective and our right to lease or use the properties may be challenged” in this document.

### **Internal Control Measures**

To prevent recurrence of these potential defects in our leased properties, we have taken the following measures:

- *Proactive approach and communication with our lessors.* We designate our staff to proactively reach out to and communicate with lessors to obtain the relevant ownership certificates or proofs of authorization from property owners.
- *Internal policies.* We require all of our lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them and we will not enter into lease agreements for properties with title defects.

To prevent recurrence of non-compliance in relation to registration of lease agreements, we have taken the following measures:

- communicating regularly with the competent governmental authorities to determine whether our registration of lease agreements are in compliance with the relevant laws and regulations;
- consulting regularly with our legal adviser to understand compliance risks; and
- enhancing our internal policies to require our lease agreements to be registered with relevant authorities.

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### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group had been involved in any legal, arbitration or administrative proceedings, including bankruptcy or receivership proceedings, whether actual or threatened, that we believe would have a material adverse effect to our business, results of operations, financial condition or reputation. Also, our Directors had not been involved in any actual or threatened claims or litigations of material impact. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we had complied with all applicable laws and regulations in all material respects.

#### **Non-Compliance Incidents**

##### *Contribution on Social Insurance and Housing Provident Funds*

During the Track Record Period, we have not fully made the social insurance and housing provident fund contributions for our employees in accordance with the relevant legal requirements, and our total shortfall amount of social insurance premium and housing provident funds in 2021, 2022 and 2023 amounted to RMB3.4 million, RMB4.1 million and RMB3.9 million, respectively.

We were unable to make full contributions to social insurance and housing provident funds for our employees primarily because a certain number of our employees decided not to make full contributions to social insurance and/or housing provident funds, since a higher amount of social insurance and housing provident funds contributions will result in a lower amount of salary received by the employees.

In addition, during the Track Record Period, one of our PRC subsidiaries engaged third-party human resource agencies to make contributions to social insurance and housing provident funds for some of our employees in certain cities where they worked and resided. We had such arrangement because we did not have subsidiaries or branches in the cities where such employees worked and resided, and these employees wanted us to provide social insurance and housing provident funds contributions in such cities. Pursuant to the PRC laws and regulations, payment of social insurance and housing provident fund should be based on employment relationship between the employer and the employee as evidenced by labor contract. We may be subject to penalties if such agencies failed to pay social insurance and housing provident funds in full.

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Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay, calculating from the date of occurrence of such outstanding social insurance contributions. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center in China may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

As advised by our PRC Legal Adviser, the maximum amount of the late payment fee with respect to our underpayment of social insurance and housing provident funds contribution was approximately RMB2.67 million as of the Latest Practicable Date. As advised by our PRC Legal Adviser, since (i) during the Track Record Period and up to the Latest Practicable Date, we had not received any notice from the relevant PRC authorities requiring us to rectify or pay the outstanding amounts or been imposed any penalties in respect of social insurance and housing provident funds; and (ii) the likelihood of us being required to conduct a voluntary contribution of our historical social insurance and housing provident funds arrears is relatively low, the likelihood of us being imposed administrative penalties with respect to underpayment of social insurance contribution and housing provident fund is remote.

We have implemented our policy on the payment of social insurance and housing provident funds contributions for employees in compliance with relevant PRC laws. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to pay in full the outstanding social insurance and housing provident funds contributions for our employees due to certain employees’ reluctance to participate in the relevant schemes. We undertake to fully rectify and make full contributions for our present employees when the labor administrative authorities open the window for us to adjust the salary basis on which we make the social insurance and housing provident fund contributions, which is expected to be in July 2024.

We have also been rectifying the non-compliance with respect to payment of social insurance and housing provident funds contributions through third-party human resource agencies, including transferring the social insurance and housing provident funds contributions from such agencies back to our subsidiaries and branches. As of the Latest Practicable Date, such non-compliance has been fully rectified.

Moreover, we have taken a series of internal control measures to prevent recurrence of non-compliance in relation to full contribution on social insurance and housing provident funds. See “– Employees – Internal Control Measures.”

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### *Hiring of Dispatched Workers*

We engage third-party employment agencies to dispatch contract workers. During the Track Record Period, the number of dispatched contract workers hired by us exceeded 10% of our total number of employees, and we employed a vice president in labor-dispatch form, which were not in compliance with relevant laws and regulations.

Pursuant to the Interim Provisions, employers failing to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to rectify such non-compliance within a stipulated period. Where rectification is not made within the stipulated period, employers shall be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched contract worker exceeding the 10% threshold.

During the Track Record Period, the maximum number of dispatched contract workers hired by us that exceed the limit of 10% of total number of employees stipulated by the Interim Provisions was 43, which may result in us being subject to a maximum penalty of RMB430,000. However, as of the Latest Practicable Date, we had reduced the number of our dispatched contract workers to below 10% of the total number of our employees. As advised by our PRC Legal Adviser, the likelihood of us being imposed administrative penalties or fines with respect to the hiring of dispatched contract workers is remote.

### **LICENSES, PERMITS AND REGULATORY APPROVALS**

As confirmed by our PRC Legal Adviser, as of the Latest Practicable Date, we had obtained all material requisite licenses, permits and approvals from the relevant government authorities for our current principal business operations in the PRC, and such licenses, permits and approvals remained in full effect. We intend to apply for renewal of our material requisite licenses and permits, the procedures for which is expected to be initiated timely prior to their respective expiration date. The successful renewal of our existing licenses, permits and approvals will be subject to our fulfillment of relevant requirements. As of the Latest Practicable Date, our Directors were not aware of any reason that would cause or lead to the non-renewal of our existing licenses, permits and approvals.



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The table below sets forth the information of the material requisite licenses, permits and approvals for our current principal business operations in the PRC:

No.	Issuee	License/Permit	Issuing Authority	License/Permit No.	Effective Period/Filing Date
1	Shanghai Quna	Operators Record-filing for Selling Only Pre-packaged Food	Shanghai Yangpu District Market Supervision Administration (上海市楊浦區市場監督管理局)	YB13101100016681	May 4, 2023 to May 3, 2028
2	Shanghai Quna	Liquor Retail Licence	Shanghai Yangpu District Market Supervision Administration (上海市楊浦區市場監督管理局)	Yang Shi Jian Jiu Ling Zi No. JY13101100011452-JL	June 20, 2022 to April 30, 2025
3	Shanghai Quna	Class II Medical Device Business Filing Certificate	Shanghai Yangpu District Market Supervision Administration (上海市楊浦區市場監督管理局)	Hu Yang Shi Yao Jian Xie Jing Ying Bei No.20202013	Filing date: June 9, 2020*
4	Shanghai Quna	Multi-Layer Protection Scheme (MLPS) Registration Certification	Shanghai Public Security Bureau (上海市公安局)	31011013059-21001	Filing date: June 21, 2022*
5	Tianjin Branch	Operators Record-filing for Selling Only Pre-packaged Food (Change Form)	Tianjin Hexi District Market Supervision Administration (天津市河西區市場監督管理局)	YB21200030016581	Filing date: February 28, 2024*
6	Zhejiang Branch	Food Operation License	Hangzhou Gongshu District Market Supervision Administration (杭州市拱墅區市場監督管理局)	JY13301030213171	February 22, 2022 to December 1, 2025

*Note:*

\* No expiration date once filed.

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No.	Issuee	License/Permit	Issuing Authority	License/Permit No.	Effective Period/Filing Date
7	Suzhou Branch	Operators Record-filing Form for Selling Only Pre-packaged Food	Suzhou Wuzhong District Market Supervision Administration (蘇州市吳中區市場監督管理局)	YB13205060001357	Filing date: April 24, 2022*
8	Henan Branch	Operators Record-filing Form for Selling Only Pre-packaged Food	Zhengzhou High-tech Industrial Development Zone Administration Commission Environmental Protection and Safety Supervision Bureau (鄭州高新技術產業開發區管委會環保安監局)	YB2410189000921A	Filing date: June 14, 2023*
9	Anhui Branch	Operators Record-filing Form for Selling Only Pre-packaged Food	Hefei Shushan District Market Supervision Administration (合肥市蜀山區市場監督管理局)	YB1340104001246	Filing date: June 21, 2023*
10	Hubei Branch	Operators Record-filing Form for Selling Only Pre-packaged Food	Wuhan Hanyang District Administrative Approval Bureau (武漢市漢陽區行政審批局)	YB14201050049635	Filing date: June 25, 2023*
11	Ningbo Branch	Record-filing for Selling Only Pre-packaged Food	Ningbo Yinzhou District Market Supervision Administration (寧波市鄞州區市場監督管理局)	YB23302270037112	Filing date: March 7, 2024
12	Qingdao Branch	Record-filing for Selling Only Pre-packaged Food	Qingdao Jimo District Administrative Approval Service Bureau (青島市即墨區行政審批服務局)	YB1370215000295	Filing date: January 4, 2024

*Note:*

\* No expiration date once filed.

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No.	Issuee	License/Permit	Issuing Authority	License/Permit No.	Effective Period/Filing Date
13	Guangdong Branch	Record-filing for Selling Only Pre-packaged Food	Guangzhou Baiyun District Market Supervision Administration (廣州市白雲區市場監督管理局)	YB24401110025832	Filing date: February 27, 2024*
14	Xiamen Branch	Operators Record-filing Change Form for Selling Only Pre-packaged Food	Xiamen Xiang'an District Market Supervision Administration (廈門市翔安區市場監督管理局)	YB13502130011052	Filing date: June 20, 2023*
15	Shandong Branch	Record-filing for Selling Only Pre-packaged Food	Jinan Tianqiao District Administrative Approval Service Bureau (濟南市天橋區行政審批服務局)	YB13701050024113	Filing date: July 20, 2023*
16	Sichuan Branch	Operators Record-filing Form for Selling Only Pre-packaged Food	Chengdu Chenghua District Market Supervision Administration (成都市成華區市場監督管理局)	YB25101080024430	Filing date: June 30, 2023*
17	Wuxi Branch	Food Operation License	Wuxi Xishan District Market Supervision Administration (無錫市錫山區市場監督管理局)	JY13202050221308	February 23, 2022 to February 22, 2027
18	Shaanxi Branch	Shaanxi Operators Record-filing for Selling Only Pre-packaged Food	Xi'an Chang'an District Market Supervision Administration (西安市長安區市場監督管理局)	YB26101160520061	Filing date: May 23, 2023*

*Note:*

\* *No expiration date once filed.*

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No.	Issuee	License/Permit	Issuing Authority	License/Permit No.	Effective Period/Filing Date
19	Shenzhen Branch	Shenzhen Enterprise Record-filing Certificate for Selling Only Pre-packaged Food	Shenzhen Market Supervision Administration (Longhua Supervision Bureau (深圳市市場監督管理局龍華監督管理局))	YB24403110882948	Filing date: April 12, 2024*
20	Beijing Branch	Food Operation License	Beijing Haidian District Market Supervision Administration (北京市海澱區市場監督管理局)	JY11108103353423	October 20, 2022 to August 16, 2027
21	Jiangsu Branch	Food Operation License	Nanjing Jiangbei New Area Management Committee Market Supervision Administration (南京江北新區管理委員會市場監督管理局)	JY13201910157781	June 26, 2023 to June 3, 2026
22	Chongqing Branch	Operators Record-filing Change Form for Selling Only Pre-packaged Food	Chongqing Economic and Technological Development Zone Management Committee Market Supervision Administration (重慶經濟技術開發區管理委員會市場監督管理局)	YB25001080095039	Filing date: August 14, 2023*
23	Foshan Branch	Operators Record-filing for Selling Only Pre-packaged Food	Foshan Chancheng District Market Supervision Administration (佛山市禪城區市場監督管理局)	YB14406042517612	Filing date: June 25, 2023*
24	Dongguan Branch	Operators Record-filing Form and Change Form for Selling Only Pre-packaged Food	Dongguan Market Supervision Administration (東莞市市場監督管理局)	YB14419152553976	Filing date: June 25, 2023*

*Note:*

\* *No expiration date once filed.*

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No.	Issuee	License/Permit	Issuing Authority	License/Permit No.	Effective Period/Filing Date
25	Yantai Branch	Record-filing for Selling Only Pre-packaged Food	Yantai High-tech Industrial Development Zone Administrative Approval Service Bureau (煙台高新技術產業開發區行政審批服務局)	YB13706890004184	Filing date: August 3, 2023*
26	Shanghai Zhiqu	Record-filing for Selling Only Pre-packaged Food	Shanghai Yangpu District Market Supervision Administration (上海市楊浦區市場監督管理局)	YB13101130015103	Indefinite
27	Shanghai Quxuan	Operators Record-filing for Selling Only Pre-packaged Food	Shanghai Yangpu District Market Supervision Administration (上海市楊浦區市場監督管理局)	YB23101100022074	June 29, 2023 to June 28, 2028
28	Shanghai Quxuan	Liquor Retail Licence	Shanghai Baoshan District Market Supervision Administration (上海市楊浦區市場監督管理局)	YB23101100022074-JL	Effective until March 14, 2026
29	Zhejiang Quxiang	Operators Record-filing for Selling Only Pre-packaged Food	Anji County Market Supervision Administration (安吉縣市場監督管理局)	YB13305230061045	Filing Date: January 23, 2024*
30	Zhejiang Branch	Record-filing for Selling Only Prepackaged Food	Zhejiang Province Market Supervision Administration (浙江省市場監督管理局)	YB23301050065077	Filing Date: March 14, 2024

*Note:*

\* *No expiration date once filed.*

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### ENVIRONMENTAL AND SAFETY MATTERS

To comply with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with environmental or safety regulations and had not had any accident, or received any claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the relevant environmental and safety laws and regulations in China in all material aspects. Taking into account the nature of our business, our Directors considered that the annual costs for compliance with the applicable environmental or safety laws and regulations were not material during the Track Record Period and we do not expect such costs to be material going forward.

### Policy on Environmental, Social and Corporate Governance

We are committed to promoting corporate social responsibility and sustainable development, and integrating them into all major aspects of our business operations. Accordingly, our Board has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules, which sets forth, among others, (i) the appropriate risk governance on environmental, social and governance (“**ESG**”) matters, including ESG-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; and (v) ESG risk management and monitoring.

### *Governance*

Our Directors have an overall responsibility for our ESG strategy and reporting, ensuring that our ESG Policies are duly implemented and have continuous updates for full compliance with the latest standards. Our Directors also support our commitment to fulfilling our environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Our Directors’ principal duties and responsibilities in respect of ESG include: (i) keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, and keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates; (ii) identifying our key stakeholders based on our business operations and understanding such stakeholders’ influences and dependence with respect to ESG matters; (iii) assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies, especially risks in relation

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to climate changes, to ensure our responsibilities with respect to ESG matters are met; (iv) monitoring the effectiveness and ensuring the implementation of our ESG Policy; and (v) reporting to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report.

### Impacts of ESG-Related Risks

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance:

- (i) ***Food Safety and Quality.*** Our food safety guidelines and policies, standards and procedures, inspections and checks, and training on proper food safety practices, among others, may not be adequate, which may increase the chance of contamination and food-borne illnesses. As a result, we may be subject to risks of receiving administrative or criminal penalties and our reputation may be adversely impacted.
- (ii) ***Supply Chain Management.*** Responsible sourcing and sound supply chain management are essential for us to ensure reliable food quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be exposed to risks of suppliers’ non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.
- (iii) ***Climate Change Adaption.*** Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our warehouses and offices and pose safety risks to our staff, among other consequences. Besides, against the backdrop of the PRC’s carbon peak and neutrality goals, we may incur additional costs to purchase new energy, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon product development.
- (iv) ***Environmental Compliance.*** We are subject to relevant environmental laws and regulations, such as the Energy Conservation Law (《中華人民共和國節約能源法》). Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to switch to cleaner energy and more energy efficient operating equipment, which may increase our operating costs.



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### **Identification, Assessment, Management and Mitigation of ESG-Related Risks**

We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

#### ***Product Quality and Food Safety***

We comply with relevant laws and regulations regarding food safety in all material respects in the PRC and are prudent in every aspect from procurement to distribution and consumption of merchandise. For product issues that occurred before delivery to us, including defects in products’ packaging, our suppliers or brand customers providing merchandise or products are solely responsible for the relevant product liabilities. For details of the food safety laws and regulations that apply to us, see “Regulatory Overview – Regulations in Relation to Food Sales and Safety.”

#### ***Supply Chain Management***

We have established a supplier approval process, through which our brand customers and suppliers must provide relevant qualifications or certifications, such as their business licenses or food production and operation licenses, and demonstrate legal compliance with environmental and social policies prior to approval. If brand customers or suppliers are not compliant with the applicable laws and regulations regarding food safety and quality or commit misconducts, we may terminate our contracts with them. We place great emphasis on supply chain sustainability and have been promoting a responsible, low-carbon and bio-diversity paradigm along our value chain.

We are committed to operating in an environmentally and socially responsible manner across all aspects of our business and in our supply chain. We have established an ESG Policy on Suppliers, and as a minimum, it should be followed by all of our suppliers. The policy covers topics of environment, responsible sourcing, child labor, forced labor, compensation and working hours, grievance mechanism, health and safety, discrimination, bullying and harassment, bribery and corruption, and whistleblowing. As we outline in the policy, we give preference to suppliers whose products and services are environmentally friendly with low carbon footprint, or whose products and services help us minimize the adverse impacts on the climate and environment. In addition, we will encourage our vending machine manufacturers to use recycled materials.

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### *Climate Change Adaptation*

We are committed to conserving energy and reducing our carbon footprint. We primarily consume electricity in our operational activities. These are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy, we have adopted the following measures:

- (i) implementing an internal Energy Management Policy to stipulate how we measure, monitor and optimize energy consumption; and
- (ii) continuously looking for effective ways to reduce energy use and thus our carbon footprint, including but not limited to high-efficiency equipment and flexible setting to switch equipment on-and-off.

*Metrics and targets.* We endeavor to proactively conserve energy in response to the government’s initiatives. We evaluate the level of energy consumption of our vending machines with the metric of average annual power usage per vending machine. For the years ended December 31, 2021, 2022 and 2023, the estimated average annual power usage per vending machine was 1,020 kWh, 1,030 kWh and 945 kWh, respectively. We will seek to reduce the level of average annual power usage per vending machine by approximately 10% over the next three years from the base year of 2023.

*Measures leading to the targets.* We have continuously optimized our vending machine design and taken a series of measures to reduce the energy consumption of each vending machine.

Measured powers of certain lighting components for calculation are listed below:

<b>Power usage (Wh per unit)</b>	<b>Ceiling light (w)</b>	<b>Small screen (w)</b>
5th generation vending machine	25	10
3rd generation vending machine	25	54

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The measures include but not limited to:

- (a) During the time of low consumer traffic, turn off the ceiling light and small screen. Around 8% of energy in average could be saved through this measure.

Example: low consumer traffic time is around nine hours per day, and the corresponding energy saving is estimated below:

Type of vending machine	Energy saving
5th generation vending machine	$(25\text{Wh}+10\text{Wh}) *9\text{h}/1,000=0.315 \text{ kWh/day}$
3rd generation vending machine*	$25\text{Wh} *9\text{h}/1,000=0.225 \text{ kWh/day}$

- (b) During the non-operating hours of shopping centers, turn the certain vending machine to dormant and standby mode. Around 9% of energy in average could be saved through this measure.

Note:

- \* For our 3rd generation vending machines, small screen operates during the period of lower consumer traffic.

Example: non-operating time in these places is around eleven hours per day, and the corresponding energy saving is estimated below:

Type of vending machine	Energy saving
5th generation vending machine	$(25\text{Wh}+10\text{Wh}) *11\text{h}/1,000=0.385 \text{ kWh/day}$
3rd generation vending machine	$(25\text{Wh}+54\text{Wh}) *11\text{h}/1,000=0.869 \text{ kWh/day}$

- (c) Upgrade the vending machines' control system to realize more accurate temperature control. Around 2% of energy in average could be saved through this measure.

Example 1: In winter, the layer display light on the 5th generation vending machine could be automatically turn-off if the temperature exceeded a certain value if the place has heating system.

Example 2: The cooling function of the vending machine could be automatically turned on or turned off depending on different environmental temperature in daytime and night as well as in different seasons.

- (d) Standardize the replenishment operation of offline logistics in order to avoid opening the vending machine's door in a large area and reduce the temperature variations in the warehouse. Around 0.5% of energy in average could be saved through this measure.

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- (e) Regularly maintain the refrigeration system of each vending machine to ensure its normal operation and improve the energy efficiency ratio. Around 0.5% of energy in average could be saved through this measure.

### *Scope 1, 2 and 3 Greenhouse Gas (“GHG”) Emissions*

*Scope 1 emissions.* During the Track Record Period, we did not combust fuels in stationary sources to generate electricity, heat or steam, nor we own any automobile vehicle. Therefore, there was no scope 1 emissions by equipment that was controlled by us or located within the physical boundary of our operations.

*Scope 2 emissions.* We evaluated our purchased electricity consumption at our office premises, at warehouses and for all vending machines operating for business activities. For the years ended December 31, 2021, 2022 and 2023, our estimated total electricity consumption was approximately 6,066 MWh, 8,911 MWh and 6,053 MWh, respectively. The associated GHG emissions equivalents to 3,524 t CO<sub>2</sub>e, 5,082 t CO<sub>2</sub>e and 3,469 t CO<sub>2</sub>e, respectively. The calculation standard and methodology for carbon emissions is in accordance with the GHG Protocol. The source of emission factors for the reporting of carbon emissions are the annual national grid average emission factors published by the Ministry of Ecology and Environment, PRC, i.e. 0.5810 kg CO<sub>2</sub>e/kWh in 2021 for calculating GHG emissions in 2021, 0.5703 kg CO<sub>2</sub>e/kWh for calculating GHG emissions in both 2022 and 2023, as the Ministry of Ecology and Environment, PRC had not published the factor for the year 2023.

For the years ended December 31, 2021, 2022 and 2023, our estimated total electricity consumption for all vending machines was approximately 5,894 MWh, 8,757 MWh and 6,576 MWh, respectively. The associated GHG emissions equivalents to 3,424 t CO<sub>2</sub>e, 4,994 t CO<sub>2</sub>e and 3,750 CO<sub>2</sub>e, respectively.

The GHG emissions sourced from electricity consumption for all vending machines were dominant at about 97%, 98% and 98% of the total scope 2 emissions, respectively. Therefore, our efforts on achieving the 20% reduction target for average annual power usage per vending machine would contribute to most of our scope 2 emissions reduction.

*Scope 3 emissions.* We have identified key activities from which indirect GHG emissions arise. These activities include, but not limit to, purchased goods and services, transportation and distribution, business travel, employee commute, waste disposal, etc. We are planning to conduct Scope 3 emissions accounting and reporting in the future.

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### **Resource Consumption**

We endeavor to reduce negative impacts on the environment by optimizing resources consumption across our operations. In relation to resource utilization management of our offices, among others, we adopt a document management system and a paper management system with the aim to reduce the amount of paper waste used for record keeping and avoid unnecessary printing. To reduce plastic wastes, we have also installed water dispenser at our offices.

### **Environmental-friendly Measures in outdoor marketing**

We are dedicated to environmental protection in outdoor marketing through a series of measures designed to reduce the usage of packaging and marketing materials, especially plastics, and paper products. We promote eco-friendly packaging materials like paper-based and recyclable plastics, which help alleviate the environmental burden. Subsequently, we promote a packaging and banner reuse, striving to reuse materials during product transportation and recycle banners that can be used multiple times. We will also work closely with product suppliers and customers to encourage the adoption of environmentally friendly packaging and marketing materials, collectively aiming to minimize unnecessary packaging and plastic consumption.

### **Internal Control Measures**

To achieve our targets, our administrative department will execute the ESG-related policies and measures, and our management team will review the execution process on a regular basis. We also plan to implement the following internal control measures, including, among others: (a) encouraging staff to switch off unused office equipment, such as computers, lights, and air-conditioners; (b) imposing temperature controls for air conditioning and keeping appropriate indoor air-conditioning temperature at all times; (c) reducing the use of paper documents and promoting printing on both sides and using recycled paper if necessary; and (d) encouraging the use of online system for internal administrative procedures.

### **Employees**

We believe that employees are an important driver of our corporate development. As an equal employment opportunity employer, we also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. As of December 31, 2023, the gender distribution of our employees were approximately 63% male and 37% female. We recognize and embrace the benefits of having a diverse Board of Directors to enhance the quality of its performance. To this end, we have adopted a board diversity policy which requires all board appointments to be based on meritocracy, and candidates to be considered against objective criteria. See “Directors and Senior Management – Corporate Governance – Board diversity” in this document.