

SUMMARY

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. You should read the entire Document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this Document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Who Are We

We are a marketing service provider in China, focusing on outdoor marketing¹ 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 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 capacity to deliver marketing services and our ability in responding to dynamic market demands for various marketing resources, such as third-party media resources, we have achieved business growth during the Track Record Period. In particular, we enhanced capability of utilizing social media platforms for our marketing services and began offering short video platform traffic acquisition service to our brand customers in 2023. In addition, since late 2022, the lifting of COVID-19-related restrictions has led to the revival of outdoor FMCG marketing market, contributing to our growth. 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.

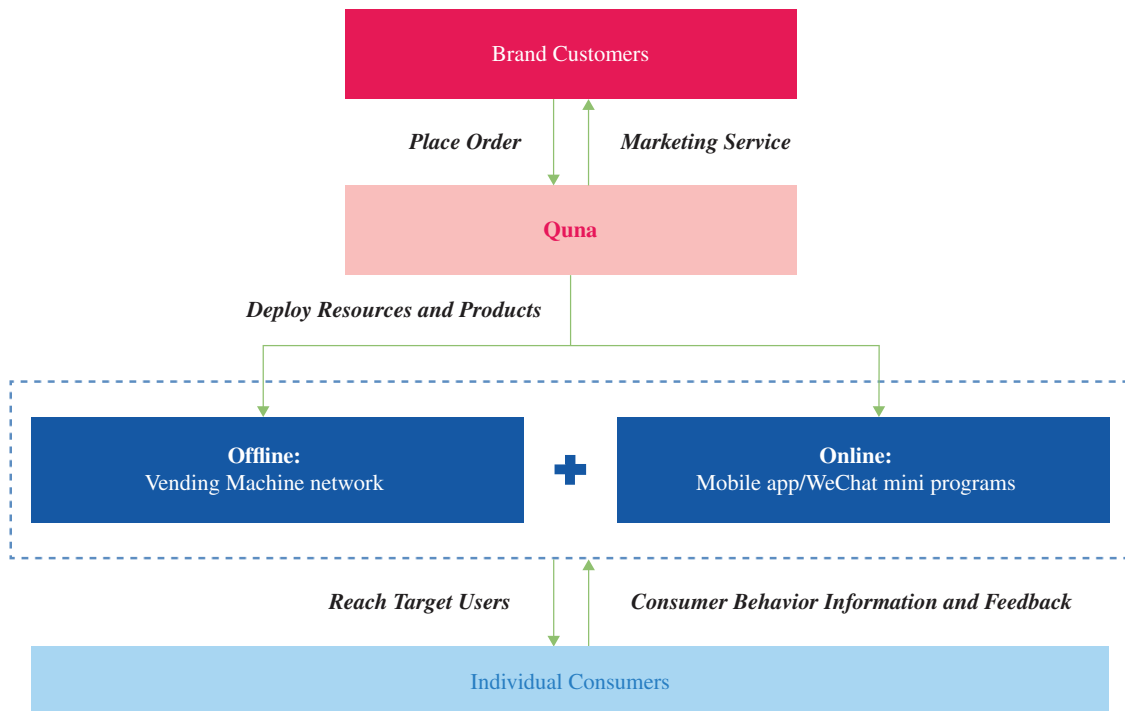
¹ Outdoor marketing refers to advertising and promotional activities that take place outdoor to reach consumers in public places.

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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 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 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.

The following diagram illustrates how we operate our marketing service and merchandise sales business:



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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.

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 online platform, we are able to offer brands with multi-channel 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 merchandise sales, mainly include good of high consumption nature, such as beverages, snacks and instant food. We consider that merchandise sales effectively supplement 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	
	RMB’000	%	RMB’000	%	RMB’000	%
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 ⁽¹⁾	20,753	4.1	37,475	6.8	54,406	5.4
Total	502,368	100	553,617	100.0	1,006,697	100.0

Note:

(1) *Other services primarily comprise IT system development and software development services. The increase in revenue from other services during Track Record Period was primarily driven by customer demands and the nature of specific technology project undertaken.*

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

- **Standard Marketing Service.** Our standard marketing service consists of marketing campaign service, multi-channel media promotion and FMCG product promotion, which further comprises FMCG product distribution and FMCG product shelving. Multi-channel media promotion service further includes various service modules, such as LCD display, online platform display, vending machine shell display, consumer traffic direction, social media platform posts and third-party media resources procurement. We charge clients for standard marketing service that mainly comprise designing and launching tailor-made marketing campaign for FMCG brand customers, where image and value of served FMCG products get published 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 marketing 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 “Business – Our Business – Marketing Service” in this document.

As exhibited by our proven track record, we are well positioned to utilize our technology capabilities and industry experience to capture growth opportunities. Backed by our technology capability, we could group vending machines placed in a large geographic region to quickly launch or upgrade city-wide FMCG marketing campaigns that may effectively draw vast public attention in a short period of time, which can hardly be achieved by purely offline marketing methods in terms of speed, scale and cost-efficiency. As a result, our technology-driven marketing campaigns, combined with the trend of consumers’ preference in acquiring and sharing consumption experience through digital forms, allow us to enjoy a recognized market

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position as a marketing service provider for FMCG brands. Furthermore, capitalizing on our strategic network of vending machines that are equipped with technology features, including IoT and automated interactive components, we are able to facilitate cost-efficient FMCG product promotion and multi-dimensional product experience.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

- A market participant of FMCG Outdoor Marketing Service in China with High Growth Rate
- Strategic Layout of Marketing Network with Effective User Reach
- Refined Operation Capabilities and In-depth Industry Insights
- High-Quality and Well-Structured Customer Base
- Strong Research and Development Strengths and Technological Capabilities
- Experienced Management Team with Rich Industry Experience and Entrepreneurship

OUR STRATEGIES

In order 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
- Focus on User Operation and Customer Needs to Broaden and Enrich Marketing Service Offerings
- Continue to Expand Brand Customer Base and Create Benchmark Marketing Cases in Various Industry Segments
- Further Invest in Technology Research and Development to Improve User Experience and Operation Efficiency
- Selectively Pursue Strategic Alliances, Investments and Acquisitions for Long-term Growth

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KEY OPERATING DATA

Marketing Service

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 for new products. New products refer to products carrying new brands, categories, tastes, formulas, packaging or shapes that have been launched in the market for less than one year, while 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
Number of product SKUs			
New products	347	228	245
Mature products	242	154	203
Total	589	382	448

During the Track Record Period, we served a variety of FMCGs, primarily comprise 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
Number of product SKUs			
Beverages	221	186	116
Food	274	107	142
Daily necessities	48	60	118
Cosmetics	46	29	72
Total	589	382	448

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Merchandise Sales

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 year per vending machine (RMB'000) ⁽¹⁾	18.5	13.2	22.4
Number of purchase orders ('000) ⁽²⁾	13,186	16,917	16,740
Average price per purchase order (RMB) ⁽³⁾	8.5	6.9	9.8

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 comprise 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 the number of purchase orders in the relevant year.

Our Vending Machine Network

In offering marketing services, our vending machine network plays an important role to effectively connect brands with target consumers by facilitating efficient physical delivery of FMCG goods, 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 purely online marketing approaches. As of the Latest Practicable Dates, all the vending machines in our vending machine network were owned by us.

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, we had a network of 7,543 vending machines, covering 22 cities in 14 provincial administrative regions across China. 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	
		%		%		%
Vending machines by city tier						
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
Total	8,520	100.0	7,402	100.0	7,543	100.0

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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	
	%	%	%	%	%	%
Vending machines by type of sites						
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
Total	<u>8,520</u>	<u>100.0</u>	<u>7,402</u>	<u>100.0</u>	<u>7,543</u>	<u>100.0</u>

Note:

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

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, we slightly increased the number of vending machines in shopping centers, as well as schools, parks and hotels.

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Logistics and Maintenance Support

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. 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.

We utilize a centralized operations system to track and monitor the operation status of our vending machines in real time. If any malfunctions are detected, our operations system will send notifications to the responsible personnel, who will promptly repair the vending machine. 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. In 2021, 2022 and 2023, our operation costs for the maintenance of our vending machines mainly comprised 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.

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

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

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.

Our Customers

During the Track Record Period, our customers in 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. During the Track Record Period, we served 472 brand customers that procured our marketing service either directly or through their engaged marketing agents. These brand customers were mainly enterprises from the FMCG industry in China. 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.

During the Track Record Period, customers for our merchandise sales business primarily consisted of individual consumers who purchase goods from our vending machines directly. Individual consumers may also place purchase order and complete payment through our online platform and then pick up procured goods at our vending machines nearby.

Our 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. 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.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following tables set forth summary financial data from our consolidated statements of profit or loss and other comprehensive income for the years indicated, derived from the Accountants’ Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Revenue	502,368	100.0	553,617	100.0	1,006,697	100.0
Cost of sales	(156,877)	(31.2)	(218,977)	(39.6)	(471,430)	(46.8)
Gross profit	345,491	68.8	334,640	60.4	535,267	53.2
Other income and gains	6,729	1.3	6,126	1.1	6,260	0.6
Selling and distribution expenses	(189,458)	(37.7)	(167,229)	(30.2)	(239,282)	(23.8)
Administrative expenses	(28,474)	(5.7)	(26,780)	(4.8)	(54,538)	(5.4)
Research and development expenses	(59,010)	(11.7)	(30,113)	(5.4)	(63,250)	(6.3)
Fair value loss on financial liabilities at fair value through profit or loss (“FVTPL”)	(189,422)	(37.7)	(191,467)	(34.6)	(24,088)	(2.4)
Other expenses and losses	(760)	(0.2)	(1,355)	(0.2)	(2,119)	(0.2)
Impairment losses under expected credit loss model, net of reversal	(16,177)	(3.2)	(25,704)	(4.6)	197	0.0
Finance costs	(5,597)	(1.1)	(3,285)	(0.6)	(1,611)	(0.2)
(Loss)/profit before tax	(136,678)	(27.2)	(105,167)	(19.0)	156,836	15.6
Income tax expense	(2,800)	(0.6)	(10,890)	(2.0)	(20,134)	(2.0)
(Loss)/profit for the year	(139,478)	(27.8)	(116,057)	(21.0)	136,702	13.6
Attributable to:						
Owners of the parent	(139,465)	(27.8)	(116,025)	(21.0)	130,942	13.0
Non-controlling interests	(13)	(0.0)	(32)	(0.0)	5,760	0.6
	(139,478)	(27.8)	(116,057)	(21.0)	136,702	13.6

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Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management to evaluate our operating performance and formulate business plans. However, our adjusted profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRSs.

Adjusted profit (a non-IFRS measure) is defined as profit or loss for the year by adding back the effects of (i) fair value loss on financial liabilities at FVTPL, (ii) share incentive plan expense and (iii) [REDACTED]. Fair value losses on financial liabilities at FVTPL represent fair value losses relating to convertible redeemable preferred shares issued in our equity financings. The convertible redeemable preferred shares will be automatically converted into ordinary shares upon completion of the [REDACTED], and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the [REDACTED]. We exclude share incentive plan expense as such expenses are non-cash in nature and do not result in cash outflows. We also exclude [REDACTED] with respect to this [REDACTED]. Adjusted EBITDA (a non-IFRS measure) is defined as adjusted profit (a non-IFRS measure) for the year by adding back the effects of income tax expense, finance costs, bank interest income, and depreciation and amortization charges. The following tables reconcile our adjusted profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) for the years presented.

	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of loss for the year and adjusted profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure)			
(Loss)/profit for the year			
Add:	(139,478)	(116,057)	136,702
Fair value loss of financial liabilities at FVTPL	189,422	191,467	24,088
Share incentive plan expense	2,379	2,753	14,634
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Adjusted profit			
(a non-IFRS measure)	52,323	78,163	200,708
Add:			
Income tax expense	2,800	10,890	20,134
Finance costs	5,597	3,285	1,611
Bank interest income	(338)	(977)	(238)
Depreciation and amortization charges	46,776	63,281	58,027
	107,158	154,642	280,242
Adjusted EBITDA			
(a non-IFRS measure)	107,158	154,642	280,242

Our impairment losses under expected credit loss model, net of reversal, which are recognized as provisions for accounts receivable and other receivables under the expected credit loss model, increased during the Track Record Period in line with the growth of accounts receivable, reflecting an increase in expected credit losses.

We experienced net losses in 2021 and 2022, primarily due to fair value losses on financial liabilities at FVTPL during the respective years. We generated net profit in 2023, primarily as we significantly increased our revenue and experienced less fair value loss on financial liabilities at FVTPL as compared with 2022.

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
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Other services	20,753	4.1	37,475	6.8	54,406	5.4
	502,368	100.0	553,617	100.0	1,006,697	100.0
Total	502,368	100.0	553,617	100.0	1,006,697	100.0

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The following table sets forth a breakdown of our cost of sales by nature 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>	%
Costs of inventories sold	74,398	47.4	87,711	40.1	118,789	25.2
Depreciation and amortization charges	42,327	27.0	58,644	26.8	55,515	11.8
Information technology service fees	18,225	11.6	32,051	14.6	263,300	55.9
Site fees	21,927	14.0	31,771	14.5	27,535	5.8
Write-down of inventories	–	–	8,800	4.0	6,291	1.3
Total	<u>156,877</u>	<u>100.0</u>	<u>218,977</u>	<u>100.0</u>	<u>471,430</u>	<u>100.0</u>

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>
	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>
<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	
<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Marketing service	300,278	79.7	298,651	73.8	479,505	59.4
– Standard marketing service	271,895	79.3	254,519	73.0	380,650	55.0
– Value-added marketing service	28,383	84.3	44,132	78.9	98,855	85.3
Merchandise sales	37,795	36.0	18,294	16.4	29,738	20.6
Other services	7,418	35.7	17,695	47.2	26,024	47.8
Total gross profit/overall gross profit margin	<u>345,491</u>	<u>68.8</u>	<u>334,640</u>	<u>60.4</u>	<u>535,267</u>	<u>53.2</u>

In 2022, as the recurrence of the COVID-19 pandemic posed challenges to our business, our gross profit margin decreased in 2022 as compared to 2021. The implementation of lockdown measures in certain cities resulted in reduced business activities and foot traffic, leading to a decline in overall gross profit from marketing service and merchandise sales in 2022. Moreover, many of our offline promotion activities had to be postponed or cancelled due to the prevailing circumstances. Despite the decrease in business activities, we continued to incur fixed costs, including depreciation charges. These fixed costs, coupled with the reduced revenue, exerted downward pressure on our overall gross profit margin in 2022. In 2023, our

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overall gross profit margin further decreased primarily due to our increase in cost of sales, especially information technology service fees, attributable to our increased procurement of third-party media resources to deliver standard marketing service, as we invested in delivering such marketing service via utilizing short video platforms since early 2023, in line with our service innovation and expansion strategy. While the third-party media resources procurement services generally carry a comparatively lower gross profit margin than our other services do, we determined to bring such services into our service portfolio to complement our other services to enhance our ability to reach target consumers for expected marketing projects, and to effectively enhance our brand customers’ loyalty by offering enhanced “one-stop” marketing service packages. For details, see “Business – Our Business – Marketing Service – Third-party Media Resources Procurement” in this document. Despite such a gross profit margin impact, we believe such investment allows us to better serve our long-term business strategy and forge strong synergy among our services, as proven by our significant increase in revenue, expansion of KA customers and average purchase per KA customer in 2023.

Selected Items of Our Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total non-current assets	244,243	185,255	169,777
Total current assets	511,714	638,336	897,597
Total assets	755,957	823,591	1,067,374
Total non-current liabilities	971,104	1,326,882	1,268,416
Total current liabilities	245,209	70,369	166,901
Net current assets	266,505	567,967	730,696
Total liabilities	1,216,313	1,397,251	1,435,317
Net liabilities	460,356	573,660	367,943
Non-controlling interests	187	155	19,882

We recorded net current assets of RMB266.5 million, RMB568.0 million and RMB730.7 million as of December 31, 2021, 2022 and 2023, respectively.

Our net current assets increased significantly from RMB266.5 million as of December 31, 2021 to RMB568.0 million as of December 31, 2022, primarily due to (i) an increase in trade receivables of RMB218.7 million, (ii) a decrease in amount due to a shareholder of RMB80.0 million and (iii) a decrease in convertible bonds of RMB40.6 million, partially offset by (iv) a decrease in cash and bank balance of RMB104.4 million and (v) an increase in income tax payable of RMB13.9 million.

SUMMARY

Our net current assets further increased from RMB568.0 million as of December 31, 2022 to RMB730.7 million as of December 31, 2023, primarily due to (i) an increase in cash and bank balance of RMB211.7 million, (ii) an increase in trade receivables of RMB32.1 million and (iii) an increase in prepayments, deposits and other receivables of RMB21.6 million, partially offset by an increase in interest-bearing bank borrowings of RMB93.7 million.

As of December 31, 2021, 2022 and 2023, our net liabilities amounted to RMB460.4 million, RMB573.7 million and RMB367.9 million, respectively, primarily due to accumulated losses. The accumulated losses that we recorded as of January 1, 2021 was primarily attributable to our fair value losses on the convertible redeemable preferred shares designated as financial liabilities at FVTPL, and it was also attributable to our historical operating losses primarily due to the early stage of expanding of customer base, upfront expansion in selling and marketing expenses and investments in acquiring our vending machines. Our net liabilities increased from RMB460.4 million as of December 31, 2021 to RMB573.7 million as of December 31, 2022, mainly due to total comprehensive expenses for the year of RMB116.1 million in 2022, which was partially offset by equity-settled share award plan of RMB2.8 million. Our net liabilities decreased from RMB573.7 million as of December 31, 2022 to RMB367.9 million as of December 31, 2023, mainly due to total comprehensive income of the year of RMB136.7 million, transfer from convertible redeemable preferred shares of RMB61.0 million as a result of acquisition of 5.19% equity interest in Shanghai Quna by Qunabox HK from SAIF VC and SAIF Investment and the termination of SAIF Warrants in June 27, 2023 and equity-settled share award plan of RMB14.6 million, partially offset by capital reduction by Shanghai Yiqu from Shanghai Quna of RMB6.7 million. For more details, please see consolidated statements of changes in equity in the Accountants’ Report in Appendix I to this document. Because the convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the conversion into ordinary shares upon [REDACTED], our net liabilities position would turn into net assets position.

Summary Consolidated Statements of Cash Flows

The following table sets forth our consolidated statements of cash flows 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>
Net cash flows (used in)/generated from operating activities	(68,887)	(108,930)	191,712
Net cash flows used in investing activities	(96,689)	(416)	(39,261)
Net cash flows generated from financing activities	295,145	4,936	59,225
Cash and cash equivalents at end of the year	191,752	87,342	299,018

SUMMARY

We had net cash flows used in operating activities in 2021 and 2022 before we had net cash flows generated from operating activities in 2023.

In 2023, we had RMB191.7 million net cash flows generated from operating activities. The difference with RMB156.8 million of profit before income tax on accrual basis was mainly the result of adding back non-cash items such as RMB55.5 million in depreciation of property, plant, and equipment and RMB24.1 million in fair value losses on financial liabilities at FVTPL. In addition, a total of RMB56.1 million of cash was used in our working capital primarily due to (i) our trade receivables increased by RMB31.1 million, (ii) our prepayments and other receivables and other assets increased by RMB19.1 million and (iii) our trade payables decreased by RMB9.3 million.

In 2022, we had RMB108.9 million net cash flows used in operating activities. The difference with RMB105.2 million of loss before income tax on accrual basis was mainly the result of adding back non-cash items such as RMB191.5 million in fair value losses on financial liabilities at FVTPL, RMB59.7 million in depreciation of property, plant, and equipment and RMB25.6 million in provision for impairment of trade receivables, net of reversal. In addition, a total of RMB298.4 million of cash was used in our working capital as (i) our trade receivables increased by RMB244.4 million, (ii) our trade and bill payables decreased by RMB30.1 million and (iii) our inventories increased by RMB21.1 million.

In 2021, we had RMB68.9 million net cash used in operating activities. The difference with RMB136.7 million of loss before income tax on accrual basis was mainly the result of adding back non-cash items such as RMB189.4 million in fair value losses on financial liabilities at FVTPL, RMB42.1 million in depreciation of property, plant, and equipment and RMB16.0 million in provision for impairment of trade receivables, net of reversal. In addition, a total of RMB182.9 million of cash was used in our working capital as (i) our trade receivables increased by RMB135.0 million; (ii) our increase in prepayments and other receivables and other assets by RMB24.5 million; (iii) our decrease in trade payables by RMB15.6 million; and (iv) our inventories increased by RMB12.6 million.

COMPETITIVE LANDSCAPE

According to CIC, the size of 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. 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 by 7.5% to RMB404.8 million in 2022 and further increased by 99.6% to RMB808.0 million in 2023.

SUMMARY

Our major competitors consist of other FMCG marketing service providers. Competition is fierce in FMCG outdoor marketing market. We believe we successfully distinguished us from industry peers by allowing convenient machine-based delivery of physical FMCG goods to target consumers in an efficient and interesting way. This feature holds a significant value to brand customers, as the access to and experience of physical products is an important step to build consumer awareness, and soliciting meaningful feedback regarding FMCG goods served. In addition, leveraging our technology capability, as well as broad coverage and deep penetration of vending machine network, we could accomplish such task with cost-efficiency at large scale that can hardly be replaced by other traditional marketing ways. This competitive edge in terms of accessing and studying quality information further enhanced our capability of offering brand customers analysis and advice they need, resulting in a strong propelling force to promote our business growth and expansion.

Capitalizing on our well-established market position, strategic offline network of vending machines, strong data analytical capability and rich execution experience in handling large-scale events, the broad and active user base, and, in particular, our deep insight on brand customers’ need for quality marketing services, we are well positioned to capture opportunities for sustainable growth under the leadership of our experienced management team with rich industry experience and entrepreneurship.

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. According to our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in all material respects. See “Business – Legal Proceedings and Compliance.”

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in “Risk Factors” in this document. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to [REDACTED] in our [REDACTED]. Some of the major risks that we face include: (i) 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; (ii) if the FMCG outdoor marketing market in China grows more slowly than expected or fails to grow, it could adversely affect the demand for our service; (iii) the FMCG outdoor marketing market

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in China is highly competitive, and we may not continue to compete successfully; (iv) our business depends on our ability to maintain our existing brand customers, especially our KA customers, and our ability to attract new brand customer; (v) our success is closely linked to the success of our brand customers. As we operate in the FMCG outdoor marketing market, our performance is dependent on their ability to succeed in their respective industries; (vi) 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; and (vii) if we fail to achieve our vending machine network expansion plan as expected, our business, financial condition and results of operations may be materially and adversely affected.

RECENT DEVELOPMENTS

Operational and Financial Performance since December 31, 2023

Our business experienced growth after December 31, 2023 as a result of our continuous efforts to enhance our competitiveness coupled with overall post-COVID-19 recovery. In the month ended January 31, 2024, 89 new projects were awarded to us with a total contract value of RMB65.1 million, compared with 20 new projects with a total contract value of RMB9.3 million in the same period in 2023. The substantial increases in the number of new projects awarded to us and overall contract value were primarily attributable to increased business demand in 2024, as business activities were still in recovery in January 2023 after the lifting of COVID-19-related restrictions in late 2022, compared with January 2024 when such recovery had been ongoing for a year.

No Material Adverse Change

Our Directors confirm that up to the date of this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2023, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report in Appendix I to this document.

Regulation on Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Overseas Listing Trial Measures”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas listing of PRC domestic companies’ securities and regulate both direct and indirect overseas listing of PRC domestic companies’ securities. Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. As advised by our PRC Legal Adviser, we are required to go through the filing procedures with the CSRC under the Overseas Listing Trial Measures.

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We submitted the required filing documents to the CSRC on September 6, 2023, and obtained the Record-filing Notice of Overseas [REDACTED] and [REDACTED] on January 17, 2024. As advised by our PRC Legal Adviser, we have completed the CSRC filing as required by [REDACTED].

DIVIDENDS

No dividend has been paid or declared by us during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they deem appropriate. Under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of its profits or the credit standing to its share premium account, provided that immediately after the date on which the dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman Islands legal adviser, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account, provided that, immediately after payment of the dividend, we are able to pay our debts as they fall due in the ordinary course of business.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus disease 2019 (the “COVID-19”) outbreak a public health emergency of international concern, and on March 11, 2020, the World Health Organization declared the global COVID-19 outbreak a pandemic. Since the COVID-19 outbreak, a series of precautionary and control measures have been implemented worldwide to contain the virus.

In 2022, the recurrence of the COVID-19 pandemic presented challenges to our business, resulting in a decrease in our gross profit margin compared to 2021. Lockdown measures implemented in specific cities led to reduced business activities and foot traffic, resulting in a decline in our overall gross profit from marketing services and merchandise sales. Despite the decrease in business activities, fixed costs such as depreciation charges continued, contributing to the downward pressure on our overall gross profit margin in 2022. We also 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 as impact by COVID-19 in that year.

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In response to the impact of COVID-19, throughout 2022 and early 2023, we adjusted the layout of vending machines across various cities and locations to enhance the economic efficiency of each vending machine. Despite the challenges of conducting offline marketing campaigns in 2022, we organized online marketing events as an alternative. As of the Latest Practicable Date, we did not experience material business disruptions or operating difficulties due to the COVID-19 pandemic.

As the COVID-19 pandemic has since subsided, we do not anticipate further adverse impact on our business and financial performance.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] (assuming the options granted under the Stock Incentive Plan are not exercised), the Concert Parties (namely Ms. Yin, Ms. YIN Juelian (殷珏蓮), Mr. CAO Liwen (曹理文), Mr. WU Wenhong (吳文洪), Mr. HUANG Aihua (黃愛華) and Mr. QIAN Jun (錢俊)) will be entitled to exercise approximately [REDACTED]% of the voting power at general meetings of our Company. Therefore, the Concert Parties together with the relevant holding vehicles (i.e. Jovie Holding Limited, Beyond Branding, Helenatest Holding Limited, Q-robot, Iwan Holding Limited, Kiosk Joy, INSIGMA, NeoWay Holding Limited, NeoBox and Q-robot shop), are considered as a group of our Controlling Shareholders upon [REDACTED]. See “Relationship with Our Controlling Shareholders.”

PRE-[REDACTED] INVESTMENTS

Our Group has obtained several rounds of investments, including Series Seed Financing, Series Angel Financing, Series A Financing, Series B Financing, Series C Financing, Series D Financing, Series E Financing, Series E+ Financing and Series F Financing. For details of the background of the Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investments, see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments.”

APPLICATION FOR [REDACTED] ON THE [REDACTED]

We have applied to the [REDACTED] for the granting of the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the [REDACTED] to be issued by us pursuant to the [REDACTED] and any Shares which may be issued pursuant to the exercise of the options granted under the Stock Incentive Plan.

SUMMARY

[REDACTED] STATISTICS⁽¹⁾

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalization of our Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are on the assumption that the options granted under the Stock Incentive Plan are not exercised.
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED], which will increase to [REDACTED] Shares in issue immediately following completion of the [REDACTED].
- (3) The [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [REDACTED] is calculated after making the adjustments referred to in “Financial Information – Unaudited [REDACTED] Statement of Adjusted Consolidated Net Tangible Assets” and on the basis that [REDACTED] Shares were in issue assuming the [REDACTED] has been completed on December 31, 2023.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

Assuming an [REDACTED] at the mid-point of the [REDACTED] range, we currently intend to apply these net [REDACTED] for the following purposes: (i) [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to expand our vending machine network and increase market penetration; (ii) [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to provide enhanced marketing service, with a focus on improving user operations and enhancing our service offerings through expanding our user pool and continuing to enhance our membership system and recruiting additional marketing planning personnel; (iii) [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to further expand our brand customer base by enhancing our brand awareness; (iv) [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to enhance our technological capabilities

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and research and development efforts, with the goal of improving operational efficiency; (v) [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to pursuing strategic alliances and acquisitions; and (vi) [REDACTED]%, or approximately HK\$[REDACTED], will be used for our general working capital and general corporate purposes.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately RMB[REDACTED] (HK\$[REDACTED]) at the [REDACTED] of HK\$[REDACTED] per Share, representing [REDACTED]% of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED]. We estimate the [REDACTED] expenses to consist of approximately RMB[REDACTED] (HK\$[REDACTED]) in [REDACTED] fees and RMB[REDACTED] (HK\$[REDACTED]) in non-[REDACTED] fees (which consist of fees and expenses of legal advisors and our Reporting Accountant of approximately RMB[REDACTED] (HK\$[REDACTED]) and other fees and expenses of approximately RMB[REDACTED] (HK\$[REDACTED])). As of December 31, 2023, we incurred [REDACTED] expenses of RMB[REDACTED] (HK\$[REDACTED]), of which (i) RMB[REDACTED] (HK\$[REDACTED]) was charged to the consolidated statements of profit or loss for the year ended December 31, 2023 and (ii) RMB[REDACTED] (HK\$[REDACTED]) was directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and recognized as deferred [REDACTED] expenses and will be deducted from equity upon the [REDACTED].

We estimate that additional [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]) (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]) will be incurred by our Company, approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$[REDACTED]) of which is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and expected to be recognized as a deduction in equity directly upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.