



友宝
UBOX

BEIJING UBOX ONLINE
TECHNOLOGY CORP.

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 2429



2024 INTERIM REPORT

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DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Auditor”	the auditor of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China
“Company”, “our Company” or “the Company”	Beijing UBOX Online Technology Corp. (北京友寶在線科技股份有限公司), a limited liability company incorporated in the PRC on March 1, 2012 and converted into a joint stock company with limited liability on September 10, 2015
“COVID-19”	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
“date of this interim report”	August 27, 2024
“Director(s)”	the director(s) of the Company
“FMCG”	fast-moving consumer goods
“Global Offering”	the global offering of the Shares in connection with the Listing
“GMV”	gross merchandise value, the total value (inclusive of value-added tax) of all merchandise sold at Ubox POSs under our unmanned retail business
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“H Share(s)”	overseas listed foreign Shares in the share capital of our Company with a nominal value of RMB1.0 each, which are traded in HK dollars and are listed on the Hong Kong Stock Exchange
“HK\$”, “Hong Kong dollars”, “HK dollars” or “cents”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 3, 2023, on which the H Shares were listed on the Hong Kong Stock Exchange and from which dealings in the H Shares were permitted to commence on the Hong Kong Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“mainland China”	the People’s Republic of China excluding Hong Kong, Macao Special Administrative Region and Taiwan region
“merchandise wholesale customer(s)”	primarily being vending machine operator(s) that purchase(s) merchandise from us on a wholesale basis
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-Ubox POS(s)”	POS(s) that are connected to our operation system and are operated by Non-Ubox POS operators
“Non-Ubox POS operator(s)”	third-party operators who operate Non-Ubox POSs
“POS(s)”	point(s) of sale for vending machine(s)
“POS network”	comprising Ubox POSs and Non-Ubox POSs
“POS partner(s)”	individual(s) and entity(ies) who assist(s) with sourcing and establishing POSs

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as enacted the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC Law”	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong and the Macao Special Administrative Region and the relevant regulations of Taiwan region
“Pre-IPO Incentive Scheme”	our share incentive scheme adopted on May 31, 2021, the details of which are set out in “Statutory and General Information – D. Share Incentive Scheme – 1. Pre-IPO Incentive Scheme” in Appendix IV to the Prospectus
“Pre-IPO Investment(s)”	the pre-IPO investment(s) undertaken by the Pre-IPO Investors, details of which are set out in “History and Development – Pre-IPO Investments” in the Prospectus
“Pre-IPO Investor(s)”	holder(s) of Shares pursuant to the Pre-IPO Investments, the details of which are set out in “History and Development – Pre-IPO Investments” in the Prospectus
“Prospectus”	the prospectus of the Company dated October 24, 2023
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six-month period ended June 30, 2024
“restaurant model partner(s)”	POS partner(s) who assist(s) with the operation of POSs at restaurants and, to a lesser extent and on a case-by-case basis, certain other types of locations such as gyms and cinemas, and is/are entitled to keep the difference between the transaction GMV and a predetermined merchandise price agreed with us, which is different from our profit sharing and fees arrangement with other POS partners
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO” or “Securities and Future Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Yunxin”	Shanghai Yunxin Venture Capital Co., Ltd. (上海雲鑫創業投資有限公司), a limited liability company established in the PRC on February 11, 2014 and one of our Pre-IPO Investors
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the PRC Company Law
“Ubox POS(s)”	POS(s) operated by us under our direct operation model and partner model
“Unlisted Shares”	ordinary Shares in the share capital of our Company with a nominal value of RMB1.00 each, which are not listed in any stock exchange
“%”	percent

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Bin (*Chairman and Chief Executive Officer*)
Mr. Yu Lizhi
Ms. Cui Yan
Mr. Chao Hua

Non-executive Directors

Mr. Zhu Chao
Ms. An Yufang

Independent Non-executive Directors

Ms. Guo Wei
Mr. Zhang Chen
Mr. Zhang Changhao

AUDIT COMMITTEE

Ms. Guo Wei (*Chairlady*)
Mr. Zhang Changhao
Mr. Zhang Chen

REMUNERATION COMMITTEE

Mr. Zhang Changhao (*Chairman*)
Mr. Yu Lizhi
Ms. Guo Wei

NOMINATION COMMITTEE

Mr. Wang Bin (*Chairman*)
Ms. Guo Wei
Mr. Zhang Changhao

SUPERVISORS

Ms. Qin Yi (*Chairlady*)
Mr. Huang Ronghui
Mr. Qi Rupeng

JOINT COMPANY SECRETARIES

Ms. Cui Yan
Ms. Lai Ho Yan

AUTHORIZED REPRESENTATIVES

Ms. Cui Yan
Ms. Lai Ho Yan

HONG KONG LEGAL ADVISERS

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Beijing
PRC

CORPORATE INFORMATION

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Shenzhen Keyuan sub-branch
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Shenzhen High-tech Zone Sub-branch
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Gaoxin South First Road 16-1
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Shenzhen

STOCK CODE

2429

INTERIM RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six-month period ended June 30,		
	2024	2023	Change
	RMB'000	RMB'000	%
	(unaudited)		
Revenue	1,343,702	1,252,678	7.3
Gross profit	486,162	517,976	(6.1)
Loss for the period	(98,908)	(147,389)	(32.9)
Adjusted EBITDA (non-HKFRS measure) ⁽¹⁾	14,787	43,559	(66.1)
Adjusted net loss (non-HKFRS measure) ⁽¹⁾	<u>(71,489)</u>	<u>(91,281)</u>	<u>(21.7)</u>

Note:

- (1) For definitions of EBITDA, adjusted EBITDA and adjusted net loss, please refer to the section headed “Non-HKFRS Measures: adjusted EBITDA and adjusted net loss” in this interim report.

The Group’s revenue for the Reporting Period was approximately RMB1,343.7 million, representing an increase of approximately 7.3% or approximately RMB91.0 million as compared to approximately RMB1,252.7 million for the six-month period ended June 30, 2023. The increase was mainly due to the significant increase in the revenue from merchandise wholesale by approximately 119.3% from approximately RMB110.7 million for the six-month period ended June 30, 2023 to approximately RMB242.7 million for the Reporting Period, primarily due to the success of the proactive promotion of the shared warehouse strategy.

During the Reporting Period, the Group’s gross profit was approximately RMB486.2 million, as compared to approximately RMB518.0 million for the six-month period ended June 30, 2023. The Group’s gross profit margin decreased from approximately 41.3% to approximately 36.2%. The decrease was mainly due to an increase in the revenue contribution of merchandise wholesale and mobile device distribution services, which typically have lower gross profit margins than the other business segments as a percentage of revenue.

The Group’s loss for the Reporting Period was approximately RMB98.9 million, representing a decrease of approximately 32.9% as compared to a loss of approximately RMB147.4 million for the six-month period ended June 30, 2023. The decrease was primarily due to (i) a decrease in depreciation of property and plant and right-of-use assets during the Reporting Period; (ii) a decrease in the amortization of share-based compensation expenses during the Reporting Period, (iii) a decrease in employee benefit expenses resulting from a decrease in the average number of employees during the Reporting Period; and (iv) no listing expenses incurred during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's unaudited condensed consolidated interim results, including its accompanying notes, set forth in the financial information section of this interim report.

BUSINESS REVIEW AND OUTLOOK

Overview

We are a vending machine operator in mainland China. For over a decade since our founding, we have endeavored to cultivate the unmanned retail industry, a sub-segment of the retail industry, in mainland China and developed digitalization and operation capabilities, covering merchandise procurement, logistics and inventory management. We strive to refine the traditional retail industry with technology and to further digitalize and automate businesses along the retail value chain.

In the first half of 2024, we strategically promoted the sales of customized merchandise and channel-limited merchandise through our unmanned retail business and merchandise wholesale. A customized merchandise is the customized product we ordered directly from the third party manufacturers based on specific demand of our customers in response to consumer's needs and preferences in unmanned retail scenario. A channel-limited merchandise is a product only available in a specified sales channel. A channel-limited merchandise can be labeled to enhance marketing targeting and precision. We believe that customized merchandise and channel-limited merchandise allow us (i) to efficiently implement channel control and marketing strategies to attain a higher gross profit margin; and (ii) to control both the cost and the quality of the merchandise.

For the six months ended June 30, 2024, the Group recorded total revenue of approximately RMB1,343.7 million, representing a year-on-year increase of approximately 7.3%; gross profit of approximately RMB486.2 million, representing a year-on-year decrease of approximately 6.1%; loss for the period attributable to equity shareholders of the Company amounted to approximately RMB100.7 million, representing a year-on-year decrease of approximately 33.9%; the Group's adjusted EBITDA (non-HKFRS measure) of approximately RMB14.8 million, representing a year-on-year decrease of approximately 66.1%; adjusted net loss (non-HKFRS measure) of approximately RMB71.5 million, representing a year-on-year decrease of approximately 21.7%. The Group recorded positive operating cash inflow of approximately RMB73.4 million and was in a good cash flow condition.

As of June 30, 2024, the number of our Ubox POSs was 63,402, representing an increase of approximately 6.2% as compared to 59,721 as of December 31, 2023; the number of our POS partners (excluding restaurant model partners) was 2,082, representing an increase of approximately 7.8% as compared to 1,932 as of December 31, 2023; the number of restaurant model partners was 579, representing a decrease of approximately 17.8% as compared to 704 as of December 31, 2023; the number of Non-Ubox POSs was 17,785, representing a decrease of approximately 0.7% as compared to 17,909 as of December 31, 2023.

Unmanned retail business

In the first half of 2024, we continued to engage in the sales of FMCG through vending machines through our vast network of Ubox POSs across mainland China, supported by our data-driven operation system. We continued to offer consumers swift and convenient access to a broad selection of FMCG, including bottled beverages, snacks and freshly brewed coffee and other beverages.

The major categories of our vending machines included:

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

MANAGEMENT DISCUSSION AND ANALYSIS

- *Beverage vending machine*, a vending machine that is equipped with a touch screen and biometric authentication device, it is designed to offer consumers an optimal experience in purchasing canned and bottled beverages. Our beverage vending machine is equipped with built-in biometric authentication device, allowing it to interact with the consumers' electronic wallets which support biometric authentication. It also has a dynamic energy saving system that is capable of heating and cooling the merchandise, which allows operators to adjust the category of merchandise based on seasonal needs.
- *Beverage and snack vending machine*, a vending machine that suits various consumption scenarios. With expandable inner cabinet volume, the beverage and snack vending machine can accommodate a broad range of merchandise, including fragile items and merchandise with irregular packaging. With adjustable shelf and rack spaces, and the capability of cooling the merchandise, it has the versatility to adapt to a wide range of scenarios, allowing operators to adjust the category of merchandise based on a range of factors, including seasonal needs.
- *Freshly brewed beverage vending machine*, a machine developed by us, that can serve consumers with a wide selection of freshly brewed beverages on demand, including freshly ground and capsule coffee, tea, juice, chocolate and other special drinks such as milk tea and Chinese sweet soup.

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

	As of June 30, 2024	As of December 31, 2023	Change %
Vending machines by type			
Pick-and-go cabinets	43,849	36,861	19.0
Beverage vending machines	14,765	17,330	(14.8)
Beverage and snack vending machines	2,483	2,781	(10.7)
Freshly brewed beverage vending machines	1,922	2,363	(18.7)
Others ⁽¹⁾	383	386	(0.8)
Total	63,402	59,721	6.2

Note:

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

Even though the overall environment continued to have an impact on the economy of the PRC in the first half of 2024, the Company strategically expanded in some business scenarios, regained positive growth in the number of our Ubox POSs, and improved its overall operating result.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth average monthly GMV of each type of our vending machines at Ubox POSs, excluding POSs of POS partners who are restaurant model partners, as of the dates indicated:

	As of June 30,		Change %
	2024	2023	
	(RMB per machine per month)		
Monthly GMV by type of vending machines			
Pick-and-go cabinets	2,921	2,628	11.1
Beverage vending machines	3,847	3,841	0.2
Beverage and snack vending machines	2,881	3,036	(5.1)
Freshly brewed beverage vending machines	802	928	(13.6)
Others ⁽¹⁾	0	2	(100.0)
Total	3,075	2,992	2.8

Note:

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

During the Reporting Period, the overall average monthly GMV of Ubox POS increased by approximately 2.8% compared to the same period in 2023, mainly due to the renovation and upgrade of some of the smart cabinets, which significantly increased the inventory volume of the equipment, the number of stock keeping unit sold, and the revenue per replenishment, leading to an increase in the sales per Ubox POS.

Advertising and system support services

In the first half of 2024, we continued to leverage our technology and data analytics capabilities to support our digital advertising platform, which consisted primarily of (i) display screen advertising services, (ii) after-payment advertising services, (iii) merchandise display advertising services and (iv) machine body advertising services. Our retail platform allowed us to provide advertisers with extensive reach across the country. We continued to allow advertisers to deliver engaging advertising experience to consumers, which was further complemented by our ability to precisely push advertising content to consumers' mobile devices to provide optimal marketing results. As of June 30, 2024, we had 130 digital advertising service customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Merchandise wholesale

In the first half of 2024, in addition to selling directly to consumers through our retail platform, we continued to sell merchandise to customers (who are typically vending machine operators) on a wholesale basis as our buyers rather than agents. We continued to leverage our data-driven operation network, procurement cost advantage resulting from bulk purchase and storage facilities to provide merchandise wholesale, which mainly comprised beverages and snacks, to our merchandise wholesale customers. As of June 30, 2024, we had 2,148 merchandise wholesale customers, as compared to 1,196 as of December 31, 2023. The number of our merchandise wholesale customers in the first half of 2024 increased as compared to the year of 2023. The increase in the merchandise wholesale customers was in line with the increase in the segment revenue from merchandise wholesale during the Reporting Period.

Vending machine sales and leases

In the first half of 2024, we continued to sell, lease and/or provide hardware support services, including machine installation and maintenance services, for vending machines to our Non-Ubox POS operator. During the six months ended June 30, 2023 and 2024, the average selling price of vending machines sold was approximately RMB5,286 and approximately RMB6,078, respectively. The average selling price of vending machines increased in the first half of 2024, primarily because the proportion of coffee vending machines with relatively higher selling prices among the vending machines sold increased in the same period.

Others

In the first half of 2024, we continued to offer other services, which mainly comprised mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support. These are currently not the focus of our business, and we do not expect significant growth in these business segments.

Mobile Device Distribution Services

In the first half of 2024, we continued our non-exclusive distribution arrangement with mobile phone manufacturers and offered unmanned mobile phones and accessories retail solutions to authorized resellers of major mobile phone manufacturers with our digitalization capabilities and our extensive experience in vending machine operations. In particular, we digitalized the delivery of mobile phones and accessories from mobile device resellers to consumers with our customized mobile device cabinets, namely (i) U-Buy Cloud Cabinet (優寶雲店) for the sales of mobile phones and accessories, and (ii) U-Buy Cloud Warehouse (優寶雲倉) for storage of mobile phones and accessories. Our U-Buy Cloud Cabinets and U-Buy Cloud Warehouses are equipped with 24-hour video surveillance and visual identification technologies to avoid damage or loss of merchandise. As of June 30, 2024, we had launched three U-Buy Cloud Cabinets and 705 U-Buy Cloud Warehouses in 563 offline stores operated by authorized resellers of major mobile phone manufacturers across mainland China. As of June 30, 2024, we cooperated with 17 resellers in our mobile device distribution services.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of 2024, we continued to operate our network of karaoke booths. Our karaoke booth is a small, soundproof and air-conditioned booth where a maximum of two patrons can sing along to music from our extensive collection. As of June 30, 2024, we had a total of 992 karaoke booths POSs under the direct operation model and 1,775 karaoke booths POSs under franchising model, situated in 268 cities in mainland China. As of June 30, 2024, our music library consisted of more than 27,900 songs in different categories.

In the first half of 2024, we continued to (i) sell, lease and/or provide hardware support services, including machine installation and maintenance services, for karaoke booths to karaoke booth franchisees and (ii) provide operation system support to karaoke booth franchisees by allowing them to connect their machines to our operation system, under which the karaoke booth franchisees could access our music library over the cloud operated by third-party cloud service providers and entertainment system that supported interactive functions such as ordering songs and scoring. As of June 30, 2024, we had 606 franchisees operating the karaoke booths under franchising model.

OUTLOOK

As a vending machine operator in mainland China with strong operation and digitalization capabilities and over a decade of experience, we are well positioned to capture the massive market opportunity driven by the fast growth of the under-penetrated unmanned retail market in mainland China. Further, vending machines provide a significant channel for offline FMCG retail, as they can effectively address the pain points of the industry's traditional business model, including high start-up costs and escalating operating costs.

We have endeavoured to cultivate the unmanned retail industry in mainland China and developed digitalization and operation capabilities, covering merchandise procurement, logistics and inventory management. We strive to refine the traditional retail industry with technology and to further digitalize and automate businesses along the retail value chain. To achieve these goals, among others, we will continue to collaborate with internet companies to build a diversified payment infrastructure supporting a wide variety of payment methods including major payment methods such as Alipay and WeChat Pay, advanced technologies such as biometric authentication payment, and customized scenario-specific payment methods such as student card and staff card payment.

Looking forward, leveraging our core capabilities, we will expand our POS network and improve our digitalized operating efficiency to empower and provide services to the participants along the unmanned retail industry value chain. For consumers, we strive to offer convenience, accessibility, excellent multi-scenario user experiences, contactless purchase and a broad selection of trending merchandise. For those who wish to start a vending machine business, we allow them to capitalize on their POS resources and local expertise and tap into our digitalization and operation capabilities by joining us as our POS partners. For those who already operate vending machines, we will continue to welcome them as our merchandise wholesale customers or Non-Ubox POS operators and empower them to improve operational efficiency by providing them with access to our digitalization and operation capabilities. For advertisers, we will continue to provide a vast and inter-connected platform for them to reach consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, we plan to further deepen our market penetration and expand our POS coverage in tier one, new tier one and tier two cities. We also plan to gradually tap into tier three cities and below with higher economic growth rates. Through the expansion of our POS network coverage, we target to enhance our economy of scale and improve our operational efficiency and overall profitability. We believe our industry-leading position and strong ability to digitalize operations will enable us to further increase our market penetration and to expand into new consumption scenarios.

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

FINANCIAL REVIEW

Revenue

We generated revenue during the Reporting Period from (i) unmanned retail business, (ii) advertising and system support services, (iii) merchandise wholesale, (iv) vending machine sales and leases, and (v) others. Others mainly include mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support across mainland China.

	For the six months ended June 30,				Year-on-year change %
	2024		2023		
	RMB'000 (unaudited)	%	RMB'000	%	
Unmanned retail business	912,813	67.9	986,795	78.8	(7.5)
Advertising and system support services	60,846	4.5	56,450	4.5	7.8
Merchandise wholesale	242,747	18.1	110,685	8.8	119.3
Vending machine sales and leases	16,234	1.2	11,712	0.9	38.6
Others	111,062	8.3	87,036	7.0	27.6
Total	1,343,702	100.0	1,252,678	100.0	7.3

MANAGEMENT DISCUSSION AND ANALYSIS

- *Unmanned retail business.* Our revenue from unmanned retail business for the Reporting Period amounted to approximately RMB912.8 million, representing a year-on-year decrease of approximately 7.5%, among which the revenue from the sales of customized merchandise and channel-limited merchandise amounted to approximately RMB28.5 million. The decrease was due to the economic growth following the relaxation of COVID-19 policies was not as expected and POS partners tended to adopt a prudent approach and slowed down the expansion of the POS network, resulting in a decrease in the average POSs for the Reporting Period as compared to the six-month period ended June 30, 2023.
- *Advertising and system support services.* Our revenue from advertising and system support services for the Reporting Period amounted to approximately RMB60.9 million, representing a year-on-year increase of approximately 7.8%. The increase was due to a further recovery in demand in the advertising market which was previously heavily impacted by COVID-19.
- *Merchandise wholesale.* Our revenue from merchandise wholesale for the Reporting Period amounted to approximately RMB242.7 million, representing a year-on-year increase of approximately 119.3%, among which the revenue from the sales of customized merchandise and channel-limited merchandise amounted to approximately RMB26.7 million. The increase was due to the success of the proactive promotion of the shared warehouse strategy.
- *Vending machine sales and leases.* Our revenue from vending machine sales and leases for the Reporting Period amounted to approximately RMB16.2 million, representing a year-on-year increase of approximately 38.6%. The increase was due to the increase of average selling and leasing price of vending machines.
- *Others.* Our other segment results mainly include mobile device distribution services, karaoke booth services, karaoke booth sales and leases, and karaoke booth operation system support across mainland China. Our revenue from other segments for the Reporting Period amounted to approximately RMB111.1 million, representing a year-on-year increase of approximately 27.6%. The increase was due to the steady growth of the mobile device distribution services provided in the PRC and the increase in the number of customers served.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Our cost of sales consists of (i) cost of inventories sold, (ii) subcontractor cost of advertising resources, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, and (v) taxes and surcharges. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the six months ended June 30,				Year-on-year change %
	2024		2023		
	RMB'000 (unaudited)	%	RMB'000	%	
Cost of inventories sold	844,226	98.4	720,726	98.1	17.1
Subcontractor cost of advertising resources	444	0.1	478	0.1	(7.1)
Depreciation of property and equipment	8,081	0.9	2,852	0.4	183.3
Depreciation of right-of-use assets	–	–	6,144	0.8	(100.0)
Taxes and surcharges	4,789	0.6	4,502	0.6	6.4
Total	857,540	100.0	734,702	100.0	16.7

Our cost of sales increased by approximately 16.7% from approximately RMB734.7 million for the six months ended June 30, 2023 to approximately RMB857.5 million for the Reporting Period. The increase was due to the increase in cost of inventories sold, which was in line with the increase in our revenue from merchandise wholesale and mobile device distribution services.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	For the six months ended June 30,				Year-on-year change
	2024		2023		
	Gross profit RMB'000 (unaudited)	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	%
Unmanned retail business	407,460	44.6	444,458	45.0	(8.3)
Advertising and system support services	60,186	98.9	55,769	98.8	7.9
Merchandise wholesale	6,564	2.7	3,990	3.6	64.5
Vending machine sales and leases	3,827	23.6	3,165	27.0	20.9
Others	8,125	7.3	10,594	12.2	(23.3)
Total	486,162	36.2	517,976	41.3	(6.1)

For the Reporting Period, we recorded a consolidated gross profit of approximately RMB486.2 million, representing a year-on-year decrease of approximately 6.1%. Our consolidated gross profit margin for the Reporting Period was approximately 36.2%, representing a year-on-year decrease of 5.1 percentage points.

The above year-on-year changes in our gross profit and gross profit margin for the Reporting Period were due to an increase in the revenue contribution of merchandise wholesale and mobile device distribution services, which typically have lower gross profit margins than the other business segments as a percentage of revenue.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 11.2% from approximately RMB545.1 million for the six months ended June 30, 2023 to approximately RMB484.1 million for the Reporting Period. The decrease was due to (i) a decrease in employee benefit expenses as a result of the optimization of the Company's personnel composition; (ii) a decrease in depreciation as a result of the end of depreciation of assets in previous years as the Company has not purchased a significant amount of fixed assets since 2023 and we completed a re-assessment of the useful life of the vending machines and determined that the estimated useful life of certain vending machines should be extended with effect from January 1, 2024; and (iii) a decrease in the amortization of share-based compensation expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

General and administrative expenses

Our general and administrative expenses decreased by approximately 22.3% from approximately RMB95.1 million for the six months ended June 30, 2023 to approximately RMB73.9 million for the Reporting Period. The decrease was primarily due to a decrease in the amortization of share-based compensation expenses and no listing expenses incurred during the Reporting Period.

Research and development expenses

Our research and development expenses decreased by approximately 8.6% from approximately RMB15.1 million for the six months ended June 30, 2023 to approximately RMB13.8 million for the Reporting Period. The decrease was due to a decrease in employee benefit expenses as a result of the optimization of the Company's personnel composition and a decrease in the amortization of share-based compensation expenses.

Net impairment losses on financial assets

Our net impairment losses on financial assets, which primarily comprised impairment losses on trade and other receivables, increase by approximately 417.2% from approximately RMB0.8 million for the six months ended June 30, 2023 to approximately RMB4.4 million for the Reporting Period. The increase was because an increase in provision for certain long-aged trade receivables in the Reporting Period.

Other income

Our other income mainly consisted of (i) government grants, (ii) interest income arising from other receivables and bank deposits, and (iii) additional deduction of input value-added tax. Our other income decreased by approximately 13.9% from approximately RMB2.9 million for the six months ended June 30, 2023 to approximately RMB2.5 million for the Reporting Period. The decrease was primarily due to decrease in deduction of input value-added tax because some subsidiaries were no longer eligible for such deduction, and less interest income from other receivables due to repayments.

Other gains/losses, net

We incurred other gains of approximately RMB2.0 million for the Reporting Period, as compared to other losses of approximately RMB2.9 million recorded for the six months ended June 30, 2023, primarily due to the decrease in losses on fair value changes of financial assets and the increase in exchange gains arising from the Hong Kong dollars raised from the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Our finance costs decreased by approximately 27.6% from approximately RMB4.6 million for the six months ended June 30, 2023 to approximately RMB3.3 million for the Reporting Period. The decrease was primarily due to the decrease in interest expenses on lease liabilities as a result of the expiry of certain finance lease contracts.

Income tax expenses

Our income tax expenses increased from approximately RMB0.7 million for the six months ended June 30, 2023 to approximately RMB7.7 million for the Reporting Period. The increase in the income tax expenses was due to certain subsidiaries recorded profits during the Reporting Period.

Loss for the period

As a result of the foregoing reasons, our net loss decreased by approximately 32.9% from approximately RMB147.4 million for the six months ended June 30, 2023 to approximately RMB98.9 million for the Reporting Period.

Non-HKFRS Measures: adjusted EBITDA and adjusted net loss

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000
Loss for the period	(98,908)	(147,389)
<i>Add</i>		
Depreciation of property and equipment, right-of-use assets	66,930	121,837
Amortization of intangible assets	8,277	7,675
Income tax expenses	7,749	744
Interest expenses on borrowings and lease liabilities	3,320	4,584
EBITDA	(12,632)	(12,549)
<i>Add</i>		
Share-based compensation expenses	27,419	49,527
Listing expenses	–	6,581
Adjusted EBITDA (non-HKFRS measure)	14,787	43,559
Loss for the period	(98,908)	(147,389)
<i>Add</i>		
Share-based compensation expenses	27,419	49,527
Listing expenses	–	6,581
Adjusted net loss (non-HKFRS measure)	(71,489)	(91,281)

For the Reporting Period, our adjusted EBITDA (non-HKFRS measure) amounted to approximately RMB14.8 million, representing a decrease of approximately RMB28.8 million or approximately 66.1% as compared with approximately RMB43.6 million for the six months ended June 30, 2023, which was primarily due to (i) POS partners tended to adopt a prudent approach towards the pace of recovery in the macro-environment after the COVID-19 and slowed down the expansion of the POS network, resulting in a decrease in the average POSs for the Reporting Period; and (ii) we reduced the gross profit margin in order to promote the merchandise wholesale business during the Reporting Period.

For the six months ended June 30, 2024, our adjusted net loss (non-HKFRS measure) amounted to approximately RMB71.5 million, representing a decrease of approximately RMB19.8 million or approximately 21.7% as compared with approximately RMB91.3 million for the six months ended June 30, 2023, which was primarily because we completed a re-assessment of the useful life of the vending machines and determined that the estimated useful life of certain vending machines should be extended with effect from January 1, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and capital resources

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

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	
Net cash generated from operating activities	73,392	186,011
Net cash generated from/(used in) investing activities	18,613	(36,022)
Net cash used in financing activities	(16,388)	(8,682)
Net increase in cash and cash equivalents	75,617	141,307
Cash and cash equivalents at the beginning of the year	347,563	128,178
Effects of exchange rate changes on cash and cash equivalents	1,606	–
Cash and cash equivalents at the end of the period	<u>424,786</u>	<u>269,485</u>

Cash and cash equivalents

For the Reporting Period, our net cash generated from operating activities was approximately RMB73.4 million, which was primarily due to our solid operating performance, which in turn produced a stable revenue.

For the Reporting Period, our net cash generated from investing activities was approximately RMB18.6 million, which was primarily due to the recovery of loans from business partners in previous years, while partially offset by the purchase of property and plant.

For the Reporting Period, our net cash flows used in financing activities was approximately RMB16.4 million, primarily due to repayment of loans and finance lease payables.

As a result of the foregoing, our cash and cash equivalents, which were mainly held in HK dollars as of June 30, 2024, increased by approximately 22.2% from approximately RMB347.6 million as of December 31, 2023 to approximately RMB424.8 million as of June 30, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

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

Indebtedness

As of June 30, 2024, our bank borrowings amounted to approximately RMB91.5 million, which were at fixed interest rates. Such bank borrowings were all denominated in RMB and bore a weighted average interest rate ranging from 4.92% to 5.25%. As of June 30, 2024, we had unutilized banking facilities of RMB600.0 million. We recognized total lease liabilities of approximately RMB23.6 million as of June 30, 2024.

Gearing ratio

The Group monitored capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity and multiplied by 100%. As of June 30, 2024, the gearing ratio was approximately 12.9% (as of December 31, 2023: approximately 11.1%).

Capital expenditures

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	
Payments for purchase of property and equipment	14,561	45,720
Payments for purchase of intangible assets	90	–
Total	14,651	45,720

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Capital commitments

As of June 30, 2024, the Group has no significant capital expenditure contracted for but not recognized as liabilities.

Future plans for material investments or capital assets

Save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, and in this interim report, the Group has no future plans for material investments or capital assets.

Significant investments, and material acquisitions and disposals

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

Charges on group assets

As of June 30, 2024, the long-term bank borrowings of approximately RMB26.5 million was guaranteed by certain subsidiaries of the Group and secured by the Group’s vending machines of approximately RMB16.5 million (as of December 31, 2023: nil).

EMPLOYEE AND REMUNERATION POLICIES

As of June 30, 2024, the Group had a total of 1,126 full-time employees (as of December 31, 2023: 1,012 full-time employees). The remuneration of our employees is determined with reference to market conditions and individual employees’ performance, qualification and experience. In line with the performance of us and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and benefit plans. We also organize various training programs on a regular basis for our employees to enhance their professional knowledge, improve time management skills and communications skills, and strengthen their team spirit.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

With effect from August 19, 2024, Ms. Hui Yin Shan has resigned as a joint company secretary of the Company (“Joint Company Secretary”) and an authorized representative (the “Authorized Representative”) of the Company under Rule 3.05 of the Listing Rules on the Stock Exchange, and an authorized representative in Hong Kong of the Company for the purpose of Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and an authorized person of the Company to accept service of process and notice in Hong Kong under Rule 19A.13(2) of the Listing Rules (the “Process Agent”); and Ms. Lai Ho Yan has been appointed as the Joint Company Secretary, the Authorized Representative, the authorized representative in Hong Kong of the Company for the purpose of Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Process Agent.

Save as disclosed, there is no material event subsequent to June 30, 2024 which could have a material impact on our operating and financial performance as of the date of this interim report.

OTHER INFORMATION

H SHARE FULL CIRCULATION APPLICATION

References are made to the announcements of the Company dated May 23, 2024 and June 5, 2024 in relation to the implementation of the H shares full circulation. On June 5, 2024, the Company submitted a filing application to the China Securities Regulatory Commission in relation to the proposed implementation of the H share full circulation for the conversion of an aggregate of 65,112,950 unlisted domestic shares of the Company into H Shares on a one-for-one basis (the “H Share Full Circulation”), which can be listed and traded on the Main Board of the Stock Exchange upon completion of the conversion (the “Conversion and Listing”).

As of the date of this interim report, the H Share Full Circulation and Conversion and Listing have not been completed. The Company will make further announcement(s) on the progress of the H Share Full Circulation and the Conversion and Listing in compliance with the Listing Rules and/or Inside Information Provisions as and when appropriate.

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

As of June 30, 2024, the interests and short positions of each of our Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO) which is required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which is required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) were as follows:

Name	Position	Class of Shares	Number of Shares ⁽¹⁾	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total issued Shares of the Company ⁽²⁾
Mr. Wang Bin	Chairman of our Board, executive Director and chief executive officer	H Shares	94,901,170	Beneficial owner	14.91%	12.17%
		Unlisted Shares	55,671,930	Beneficial owner	38.87%	7.14%
Ms. Cui Yan	Executive Director	H Shares	3,000,000	Beneficial owner	0.47%	0.38%
		Unlisted Shares	4,700,000	Beneficial owner	3.28%	0.60%
Mr. Chao Hua	Executive Director	Unlisted Shares	800,000	Beneficial owner	0.56%	0.10%
Mr. Huang Ronghui	Supervisor	Unlisted Shares	400,000	Beneficial owner	0.28%	0.05%

Notes:

- All interests stated above are long positions.
- The calculations are based on the number of Unlisted Share in issue, the number of H Share in issue, and the total number of Shares in issue, being 143,219,624 Unlisted Shares, 636,615,809 H Shares and 779,835,433 Shares, respectively.

OTHER INFORMATION

Save as disclosed above, as of June 30, 2024, none of the Directors, Supervisors and chief executive of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including their interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As of June 30, 2024, to the best of Directors' knowledge, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares, which would be required to be notified to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Shareholder	Long Position/ Short Position	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding in the total issued Shares of the Company ⁽¹⁾
Ant Group Co., Ltd. ("Ant Group") ⁽²⁾	Long position	H Shares	126,315,789	Interest in controlled corporation	19.84%	16.20%
Shanghai Yunxin Venture Capital Company Limited ("Shanghai Yunxin") ⁽²⁾	Long position	H Shares	126,315,789	Beneficial owner	19.84%	16.20%
Hu Yuanman ⁽³⁾	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Mingde Chunhua (Tianjin) Asset Management Co., Ltd. ("Mingde Chunhua") ⁽³⁾	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Chunhua Qishi (Tianjin) Equity Investment Management Co., Ltd. ("Chunhua Qishi") ⁽³⁾	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Qishi (Tianjin) Equity Investment Management Partnership ("Qishi Equity Investment") ⁽³⁾	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%

OTHER INFORMATION

Shareholder	Long Position/ Short Position	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding in the total issued Shares of the Company ⁽¹⁾
Chunhua Xingkang (Tianjin) Investment Center (Limited Partnership) ("Chunhua Xingkang") ⁽³⁾	Long position	H Shares	42,104,884	Interest in controlled corporation	6.61%	5.40%
Chunhua Rongshun (Tianjin) Equity Investment Fund Partnership (Limited Partnership) ("Chunhua Rongshun") ⁽³⁾	Long position	H Shares	42,104,884	Beneficial owner	6.61%	5.40%
China International Capital Corporation Limited ⁽⁴⁾	Long position	H Shares	35,563,500	Interest in controlled corporation	5.59%	4.56%
	Short position		500	Interest in controlled corporation	— ⁽⁵⁾	— ⁽⁵⁾
CICC Capital Operation Co., Ltd. ⁽⁴⁾	Long position	H Shares	35,563,000	Beneficial owner	5.59%	4.56%

Notes:

- The calculations are based on the number of Unlisted Share in issue, the number of H Share in issue, and the total number of Shares in issue, being 143,219,624 Unlisted Shares, 636,615,809 H Shares and 779,835,433 Shares, respectively.
- Shanghai Yunxin is a company established under the PRC Law, which is wholly-owned by Ant Group.
- Chunhua Rongshun is a limited liability partnership established under the PRC law, which is owned as to 67.67% by its limited partner Chunhua Xingkang. The general partner of Chunhua Rongshun is Qiushi Equity Investment, which is owned as to 83.33% by its general partner, Chunhua Qiushi. Chunhua Qiushi is wholly owned by Mingde Chunhua, which is in turn ultimately controlled by Mr. Hu Yuanman, an Independent Third Party.
- CICC Capital Operation Co., Ltd. is 100% controlled by China International Capital Corporation Limited. CICC Capital Operation Co., Ltd. is the general partner of CICC Generation (Suzhou) Emerging Industries Equity Investment Fund Partnership (Limited Partnership) and 100% controls CICC Jia Cheng Investment Management Company, which is the general partner of Zhongjin Qiyuan National Emerging Industry Venture Capital Guidance Fund (Hubei) Equity Investment Enterprise (Limited Partnership). Zhongjin Qiyuan National Emerging Industry Venture Investment Guidance Fund (L.P.) is the 99.99% limited partner of the above limited partnership.
- Less than 0.01%

Save as disclosed above, as of June 30, 2024, the Directors were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders. The Company has adopted the principles and code provisions of the CG Code set forth in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. In the opinion of the Board, during the Reporting Period, the Company has complied with all applicable code provisions as set out in the CG Code, save for the deviation from code provision C.2.1 of Part 2 to the CG Code.

Deviation from the Code Provision C.2.1 of Part 2 to the CG Code

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

SECURITIES DEALING AND HANDLING OF INSIDE INFORMATION

The Company has adopted the Model Code as its model code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period.

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

OTHER INFORMATION

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the initial public offering (In HK\$ millions)	Actual usage between the Listing Date and June 30, 2024 (In HK\$ millions)	Unutilized net proceeds as of June 30, 2024 (In HK\$ millions)	Timeframe for the unused balance
Implementing our expansion initiatives	80.0	123.9	21.6	102.3	By December 31, 2025
Further developing our operation network	5.0	7.7	0.2	7.5	By December 31, 2025
Enhancing our technologies	7.0	10.8	5.0	5.8	By December 31, 2025
Hardware upgrade	1.5	2.3	1.0	1.3	By December 31, 2025
Software enhancement	4.0	6.2	4.0	2.2	By December 31, 2025
Recruiting talents	1.5	2.3	–	2.3	By December 31, 2025
Working capital and other general corporate purposes	8.0	12.4	12.2	0.2	By December 31, 2025
Total	100.0	154.9	39.0	115.9	By December 31, 2025

Note:

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

OTHER INFORMATION

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

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and mainland China (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant PRC Law). We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. During the Reporting Period, Mr. Wang Xiaochuan (“Mr. Wang”) retired as an independent non-executive Director and a member of the Audit Committee with effect from May 21, 2024. Following the retirement of Mr. Wang, Mr. Zhang Changhao appointed as an independent non-executive Director and a member of the Audit Committee with effect from May 21, 2024. As of the date of this interim report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Guo Wei (Chairlady, and who possesses the appropriate professional qualifications and accounting and related financial management expertise), Mr. Zhang Changhao and Mr. Zhang Chen. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the Reporting Period, and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

CHANGES IN INFORMATION OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

Name	Details of Change
Mr. Chen Kunrong	Resigned as an executive Director and the president of the Company with effect from January 11, 2024.
Mr. Chao Hua	Appointed as an executive Director with effect from May 21, 2024.
Mr. Wang Xiaochuan	Retired as an independent non-executive Director and the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee with effect from May 21, 2024.
Mr. Zhang Changhao	Appointed as an independent non-executive Director and the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee with effect from May 21, 2024.

OTHER INFORMATION

Save as disclosed above, there is no other change in the information of Directors, Supervisors and chief executive during the Reporting Period which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PRE-IPO INCENTIVE SCHEME

The Pre-IPO Incentive Scheme was approved and adopted by our then Shareholders on May 31, 2021. The maximum aggregate number of underlying Shares which may be issued upon exercise of all options under the Pre-IPO Incentive Scheme is 37,862,946 Unlisted Shares, representing approximately 4.86% of the issued Shares as at the date of this interim report.

As of June 30, 2024, options to subscribe for a total of 30,150,000 Unlisted Shares, representing approximately 3.87% of the total issued Shares of our Company have been granted to 21 grantees under the Pre-IPO Incentive Scheme.

The Pre-IPO Incentive Scheme commenced from the date of grant of options (i.e. January 10, 2023) and shall expire on the day when all options granted under the Pre-IPO Incentive Scheme is exercised or cancelled, and shall in any event expire no later than the date which is ten years after January 10, 2023. As of June 30, 2024, the remaining life of the Pre-IPO Incentive Scheme is approximately eight years and six months.

The principal terms of the Pre-IPO Incentive Scheme are summarized in the section headed “Statutory and General Information – D. SHARE INCENTIVE SCHEME – 1. Pre-IPO Incentive Scheme” in Appendix IV to the Prospectus.

OTHER INFORMATION

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

Name or category of grantee	Date of Grant	Total Number of Shares Underlying the options Granted as of the Date of Grant		Vesting Period ⁽¹⁾	Exercise Price (RMB)	Approximate Percentage of Shareholding in the Total Issued Share Capital ⁽²⁾	Number of Shares underlying the option as of January 1, 2024	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying the option as of June 30, 2024	Closing price of the Shares before the date on which the options were exercised
<i>Directors</i>													
Mr. Wang Bin	January 10, 2023	15,000,000	3 years from the First Exercise Date	3 years from the First Exercise Date	1.99 per Share	1.92%	15,000,000	-	-	-	-	15,000,000	N/A
Mr. Chen Kunrong ⁽³⁾	January 10, 2023	6,000,000	3 years from the First Exercise Date	3 years from the First Exercise Date	1.99 per Share	0.77%	6,000,000	-	-	-	(6,000,000)	-	N/A
Ms. Cui Yan	January 10, 2023	4,700,000	3 years from the First Exercise Date	3 years from the First Exercise Date	1.99 per Share	0.60%	4,700,000	-	-	-	-	4,700,000	N/A
Mr. Chao Hua ⁽⁴⁾	January 10, 2023	800,000	3 years from the First Exercise Date	3 years from the First Exercise Date	1.99 per Share	0.10%	800,000	-	-	-	-	800,000	N/A
Sub-total		26,500,000				3.40%	26,500,000	-	-	-	(6,000,000)	20,500,000	
<i>Other employees of the Group</i>													
In aggregate	January 10, 2023	11,250,000	3 years from the First Exercise Date	3 years from the First Exercise Date	1.99 per Share	1.44%	11,250,000	-	-	-	(1,600,000)	9,650,000	N/A
Total		37,750,000				4.84%	37,750,000	-	-	-	(7,600,000)	30,150,000	

Notes:

- 40%, 30% and 30% of the total numbers of the options granted shall vest on the first, second, and third anniversary of the date commencing on the later of (i) first trading day after the expiration of the 12-month period from the date of grant and (ii) the Listing Date (the "First Exercise Date"). For further details, see "- D. Share Incentive Scheme - 1. Pre-IPO Incentive Scheme - (f) Vesting and Exercise of Options" in the Prospectus.
- The calculation on the total number of 779,835,433 issued Shares as of the date of this interim report.
- Mr. Chen Kunrong resigned as an executive Director and the president of the Company with effect from January 11, 2024.
- Mr. Chao Hua was appointed as an executive Director with effect from May 21, 2024.

OTHER INFORMATION

As disclosed in the Prospectus, the Pre-IPO Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve grant of options by the Company after the Listing. The Company did not and will not grant further options under the Pre-IPO Incentive Scheme after the Listing. Accordingly, the number of options available for grant under the Pre-IPO Incentive Scheme at the beginning and the end of the Reporting Period are both zero.

On behalf of the Board

Chairman

Mr. Wang Bin

Shenzhen, the PRC, August 27, 2024

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 70, which comprises the interim condensed consolidated statement of financial position of Beijing UBOX Online Technology Corp. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2024 and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 27, 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000
Revenue	6	1,343,702	1,252,678
Cost of sales	7	(857,540)	(734,702)
Gross profit		486,162	517,976
Selling and marketing expenses	7	(484,063)	(545,133)
General and administrative expenses	7	(73,906)	(95,146)
Research and development expenses	7	(13,802)	(15,098)
Net impairment losses on financial assets		(4,355)	(842)
Other income	8	2,518	2,923
Other gains/(losses), net	9	2,016	(2,920)
Operating loss		(85,430)	(138,240)
Finance costs	10	(3,320)	(4,584)
Share of results of investments accounted for using the equity method	17	(2,409)	(3,821)
Loss before income tax		(91,159)	(146,645)
Income tax expense	11	(7,749)	(744)
Loss for the period		(98,908)	(147,389)
Loss for the period attributable to:			
– Owners of the Company		(100,738)	(152,480)
– Non-controlling interests		1,830	5,091
		(98,908)	(147,389)
Total comprehensive loss for the period		(98,908)	(147,389)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(100,738)	(152,480)
– Non-controlling interests		1,830	5,091
		(98,908)	(147,389)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	12	(0.13)	(0.20)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property and equipment	14	265,411	132,430
Right-of-use assets	15	20,632	203,626
Intangible assets	16	96,622	104,809
Investments accounted for using the equity method	17	54,353	56,762
Financial assets at fair value through profit or loss	18	35,300	35,300
Prepayments, deposits and other receivables	20	170,970	167,298
Deferred income tax assets	24	34,464	40,103
Total non-current assets		<u>677,752</u>	<u>740,328</u>
Current assets			
Inventories	19	197,388	174,903
Trade receivables	20	42,258	34,927
Prepayments, deposits and other receivables	20	169,157	214,848
Restricted cash	21	2	89
Cash and cash equivalents	21	424,786	347,563
Total current assets		<u>833,591</u>	<u>772,330</u>
Total assets		<u><u>1,511,343</u></u>	<u><u>1,512,658</u></u>
EQUITY			
Share capital	22	779,835	779,835
Reserves		2,065,784	2,038,365
Accumulated losses		(1,970,726)	(1,869,988)
Equity attributable to owners of the Company		<u>874,893</u>	<u>948,212</u>
Non-controlling interests		25,553	23,723
Total equity		<u><u>900,446</u></u>	<u><u>971,935</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	11,674	11,193
Deferred income tax liabilities	24	1,650	2,450
Borrowings	27	13,986	–
Total non-current liabilities		<u>27,310</u>	<u>13,643</u>
Current liabilities			
Lease liabilities	15	11,890	17,340
Trade payables	25	242,895	185,444
Other payables and accruals	26	209,873	199,351
Contract liabilities	6	37,561	41,405
Current income tax liabilities		3,835	4,490
Borrowings	27	77,533	79,050
Total current liabilities		<u>583,587</u>	<u>527,080</u>
Total liabilities		<u>610,897</u>	<u>540,723</u>
Total equity and liabilities		<u>1,511,343</u>	<u>1,512,658</u>

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

On behalf of the Board

Wang Bin

Director

Cui Yan

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	<i>Note</i>	Share capital	Reserves	Accumulated losses	Total	Non- controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
As at January 1, 2024		779,835	2,038,365	(1,869,988)	948,212	23,723	971,935
(Loss)/profit for the period		-	-	(100,738)	(100,738)	1,830	(98,908)
Total comprehensive (loss)/income for the period		-	-	(100,738)	(100,738)	1,830	(98,908)
Transactions with owners of the Company							
Share-based compensation expenses	23	-	27,419	-	27,419	-	27,419
Total transactions with owners of the Company		-	27,419	-	27,419	-	27,419
As at June 30, 2024		<u>779,835</u>	<u>2,065,784</u>	<u>(1,970,726)</u>	<u>874,893</u>	<u>25,553</u>	<u>900,446</u>
As at January 1, 2023							
As at January 1, 2023		757,259	1,765,917	(1,542,693)	980,483	21,453	1,001,936
(Loss)/profit for the period		-	-	(152,480)	(152,480)	5,091	(147,389)
Total comprehensive (loss)/income for the period		-	-	(152,480)	(152,480)	5,091	(147,389)
Transactions with owners of the Company							
Share-based compensation expenses	23	-	49,527	-	49,527	-	49,527
Total transactions with owners of the Company		-	49,527	-	49,527	-	49,527
As at June 30, 2023		<u>757,259</u>	<u>1,815,444</u>	<u>(1,695,173)</u>	<u>877,530</u>	<u>26,544</u>	<u>904,074</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	
Cash flows from operating activities			
Cash generated from operations		76,124	189,136
Interest received		833	700
Income taxes paid		(3,565)	(3,825)
		<u>73,392</u>	<u>186,011</u>
Cash flows from investing activities			
Payments for purchase of property and equipment		(14,561)	(45,720)
Proceeds from disposal of property and equipment		1,649	8,582
Payments for purchase of financial assets at fair value through profit or loss	18	–	(20,000)
Proceeds from disposal of financial assets at fair value through profit or loss	18	–	20,000
Payments for purchase of intangible assets		(90)	–
Proceeds from repayment of advances to business partners and other receivables		32,000	1,047
Advances to business partners		(385)	–
Interest received from wealth management products	18	–	69
		<u>18,613</u>	<u>(36,022)</u>
Cash flows from financing activities			
Proceeds from bank and other borrowings		75,000	59,050
Repayments of bank and other borrowings		(74,531)	(40,000)
Principal and interest element of lease payments	15	(13,905)	(23,195)
Listing expenses payments		(338)	(1,926)
Interest paid		(2,614)	(2,611)
		<u>(16,388)</u>	<u>(8,682)</u>
Net increase in cash and cash equivalents		75,617	141,307
Cash and cash equivalents at beginning of the period		347,563	128,178
Effects of exchange rate changes on cash and cash equivalents		1,606	–
		<u>424,786</u>	<u>269,485</u>
Cash and cash equivalents at the end of the period		424,786	269,485

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Beijing UBOX Online Technology Corp. (北京友實在線科技股份有限公司) (the “Company”), formerly known as Beijing UBOX Technology & Trade Company Limited (北京友博斯科科貿有限公司), was incorporated in the People’s Republic of China (the “PRC”) as a wholly foreign-owned limited liability company on March 1, 2012 and converted into a joint stock company with limited liability on September 10, 2015. The address of the Company’s registered office is Room 128, Yunkai Real Estate Office Building, No. 8 Kangbao Road, Economic Development Zone, Miyun District, Beijing, the PRC. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”) since November 3, 2023 (the “Listing Date”).

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

The interim condensed consolidated financial statements (“Interim Financial Information”) are presented in Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board of Directors on August 27, 2024.

2 BASIS OF PREPARATION

The Interim Financial Information for the six-month reporting period ended June 30, 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023 (“2023 Financial Statements”).

The accounting policies adopted are consistent with those of the 2023 Financial Statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from January 1, 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised); and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PREPARATION – continued

(a) New and amended standards adopted by the Group – continued

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

(b) New and amended standards and interpretations not yet adopted

The following amendments to standards have not come into effect for the financial year beginning on January 1, 2024 and have not been early adopted by the Group in preparing the condensed consolidated interim financial statements.

		Effective for annual periods beginning on or after
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025

The Group does not expect these amendments to have a material impact on its operations or financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

There were no significant changes in any material risk management policies during the six months ended June 30, 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(a) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Total carrying amount RMB'000
(Unaudited)						
As at June 30, 2024						
Trade payables	242,895	-	-	-	242,895	242,895
Other payables and accruals (excluding salaries, wages and bonuses payables and other taxes payables)	163,300	-	-	-	163,300	163,300
Lease liabilities	12,469	6,831	5,634	9	24,943	23,564
Bank borrowings	82,456	15,022	-	-	97,478	91,519
	<u>501,120</u>	<u>21,853</u>	<u>5,634</u>	<u>9</u>	<u>528,616</u>	<u>521,278</u>
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Total carrying amount RMB'000
As at December 31, 2023						
Trade payables	185,444	-	-	-	185,444	185,444
Other payables and accruals (excluding salaries, wages and bonuses payables and other taxes payables)	160,476	-	-	-	160,476	160,476
Lease liabilities	18,458	5,289	5,195	20	28,962	28,533
Bank borrowings	80,168	-	-	-	80,168	79,050
	<u>444,546</u>	<u>5,289</u>	<u>5,195</u>	<u>20</u>	<u>455,050</u>	<u>453,503</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT – *continued*

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total equity. Net debts include borrowings and lease liabilities, less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at June 30, 2024 and December 31, 2023, the Group has a net cash position.

3.3 Fair value measurements of financial instruments

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

The tables below analyze the Group's financial instruments carried at fair value as at June 30, 2024 and December 31, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT – continued

3.3 Fair value measurements of financial instruments – continued

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at June 30, 2024				
Financial assets at fair value through profit or loss (“FVPL”)				
Investments in unlisted equity securities (Note 18(b))	–	–	35,300	35,300
	<u>–</u>	<u>–</u>	<u>35,300</u>	<u>35,300</u>
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Financial assets at FVPL				
Investments in unlisted equity securities (Note 18(b))	–	–	35,300	35,300
	<u>–</u>	<u>–</u>	<u>35,300</u>	<u>35,300</u>

3.3.1 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes to valuation techniques during the six months ended June 30, 2024 and 2023.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT – continued

3.3 Fair value measurements of financial instruments – continued

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

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities for the six months ended June 30, 2024 and 2023.

	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000
(Unaudited)		
As at January 1, 2024 and June 30, 2024	–	35,300
As at January 1, 2023	–	36,100
Acquisitions	20,000	–
Disposals	(20,000)	–
Interest received	(69)	–
Unrealized changes in fair value	–	(1,600)
Realized interest income	69	–
As at June 30, 2023	–	34,500

3.3.3 Valuation process, inputs and relationships to fair value

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value measurements of financial instruments – *continued*

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

At each financial year end the finance department:

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Financial Statements, except as described below.

Change of the estimated useful lives of vending machines

The Group completed a re-assessment of the useful lives of its vending machines, and determined that the estimated useful lives of certain vending machines should be extended from 5 years to 7 years based on the current operating condition and performance of these vending machines with effective from January 1, 2024. It was accounted for prospectively as a change in accounting estimate, the effect of such change is disclosed in Note 14.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 SEGMENT INFORMATION – continued

(a) Description of segments and principal activities – continued

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

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

(b) Segment information

There were no material inter-segment sales during the six months ended June 30, 2024 and 2023. The revenue for external customers reports to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive loss.

The segment information are as follows:

	Six months ended June 30, 2024					
	Unmanned retail business RMB'000	Advertising and system support services RMB'000	Merchandise wholesale RMB'000	Vending machine sales and leases RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
Revenue from external customer	912,813	60,846	242,747	16,234	111,062	1,343,702
Cost of sales	<u>(505,353)</u>	<u>(660)</u>	<u>(236,183)</u>	<u>(12,407)</u>	<u>(102,937)</u>	<u>(857,540)</u>
Gross profit	<u>407,460</u>	<u>60,186</u>	<u>6,564</u>	<u>3,827</u>	<u>8,125</u>	<u>486,162</u>
	Six months ended June 30, 2023					
	Unmanned retail business RMB'000	Advertising and system support services RMB'000	Merchandise wholesale RMB'000	Vending machine sales and leases RMB'000	Others RMB'000	Total RMB'000
Revenue from external customer	986,795	56,450	110,685	11,712	87,036	1,252,678
Cost of sales	<u>(542,337)</u>	<u>(681)</u>	<u>(106,695)</u>	<u>(8,547)</u>	<u>(76,442)</u>	<u>(734,702)</u>
Gross profit	<u>444,458</u>	<u>55,769</u>	<u>3,990</u>	<u>3,165</u>	<u>10,594</u>	<u>517,976</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Revenue from contracts with customers		
Revenue from unmanned retail business	912,813	986,795
– Direct operation model	207,885	183,752
– Partner model	704,928	803,043
Revenue from merchandise wholesale	242,747	110,685
Revenue from advertising and system support services	60,846	56,450
Revenue from vending machine sales and leases	16,234	11,712
Revenue from others	111,062	87,036
	<u>1,343,702</u>	<u>1,252,678</u>

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Timing of revenue recognition		
At a point in time		
– Unmanned retail business	912,813	986,795
– Merchandise wholesale	242,747	110,685
– Advertising and system support services	8,211	4,575
– Vending machine sales	10,990	5,998
– Others	103,209	75,669
Over time		
– Advertising and system support services	52,635	51,875
– Others	7,853	11,350
Lease income from vending machine leases	5,244	5,714
Lease income from others	–	17
	<u>1,343,702</u>	<u>1,252,678</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE – continued

(a) There was no individual customer contributing over 10% of the total revenue for the six months ended June 30, 2024 and 2023.

(b) Liabilities related to contracts with customers

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Contract liabilities	<u>37,561</u>	<u>41,405</u>

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

(c) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue is recognized during the six months ended June 30, 2024 and 2023 relates to carried-forward contract liabilities.

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period	<u>11,900</u>	<u>3,801</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Cost of inventories sold	844,226	720,726
POSs operation and development expenses	257,016	261,155
Logistics and transportation expenses	91,803	88,846
Employee benefit expenses excluding share-based compensation	78,858	88,976
Depreciation of property and equipment (Note 14)	56,803	74,120
Share-based compensation expenses (Note 23)	27,419	49,527
Depreciation of right-of-use assets (Note 15)	10,127	47,717
Amortization of intangible assets (Note 16)	8,277	7,675
Office expenses	7,591	6,386
Short-term and low-value leases expenses (Note 15)	6,942	7,528
Bank and payment charges	6,052	7,252
Taxes and surcharges	4,789	4,502
Traveling and entertainment expenses	3,097	2,637
Auditor's remuneration		
– Non-audit services	500	–
Listing expenses	–	6,581
Others	25,811	16,451
	<u>1,429,311</u>	<u>1,390,079</u>
Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses	1,429,311	1,390,079

8 OTHER INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Government grants	1,559	1,166
Interest income arising from other receivables and bank deposits	846	1,176
Interest income from wealth management products (Note 18)	–	69
Additional deduction of input value-added tax	54	418
Others	59	94
	<u>2,518</u>	<u>2,923</u>
	2,518	2,923

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Net foreign exchange gains	1,606	–
Net gains/(losses) on disposal of property and equipment	209	(395)
Fair value changes on financial assets at fair value through profit or loss (Note 18)	–	(1,600)
Others	201	(925)
	<u>2,016</u>	<u>(2,920)</u>

10 FINANCE COSTS

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Interest expenses on borrowings	2,614	2,611
Interest expenses on lease liabilities	706	1,973
	<u>3,320</u>	<u>4,584</u>

11 INCOME TAX EXPENSE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Current income tax	2,910	4,174
Deferred income tax (Note 24)	4,839	(3,430)
Income tax expense	<u>7,749</u>	<u>744</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the six months ended June 30, 2024 and 2023, excluding treasury shares.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	
Loss attributable to owners of the Company (RMB'000)	(100,738)	(152,480)
Weighted average number of ordinary shares outstanding (thousand)	<u>779,835</u>	<u>757,259</u>
Basic loss per share (RMB)	<u>(0.13)</u>	<u>(0.20)</u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred loss for the six months ended June 30, 2024 and 2023, respectively, the impact of share options as detailed in Note 23 was not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2024 and 2023 is the same as basic loss per share.

13 DIVIDENDS

No dividends have been paid or declared to the shareholders of the Company for the six months ended June 30, 2024 and 2023, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 PROPERTY AND EQUIPMENT

	Vending machines RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at January 1, 2023						
Cost	460,325	13,608	42,617	8,895	15,318	540,763
Accumulated depreciation	(146,136)	(10,395)	(28,760)	(7,164)	(11,852)	(204,307)
Accumulated impairment	(40,118)	-	-	-	-	(40,118)
Net book amount	<u>274,071</u>	<u>3,213</u>	<u>13,857</u>	<u>1,731</u>	<u>3,466</u>	<u>296,338</u>
Six months ended June 30, 2023						
Opening net book amount	274,071	3,213	13,857	1,731	3,466	296,338
Additions	9,641	424	187	67	10	10,329
Disposals	(6,736)	(6)	(2,233)	(2)	-	(8,977)
Depreciation charge	(68,846)	(536)	(3,008)	(446)	(1,284)	(74,120)
Closing net book amount	<u>208,130</u>	<u>3,095</u>	<u>8,803</u>	<u>1,350</u>	<u>2,192</u>	<u>223,570</u>
As at June 30, 2023						
Cost	433,604	13,974	31,806	8,953	15,328	503,665
Accumulated depreciation	(199,597)	(10,879)	(23,003)	(7,603)	(13,136)	(254,218)
Accumulated impairment	(25,877)	-	-	-	-	(25,877)
Net book amount	<u>208,130</u>	<u>3,095</u>	<u>8,803</u>	<u>1,350</u>	<u>2,192</u>	<u>223,570</u>
(Unaudited)						
As at January 1, 2024						
Cost	363,669	13,707	25,549	8,835	3,439	415,199
Accumulated depreciation	(240,360)	(11,877)	(20,106)	(7,794)	(2,569)	(282,706)
Accumulated impairment	(63)	-	-	-	-	(63)
Net book amount	<u>123,246</u>	<u>1,830</u>	<u>5,443</u>	<u>1,041</u>	<u>870</u>	<u>132,430</u>
Six months ended June 30, 2024						
Opening net book amount	123,246	1,830	5,443	1,041	870	132,430
Transfer (i)	181,097	-	-	-	-	181,097
Additions	9,110	12	483	522	-	10,127
Disposals	(670)	(8)	(348)	(414)	-	(1,440)
Depreciation charge	(53,527)	(348)	(1,837)	(260)	(831)	(56,803)
Closing net book amount	<u>259,256</u>	<u>1,486</u>	<u>3,741</u>	<u>889</u>	<u>39</u>	<u>265,411</u>
As at June 30, 2024						
Cost	1,163,063	13,553	23,140	8,675	870	1,209,301
Accumulated depreciation	(852,782)	(12,067)	(19,399)	(7,786)	(831)	(892,865)
Accumulated impairment	(51,025)	-	-	-	-	(51,025)
Net book amount	<u>259,256</u>	<u>1,486</u>	<u>3,741</u>	<u>889</u>	<u>39</u>	<u>265,411</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 PROPERTY AND EQUIPMENT – continued

- (i) The carrying value of the leased vending machines were transferred to property and plant when the purchase option were exercised by the Group at nominal price upon expiry of respective lease terms.
- (ii) As of June 30, 2024, the Group's vending machines of approximately RMB16,522,000 were pledged as collateral for the Group's bank borrowings (Note 27).
- (iii) The depreciation of vending machines has been decreased by approximately RMB41,929,000 for the six months ended June 30, 2024 as a result of change in estimated useful lives as detailed in Note 4.

15 LEASES

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

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

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Right-of-use assets		
– Vending machines	–	181,097
– Warehouse	18,090	17,175
– Buildings	2,268	4,966
– Motor vehicles	274	388
	<u>20,632</u>	<u>203,626</u>
Lease liabilities		
– Current	11,890	17,340
– Non-current	11,674	11,193
	<u>23,564</u>	<u>28,533</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 LEASES – *continued*

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

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Depreciation charge of right-of-use assets	10,127	47,717
Interest expense (included in finance costs)	706	1,973
Expense relating to short-term leases (included in expenses)	<u>6,942</u>	<u>7,528</u>

(c) Amounts recognized in the consolidated statement of cash flow

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Cash outflow for leases payment related to short-term and low-value lease as operating activities	6,942	7,528
Cash outflow for lease payments as financing activities	<u>13,905</u>	<u>23,195</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Internally generated software RMB'000	Purchased software RMB'000	Total RMB'000
As at January 1, 2023				
Cost	195,182	91,622	84,075	370,879
Accumulated amortization	–	(55,630)	(39,035)	(94,665)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>21,045</u>	<u>45,040</u>	<u>102,881</u>
Six months ended June 30, 2023				
Opening net book amount	36,796	21,045	45,040	102,881
Amortization charge	–	(3,632)	(4,043)	(7,675)
Closing net book amount	<u>36,796</u>	<u>17,413</u>	<u>40,997</u>	<u>95,206</u>
As at June 30, 2023				
Cost	195,182	91,622	84,075	370,879
Accumulated amortization	–	(59,262)	(43,078)	(102,340)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>17,413</u>	<u>40,997</u>	<u>95,206</u>
(Unaudited)				
As at January 1, 2024				
Cost	195,182	91,624	101,359	388,165
Accumulated amortization	–	(62,663)	(47,360)	(110,023)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>14,014</u>	<u>53,999</u>	<u>104,809</u>
Six months ended June 30, 2024				
Opening net book amount	36,796	14,014	53,999	104,809
Additions	–	–	90	90
Amortization charge	–	(3,423)	(4,854)	(8,277)
Closing net book amount	<u>36,796</u>	<u>10,591</u>	<u>49,235</u>	<u>96,622</u>
As at June 30, 2024				
Cost	195,182	91,624	101,449	388,255
Accumulated amortization	–	(66,086)	(52,214)	(118,300)
Accumulated impairment	(158,386)	(14,947)	–	(173,333)
Net book amount	<u>36,796</u>	<u>10,591</u>	<u>49,235</u>	<u>96,622</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Investment in a joint venture (a)	2,547	2,554
Investment in associates (b)	<u>51,806</u>	<u>54,208</u>
	<u><u>54,353</u></u>	<u><u>56,762</u></u>

(a) Investments in a joint venture

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000
At the beginning of the period	2,554	2,615
Share of loss of a joint venture	<u>(7)</u>	<u>(20)</u>
At the end of the period	<u><u>2,547</u></u>	<u><u>2,595</u></u>

(b) Investments in associates

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000
At the beginning of the period	54,208	60,087
Share of loss of associates	<u>(2,402)</u>	<u>(3,801)</u>
At the end of the period	<u><u>51,806</u></u>	<u><u>56,286</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Investments in wealth management products (a)	–	–
Investments in unlisted equity securities (b)	35,300	35,300
	<u>35,300</u>	<u>35,300</u>

(a) Investment in wealth management products

Movements of investment in wealth management products were as follows:

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000
At the beginning of the period	–	–
Acquisitions	–	20,000
Disposals	–	(20,000)
Interest received	–	(69)
Interest income	–	69
	<u>–</u>	<u>–</u>
At the end of the period	<u>–</u>	<u>–</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(b) Investments in unlisted equity securities

The Group's and the Company's investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies.

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
At the beginning of the period	35,300	36,100
Changes in fair value (Note 9)	–	(1,600)
At the end of the period	<u>35,300</u>	<u>34,500</u>

19 INVENTORIES

	As at	As at
	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	
Raw materials	53,979	55,081
Merchandise	124,329	91,942
Vending machines held for sale	25,804	34,608
Less: provision for impairment	(6,724)	(6,728)
	<u>197,388</u>	<u>174,903</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Trade receivables (a)	50,562	42,301
Less: Allowance for impairment	<u>(8,304)</u>	<u>(7,374)</u>
Trade receivables – net	<u>42,258</u>	<u>34,927</u>
Prepayments for purchase of machines	170,970	167,298
Prepayments for POSs expenses	29,185	22,290
Prepayments for purchase of inventories	40,784	52,508
Others	<u>5,972</u>	<u>8,955</u>
Prepayments	<u>246,911</u>	<u>251,051</u>
Advances to and receivables from business partners	66,427	83,042
Deposits	40,682	39,339
Advances to staffs	16,138	11,876
Deductible input value-added tax	5,395	18,443
Amounts due from POS partners	24,098	21,548
Others	5,883	19,397
Less: Allowance for impairment of deposits and other receivables	<u>(65,407)</u>	<u>(62,550)</u>
Deposits and other receivables – net	<u>93,216</u>	<u>131,095</u>
Trade receivables, prepayments, deposits and other receivables	382,385	417,073
Less: Non-current portion		
– Prepayment and other receivables	<u>(170,970)</u>	<u>(167,298)</u>
Current portion	<u><u>211,415</u></u>	<u><u>249,775</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(a) Trade receivables

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
0 to 3 months	32,664	25,960
3 to 6 months	2,345	5,289
6 to 12 months	5,515	1,280
1 to 2 years	2,775	3,992
2 to 3 years	3,376	1,844
3 to 4 years	2,905	1,524
Over 4 years	982	2,412
	<u>50,562</u>	<u>42,301</u>

As at June 30, 2024 and December 31, 2023, trade receivables were mainly denominated in RMB.

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Cash at bank and on hand	424,788	347,652
Less: Restricted cash	(2)	(89)
Cash and cash equivalents	<u>424,786</u>	<u>347,563</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
Issued and fully paid		
As at January 1, 2023 and June 30, 2023	<u>757,258,933</u>	<u>757,259</u>
(Unaudited)		
As at January 1, 2024 and June 30, 2024	<u>779,835,433</u>	<u>779,835</u>

23 SHARE-BASED COMPENSATION

In May 2021, the directors of the Company approved the establishment of an employee share option plan (“Pre-IPO Incentive Scheme”) with the purpose of incentivizing the management members and core employees (the “Participants”) of the Group to further promote the development and in recognition of their contributions. Under the Pre-IPO Incentive Scheme, the Group granted options to the Participants on January 10, 2023 (the “Grant Date”) to acquire up to 37,750,000 shares of the Company at a price of RMB1.99 per share.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION – continued

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION – *continued*

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

	2024		2023	
	Average exercise price in RMB (Unaudited)	Number of share options (Unaudited)	Average exercise price in RMB	Number of share options
At January 1	1.99	36,850	–	–
Granted	–	–	1.99	37,750
Forfeited	1.99	(6,700)	–	–
At June 30	<u>1.99</u>	<u>30,150</u>	<u>1.99</u>	<u>37,750</u>
Vested and exercisable at June 30		<u>14,470</u>		<u>–</u>

24 DEFERRED INCOME TAX

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Deferred income tax assets:		
– To be recovered after more than 12 months	17,809	10,062
– To be recovered within 12 months	17,455	30,041
	<u>35,264</u>	<u>40,103</u>
Set-off of deferred income tax liabilities pursuant to set-off provision	(800)	–
Net deferred income tax assets	<u>34,464</u>	<u>40,103</u>
Deferred income tax liabilities:		
– To be recovered after more than 12 months	(2,450)	(2,450)
– To be recovered within 12 months	–	–
	<u>(2,450)</u>	<u>(2,450)</u>
Set-off of deferred income tax assets pursuant to set-off provision	800	–
Net deferred income tax liabilities	<u>(1,650)</u>	<u>(2,450)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 TRADE PAYABLES

As at June 30, 2024 and December 31, 2023, the aging analysis of the trade payables based on invoice date were as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
0 to 3 months	237,359	179,219
3 to 6 months	1,675	141
6 to 12 months	103	1,885
1 to 2 years	1,574	2,547
2 to 3 years	1,040	912
Over 3 years	1,144	740
	<u>242,895</u>	<u>185,444</u>

26 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Accrued POSs operation expenses	94,465	78,273
Deposits received from POSs partners	40,072	44,302
Other taxes payable	16,129	8,206
Salaries, wages and bonuses payable	30,444	30,669
Listing expenses payable	9,222	18,755
Others	19,541	19,146
	<u>209,873</u>	<u>199,351</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 BORROWINGS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Current		
Short-term bank borrowings – guaranteed (a)	60,000	79,050
Current portion of long-term bank borrowings – guaranteed (a)	2,857	–
Current portion of long-term bank borrowings – guaranteed and secured (a)	<u>14,676</u>	<u>–</u>
	<u>77,533</u>	<u>79,050</u>
Non-current		
Long-term bank borrowings – guaranteed (a)	2,143	–
Long-term bank borrowings – guaranteed and secured (a)	<u>11,843</u>	<u>–</u>
	<u>13,986</u>	<u>–</u>
	<u><u>91,519</u></u>	<u><u>79,050</u></u>

- (a) As at June 30, 2024 and December 31, 2023, the short-term bank borrowings of RMB60,000,000 and RMB79,050,000, respectively, was guaranteed by the Company and certain of its subsidiaries.

As of June 30, 2024, the long-term bank borrowings of RMB5,000,000 was guaranteed by a third-party guarantee company with a counter guarantee provided by Mr. Yang Ling, the legal representative and shareholder of a subsidiary of the Group, the long-term bank borrowings of approximately RMB26,519,000 was guaranteed by certain subsidiaries of the Group and secured by certain of the Group's property and plant (Note 14).

- (b) For the six months ended June 30, 2024 and 2023, the weighted average interest rate of bank borrowings ranges from 4.92% to 5.25% and 4.35% to 6.84% per annum, respectively.
- (c) The fair values of the respective borrowings approximated their carrying amounts.
- (d) All the carrying amounts of the borrowings were denominated in RMB.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 CAPITAL COMMITMENTS

As at June 30, 2024 and December 31, 2023, the Group has no significant capital expenditure contracted for but not recognized as liabilities.

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in the interim condensed consolidated financial information, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended June 30, 2024 and 2023:

(a) Names and relationships with related parties

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) Significant related party transactions

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
<i>Sales of goods</i>		
Associates of the Group	887	2,837
<i>Provision of services</i>		
Hangzhou Huanxu	2,511	445
Associates of the Group	112	496
Alipay China	–	25
	<u>2,623</u>	<u>966</u>
<i>Purchase of goods</i>		
A joint venture of the Group	–	2
<i>Purchase of services</i>		
Alipay China	5,232	6,091
<i>Interest income</i>		
Associates of the Group	93	–

(c) Key management personnel compensation

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Salaries, wages and bonuses	2,324	2,439
Pension costs – defined contribution plans	188	199
Other social security costs, housing benefits and other employee benefits	176	200
Share-based compensation	14,057	41,458
	<u>16,745</u>	<u>44,296</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

(d) Balances with related parties

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Trade in nature and included in:		
<i>Trade receivables</i>		
Associates of the Group	<u>5,288</u>	<u>5,325</u>
<i>Prepayments</i>		
Associates of the Group	<u>310</u>	<u>–</u>
<i>Other receivables</i>		
Ant Hainan	220	–
Associates of the Group	<u>700</u>	<u>15,700</u>
	<u>920</u>	<u>15,700</u>
<i>Trade payables</i>		
Ant Hainan	<u>6,786</u>	<u>9,786</u>
<i>Contract liabilities</i>		
Hangzhou Huanxu (i)	<u>25,766</u>	<u>26,818</u>
<i>Other payables</i>		
Associates of the Group	<u>622</u>	<u>151</u>
Non-trade in nature and included in:		
<i>Other receivables</i>		
Associates of the Group	<u>7,512</u>	<u>8,557</u>

- (i) The balance represents advancement from Hangzhou Huanxu for advertising and promotion of its payment service products (for example, biometric authentication payment services and merchandise recognition services) on the Group's vending machines.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at June 30, 2024 and December 31, 2023.

31 SUBSEQUENT EVENTS

There is no material subsequent event happened after June 30, 2024.