Qunabox Group Limited
(Incorporated in PRC with limited liability)

Audited Financial Statements

December 31, 2021, 2022 and 2023

Qunabox Group Limited

CONTENTS

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Independent auditor's report
To the directors of Qunabox Group Limited
(Incorporated in PRC with limited liability)

Opinion
We have audited the consolidated financial statements of Qunabox Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 3 to 78, which comprise the consolidated and company statements of financial position as at December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the "Relevant Periods"), and notes to the consolidated financial statements, including material accounting policy informationt.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2021, 2022 and 2023 and of the Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 respectively to the consolidated financial statements.

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements
The directors of the Company are responsible for the preparation of the consolidated financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements for the Relevant Periods as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Independent auditor's report
To the directors of Qunabox Group Limited
(Incorporated in PRC with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements(continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Restriction on distribution and use

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.

Ernst & Young

Certified Public Accountants
Hong Kong
May 17, 2024

Qunabox Group Limited
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Years ended December 31, 2021, 2022 and 2023

	Notes	Year ended December 31,		
		2021 RMB'000	2022 RMB'000	2023 RMB'000
REVENUE	5	502,368	553,617	1,006,697
Cost of sales		(156,877)	(218,977)	(471,430)
Gross profit		345,491	334,640	535,267
Other income and gains	5	6,729	6,126	6,260
Selling and distribution expenses		(189,458)	(167,229)	(239,282)
Administrative expenses		(28,474)	(26,780)	(54,538)
Research and development expenses		(59,010)	(30,113)	(63,250)
Fair value losses on financial liabilities at fair value through profit or loss ("FVTPL")	25	(189,422)	(191,467)	(24,088)
Other expenses and losses		(760)	(1,355)	(2,119)
Impairment losses under expected credit loss model, net of reversal		(16,177)	(25,704)	197
Finance costs	6	(5,597)	(3,285)	(1,611)
(LOSS)/PROFIT BEFORE TAX	7	(136,678)	(105,167)	156,836
Income tax expense	10	(2,800)	(10,890)	(20,134)
(LOSS)/PROFIT FOR THE YEAR		(139,478)	(116,057)	136,702
Attributable to:				
Owners of the parent		(139,465)	(116,025)	130,942
Non-controlling interests		(13)	(32)	5,760
		(139,478)	(116,057)	136,702
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(139,478)	(116,057)	136,702
Attributable to:				
Owners of the parent		(139,465)	(116,025)	130,942
Non-controlling interests		(13)	(32)	5,760
		(139,478)	(116,057)	136,702
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT				
Basic:				
(Loss)/profit for the year (RMB)	12	(1.34)	(1.11)	1.25
Diluted:				
(Loss)/profit for the year (RMB)	12	(1.34)	(1.11)	0.56

Qunabox Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021, 2022 and 2023

	Notes	As at December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	233,408	174,623	117,652
Right-of-use assets	14	5,121	2,094	2,361
Financial assets at fair value through profit or loss	15	-	-	4,000
Deferred tax assets	16	3,764	8,447	11,014
Prepayments, deposits and other receivables	17	1,950	91	34,750
Total non-current assets		244,243	185,255	169,777
CURRENT ASSETS				
Inventories	18	20,426	32,690	27,785
Trade receivables	19	243,181	461,903	493,999
Prepayments, deposits and other receivables	17	55,167	55,213	76,788
Amount due from shareholders	31	1,188	1,188	7
Cash and bank balance	20	191,752	87,342	299,018
Total current assets		511,714	638,336	897,597

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Qunabox Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2021, 2022 and 2023

	Notes	As at December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES				
Trade payables	21	50,874	20,792	11,451
Other payables and accruals	22	9,441	7,184	9,404
Contract liabilities	23	711	182	2,762
Income tax payable		-	13,892	21,365
Lease liabilities	14	3,489	1,752	1,659
Interest-bearing bank borrowings	24	59,800	26,247	119,940
Amount due to a shareholder	31	80,000	-	–
Convertible bonds	25	40,574	-	–
Deferred income		320	320	320
Total current liabilities		245,209	70,369	166,901
NET CURRENT ASSETS		266,505	567,967	730,696
TOTAL ASSETS LESS CURRENT LIABILITIES		510,748	753,222	900,473
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	32,202	15,000	13,500
Lease liabilities	14	1,729	215	528
Deferred income		1,040	720	400
Convertible redeemable preferred shares	25	936,133	1,310,947	1,253,988
Total non-current liabilities		971,104	1,326,882	1,268,416
Net liabilities		(460,356)	(573,660)	(367,943)
EQUITY				
Share capital	26	7	7	7
Reserves	27	(460,550)	(573,822)	(387,832)
Equity attributable to owners of the parent		(460,543)	(573,815)	(387,825)
Non-controlling interests		187	155	19,882
Deficiency in equity		(460,356)	(573,660)	(367,943)

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on May 17, 2024 and were signed on its behalf by:

Executive Director:

Executive Director:

Qunabox Group Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended December 31, 2021, 2022 and 2023

Year ended December 31, 2021

	Attributable to owners of the parent						
	Paid-in capital RMB'000	Capital reserve* RMB'000	Share award reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total deficits RMB'000
At January 1, 2021	-	1,000	12,904	(309,648)	(295,744)	-	(295,744)
Loss for the year	-	-	-	(139,465)	(139,465)	(13)	(139,478)
Total comprehensive expense for the year	-	-	-	(139,465)	(139,465)	(13)	(139,478)
Issuance of ordinary shares	7	-	-	-	7	-	7
Injection from non-controlling interests	-	-	-	-	-	200	200
Capital deduction by the Controlling Shareholders (as defined in note 1)**	-	(1,000)	-	(26,720)	(27,720)	-	(27,720)
Equity-settled share awardplan	-	-	2,379	-	2,379	-	2,379
At December 31, 2021	7	-	15,283	(475,833)	(460,543)	187	(460,356)

**: In September 2021, pursuant to the reorganization framework agreement, the Controlling Shareholders (as defined in note 1) of the Company conduct a capital reduction from Shanghai Quna (as defined in note 1) in an aggregated amount of approximately RMB27,720,000.

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Qunabox Group Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
Years ended December 31, 2021, 2022 and 2023

Year ended December 31, 2022

	Attributable to owners of the parent						
	Paid-in capital RMB'000	Capital reserve* RMB'000	Share award reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total deficits RMB'000
At January 1, 2022	7	-	15,283	(475,833)	(460,543	187	(460,356)
Loss for the year	-	-	-	(116,025)	(116,025)	(32)	(116,057)
Total comprehensive expense for the year	-	-	-	(116,025)	(116,025)	(32)	(116,057)
Equity-settled share awardplan	-	-	2,753	-	2,753	-	2,753
At December 31, 2022	7	-	18,036	(591,858)	(573,815)	155	(573,660)

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Qunabox Group Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
Years ended December 31, 2021, 2022 and 2023

Year ended December 31, 2023

	Attributable to owners of the parent							
	Paid-in capital RMB'000	Capital reserve* RMB'000	Share award reserve* RMB'000	Other reserve*	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total deficits RMB'000
At January 1, 2023	7	-	18,036	-	(591,858)	(573,815)	155	(573,660)
Profit for the year	-	-	-	-	130,942	130,942	5,760	136,702
Total comprehensive income for the year	-	-	-	-	130,942	130,942	5,760	136,702
Transfer from convertible redeemable preferred shares***	-	-	-	47,080	-	47,080	13,967	61,047
Capital deduction by Shanghai Yiqu (as defined below)****	-	-	-	-	(6,666)	(6,666)	-	(6,666)
Equity-settled share award plan	-	-	14,634	-	-	14,634	-	14,634
At December 31, 2023	7	-	32,670	47,080	(467,582)	(387,825)	19,882	(367,943)

*: These accounts comprise the deficiency in reserves of RMB460,550,000, RMB573,822,000 and RMB387,832,000 in the consolidated statements of financial position as at December 31, 2021, 2022 and 2023, respectively.

***: Details are set out in note (i) of note 25 to the consolidated financial statements.

****: In June 2023, pursuant to the reorganization framework agreement, Shanghai Yiqu Investment Development Center (Limited Partnership) (上海益趣投资发展中心(有限合伙) ("Shanghai Yiqu") conduct a capital reduction from Shanghai Quna (as defined in note 1) in an aggregated amount of approximatelyRMB6,666,000.

Qunabox Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2021, 2022 and 2023

	Notes	Year ended December 31,		
		2021 RMB'000	2022 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax		(136,678)	(105,167)	156,836)
Adjustments for reconcile loss before tax to net cash flows:				
Finance costs	6	5,597	3,285	1,611
Loss on disposal of items of property, plant and equipment		33	1,352	2,040
Interest income	5	(338)	(977)	(238)
Fair value losses on financial liabilities at FVTPL	25	189,422	191,467	24,088
Equity-settled share based payment	7	2,379	2,753	14,634
Depreciation of property, plant and equipment	13	42,099	59,708	55,515
Depreciation of right-of-use assets	14	4,677	3,573	2,512
Provision for/(reversal of) impairment of trade receivables, net	19	16,036	25,637	(1,039)
Provision for impairment of other receivables, net	17	141	67	842
Amortization of government grants	5	(240)	(320)	(320)
Write-down of inventories	18	-	8,800	6,291
		123,128	190,178	262,772
Increase in trade receivables		(134,977)	(244,359)	(31,057)
Increase in prepayments and other receivables and other assets		(24,499)	(129)	(19,086)
Increase in inventories		(12,565)	(21,064)	(1,386)
Decrease in trade payables		(15,609)	(30,082)	(9,341)
Increase/(decrease) in other payables and accruals		4,111	(2,257)	2,220
Increase/(decrease) in contract liabilities		641	(529)	2,580
Cash flows (used in)/generated from operating activities		(59,770)	(108,242)	206,702
Income tax paid		(9,455)	(1,665)	(15,228)
Interest received		338	977	238
Net cash flows (used in)/generated from operating activities		(68,887)	(108,930)	191,712

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Qunabox Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years ended December 31, 2021, 2022 and 2023

	Notes	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(107,592)	(416)	(35,464)
Proceeds from disposal of items of property,plant and equipment		2	-	203
Withdrawn of time deposits		10,101	-	-
Receipt of government grants for property, plant and equipment		800	-	-
Purchases of financial assets at fair value through profit or loss		-	-	(4,000)
Net cash flows used in investing activities		(96,689)	(416)	(39,261)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of lease liabilities		(6,033)	(3,797)	(2,541)
Proceeds from issue of preferred shares	25	185,840	142,773	60,000
Proceeds from issue of convertible bonds	25	40,000	-	-
Consideration paid for acquisition of 5.19% equity interest in Shanghai Quna*	25	-	-	(80,000)
New bank loans raised	24	173,912	132,900	119,940
Repayment of bank loans		(144,276)	(183,655)	(27,747)
Interest paid		(5,597)	(3,285)	(1,611)
Capital contribution from non-controlling interests		200	-	-
Capital deduction by the Controlling Shareholders		(27,720)	-	-
Capital deduction by Shanghai Yiqu		-	-	(6,666)
Listing expense paid		-	-	(3,331)
(Increase)/decrease in amount due from shareholders		(1,181)	-	1,181
Increase/(decrease) in amount due to a shareholder		80,000	(80,000)	-
Net cash flows generated from financing activities		295,145	4,936	59,225
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		129,569	(104,410)	211,676
Cash and cash equivalents at beginning of year		62,183	191,752	87,342
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	191,752	87,342	299,018

*: Details are set out in note (i) of note 25 to the consolidated financial statements.

Qunabox Group Limited
STATEMENTS OF FINANCIAL POSITION OF THE COMPANY(continued)
December 31, 2021, 2022 and 2023

	Notes	As at December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investment in a subsidiary	36	108,688	488,088	589,492
Total non-current assets		108,688	488,088	589,492
CURRENT ASSETS				
Prepayments, deposits and other receivables		-	57	4,244
Amount due from shareholders	31	1,188	1,188	7
Amount due from a subsidiary	31	356,419	201,387	164,583
Cash and bank balances	20	79,052	9	318
Total current assets		436,659	202,641	169,152
CURRENT LIABILITIES				
Other payables and accruals	22	-	-	3,698
Convertible bonds	25	40,574	-	-
Total current liabilities		40,574	-	3,698
NET CURRENT ASSETS		396,085	202,641	165,454
TOTAL ASSETS LESS CURRENT LIABILITIES		504,773	690,729	754,946
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares	25	815,104	1,160,369	1,253,988
Total non-current liabilities		815,104	1,160,369	1,253,988
Net liabilities		(310,331)	(469,640)	(499,042)
EQUITY				
Share capital	26	7	7	7
Reserves	27	(310,338)	(469,647)	(499,049)
Deficiency in equity		(310,331)	(469,640)	(499,042)

Qunabox Group Limited
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2022 and 2023

1. CORPORATE AND GROUP INFORMATION

Qunabox Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on June 15, 2021. The registered address of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

During the Relevant Periods, the Company's subsidiaries were principally engaged in marketing services, merchandise sales and other services in the People's Republic of China (the "PRC").

As a result of the acting-in-concert agreement, Ms. YIN Juehui (殷珏辉), Ms. YIN Juelian (殷珏莲), Mr. CAO Liwen (曹理文), Mr. WU Wenhong (吴文洪), Mr. HUANG Aihua (黄爱华) and Mr. QIAN Jun (钱俊) (together, the "Controlling Shareholders") were entitled to exercise approximately 42.45% of the voting power at general meeting of our Company as of the date of this report.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Notes	Place and date of incorporation	Registered paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qunabox Group Hongkong Limited ("Qunabox HK")	(a)	Hong Kong, China July 12, 2021	HK$1.00	100%	-	Investment holding,
Termi Smart Pte. Ltd. ("Termi Smart")		Singapore January 31, 2024	SGD200,000	100%	-	Provision of marketing services and, merchandise sales services
Shanghai Quna Network Technology Co, Ltd.* ("上海趣致网络科技有限公司") ("Shanghai Quna")	(b)	PRC/Mainland China July 18, 2013	RMB86,955,586	-	96.04%	Provision of marketing services and, merchandise sales services
Shanghai Quzhi Network Technology Co, Ltd.* ("上海趣至网络科技有限公司") ("Shanghai Quzhi")	(c)	PRC/Mainland China December 17, 2021	RMB10,000,000	-	96.04%	Provision of marketing services and, merchandise sales services
Shanghai Zhiqu technology Co., Ltd.* ("知驱(上海)科技有限公司") ("Shanghai Zhiqu")	(c)、(d)	PRC/Mainland China November 19, 2020	RMB19,600,000	-	49.00%	Provision of marketing services and, merchandise sales services
Shanghai Quleduo Information Technology Co, Ltd.* ("上海趣乐多信息技术咨询有限责任公司") ("Shanghai Quleduo")	(c)	PRC/Mainland China August 3, 2021	RMB5,000,000	-	57.62%	Provision of marketing services and, merchandise sales services
Shanghai Quxuan e-commerce Co., Ltd.* ("上海趣选电子商务有限公司") ("Shanghai Quxuan")	(c)	PRC/Mainland China March 29, 2018	RMB5,000,000	-	96.04%	Provision of marketing services and, merchandise sales services

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Notes	Place and date of incorporation	Registered paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hainani Quzhi Network Technology Co., Ltd.* ("海南趣致网络科技有限公司") ("Hainan Quzhi")	(c)	PRC/Mainland China June 12, 2023	RMB300,000,000	-	100%	Provision of marketing services and, merchandise sales services
Zhejiang Quxiang Network Technology Co, Ltd.* ("浙江趣享网络科技有限公司") ("Zhejiang Quxiang")	(c)	PRC/Mainland China June 12, 2023	RMB500,000,000	-	100%	Provision of marketing services and, merchandise sales services
Shanghai Yunshang Meiji Network Technology Co, Ltd.* ("上海云上美集网络科技有限公司") ("Yunshang Meiji")	(l)	PRC/Mainland China June 15, 2023	RMB1,000,000	-	48.98%	Provision of marketing services and, merchandise sales services

(a) The statutory financial statements of the entity for the period from July 12, 2021 to December 31, 2022 prepared in accordance with accepted accounting principles and financial regulations in Hong Kong were audited by K.C.CHAN, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2023.

(b) The statutory financial statements of the entity for the year ended December 31, 2021 and 2022 prepared in accordance with accepted accounting principles and financial regulations in the PRC were audited by Beijing Xinghua Certified Public Accountants LLP (北京兴华会计师事务所(特殊普通合伙)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2023.

(c) As at the date of this report, no audited financial statements have been prepared for these entities since the respective dates of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of their incorporation.

(d) Shanghai Quna directly holds 51.02% and 51.00% equity interests/voting rights of Shanghai Zhiqu and Yunshang Meiji respectively, besides, the Group holds 96.04% equity interests/voting rights of Shanghai Quna, thus, the Group indirectly hold 49.00% and 48.98% equity interests/voting rights of Shanghai Zhiqu and Yunshang Meiji respectively. The Group has ability to direct the relevant activities of these 2 entities through the majority of shareholding in Shanghai Quna. Therefore, Shanghai Zhiqu and Yunshang Meiji were considered as subsidiaries of the Group.

* The English names of the companies registered in PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

2.1 BASIS OF PRESENTATION

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. They have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group throughout the Relevant Periods and the period covered by the Interim Comparative Information.

These financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in consolidated financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")* [1,3]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")* [1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchange ability*[4]

[1] Effective for annual periods beginning on or after January 1, 2024
[2] No mandatory effective date yet determined but available for adoption
[3] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 2024
[4] Effective for the financial year ending December 31, 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations under common control

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired had always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:
 (i) has control or joint control over the Group;
 (ii) has significant influence over the Group; or
 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
 (i) the entity and the Group are members of the same group;
 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 (iii) the entity and the Group are joint ventures of the same third party;
 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 (vi) the entity is controlled or jointly controlled by a person identified in (a);
 (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	50%
Experiential vending machines	19%
Electronic equipment	32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Experiential vending machines	5 years
Buildings	2 - 4 years
Warehouse	1.5 – 4.5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. To measure the expected credit losses, trade receivables have been assessed on individual basis for debtors in severe financial difficulty, or collectively basis by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amount due to a shareholder, interest-bearing bank borrowings, convertible redeemable preferred shares and convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial liabilities at FVTPL

Financial liabilities measured at FVTPL include convertible redeemable preferred shares and convertible bonds which are designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and time deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits with a maturity within three months, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of Relevant Periods of the future expenditures expected to be required to settle the obligation.

The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Merchandise sales

Revenue from the merchandise sales primarily arises from the end customers buy the fast-moving consumer goods through experiential vending machines operated by the Group. Revenue is recognized when the control of the goods has been transferred by vending machines to the customers. There was no right of return for the sales to the end customers. The considerations of the goods are usually due immediately paid by the end customers through online payment platforms before the goods delivered.

(b) Marketing services

Revenue from the marketing services arises from providing integrated marketing promotion service for the new products of the customers. Revenue is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

(c) Others services

Revenue from the other services arise from using own research and development capabilities to develop customized online systems. Revenue is recognised when a performance obligation is satisfied, when control of the goods underlying the particular performance obligation is transferred to the customer.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods transferred or services provided to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates employee share plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the lock-up restricted period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. The Group’s liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the distribution sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3 MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables(continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment was provided by the Group for non-financial assets as at December 31, 2021, 2022 and 2023.

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the ageing and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate. Further details of the inventories are set out in note 18 to the consolidated financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the years based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the consolidated financial statements.

3 MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses and deductible temporary difference at December 31, 2021, 2022 and 2023 were RMB532,000, RMB708,000 and RMB828,000, respectively. Further details are contained in note 16 to the consolidated financial statements.

Fair value of share-based payments

The fair value of the options is determined at the grant dates. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note 28 to the consolidated financial statements.

Fair value of financial instruments

The convertible redeemable preferred shares and convertible bonds issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, details of which are set out in note 25 to the consolidated financial statements.

The fair values of convertible redeemable preferred shares at December 31, 2021, 2022 and 2023 were RMB936,133,000, RMB1,310,947,000 and RMB1,253,988,000, respectively. Further details are set out in note 25 to the consolidated financial statements.

The fair values of convertible bonds at December 31, 2021, 2022 and 2023 were RMB40,574,000, nil and nil, respectively. Further details are set out in note 25 to the consolidated financial statements.

Incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiary that does not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is mainly engaged in marketing services, merchandise sales and other related services, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Mainland China	502,368	553,617	1,006,697

The revenue information above is based on the locations of the customers.

(b) As the Group's non-current assets were located in the PRC during the Relevant Periods, no geographical information is presented.

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer during the Relevant Periods.

Information about products and services have been disclosed under note 5 to the consolidated financial statements.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Revenue from marketing services	376,653	404,809	807,971
Revenue from merchandise sales	104,962	111,333	144,320
Revenue from other related service	20,753	37,475	54,406
	502,368	553,617	1,006,697
Timing of revenue recognition			
Goods transferred at a point in time	104,962	111,333	144,320
Services satisfied at a point in time	20,753	37,475	54,406
Services satisfied over time	376,653	404,809	807,971
	502,368	553,617	1,006,697

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous years:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Marketing services	70	711	182

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Marketing services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of completion of services and customer acceptance.

Merchandise sales

The performance obligation is satisfied when the control of the goods has been transferred by vending machines to the customers and payment upon delivery of goods is normally required.

Other related services

The performance obligation is satisfied at the point in time as services are completed and accepted by customers and payment is generally due within 90 days from the date of completion of services and customer acceptance.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other income and gains Government grants	3,239	1,342	1,785
-Asset related	240	320	320
-Income related	2,999	1,022	1,465
Additional deduction of input value-added tax	3,135	2,236	4,135
Interest income	338	977	238
Exchange gains	-	1,570	84
Others	17	1	18
	6,729	6,126	6,260

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	5,047	3,113	1,543
Interest on lease liabilities	550	172	68
	5,597	3,285	1,611

7. (LOSS)/PROFIT BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		74,398	87,711	118,789
Depreciation of property, plant and equipment	13	42,099	59,708	55,515
Depreciation of right-of-use assets	14	4,677	3,573	2,512
Research and development costs		59,010	30,113	63,250
Auditor's remuneration		68	100	47
Listing expenses		-	-	25,284
Employee benefit expense (including directors' and chief executive's remuneration):	8			
Wages and salaries		29,061	32,415	31,390
Share incentive plan expense		2,379	2,753	14,634
Pension scheme contributions		4,937	7,120	6,890
		36,377	42,288	52,914
Foreign exchange losses/(gains), net	5	724	(1,570)	(84)
Fair value losses on financial liabilities at FVTPL	25	189,422	191,467	24,088
Impairment losses on financial assets under ECL model	17&19	16,177	25,704	(197)
Write-down of inventories	18	-	8,800	6,291
Interest income	5	(338)	(977)	(238)
Loss on disposal of items of property, plant and equipment		33	1,352	2,040

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Fees	112	N/A	N/A
Other emoluments:			
Salaries, allowances and benefits in kind	1,470	1,459	1,443
Performance related bonuses	-	-	-
Pension scheme contributions	231	228	225
Share incentive plan expense	742	742	742
	2,555	2,429	2,410

During the years ended December 31, 2021, 2022 and 2023, certain directors were granted awarded shares, in respect of their services to the Group, further details of which are set out in note 28 to the consolidated financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the years ended December 31, 2021, 2022 and 2023 is included in the above directors' and chief executives' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Dr. CHE Lufeng	56	N/A	N/A
Mr. ZHU Lin	56	N/A	N/A
	112	N/A	N/A

On November 2018, Dr. CHE Lufeng and Mr. ZHU Lin were appointed as independent non-executive directors of Shanghai Quna. Both of them were appointed as independent non-executive directors of Shanghai Quna from November 2018 to June 2021.

There were no independent non-executive directors of the Company since July 2021.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

The remuneration of each director and chief executive of the Company during the Relevant Periods is set out below:

2021

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive plan expense RMB'000	Total remuneration RMB'000
Directors:					
Ms. YIN Juehui	543	-	77	182	802
Mr. CAO Liwen	446	-	77	182	705
Mr. HUANG Aihua	481	-	77	378	936
Non-executive directors:					
Mr. DAI Jianchun	-	-	-	-	-
Mr. CHEN Rui	-	-	-	-	-
	1,470	-	231	742	2,443

2022

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive plan expense RMB'000	Total remuneration RMB'000
Directors:					
Ms. YIN Juehui	546	-	76	182	804
Mr. CAO Liwen	427	-	76	182	685
Mr. HUANG Aihua	486	-	76	378	940
Non-executive directors:					
Mr. DAI Jianchun	-	-	-	-	-
Mr. CHEN Rui	-	-	-	-	-
Ms. ZHOU Li (note (vi))	-	-	-	-	-
	1,459	-	228	742	2,429

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

The remuneration of each director and chief executive of the Company during the Relevant Periods is set out below: (continued)

2023

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive plan expense RMB'000	Total remuneration RMB'000
Directors:					
Ms. YIN Juehui	540	-	75	182	797
Mr. CAO Liwen	423	-	75	182	680
Mr. HUANG Aihua	480	-	75	378	933
Non-executive directors:					
Mr. DAI Jianchun	-	-	-	-	-
Mr. CHEN Rui	-	-	-	-	-
Ms. ZHOU Li (note (vi))	-	-	-	-	-
	1,443	-	225	742	2,410

(i) Ms. YIN Juehui was appointed as a director of the Company with effect from June 2021. Ms. YIN Juehui is also the chief executive officer of the Company.

(ii) Mr. CAO Liwen has been appointed as a director of the Company with effect from September 2021.

(iii) Mr. HUANG Aihua has been appointed as a director of the Company with effect from September 2021.

(iv) Mr. DAI Jianchun has been appointed as a director of the Company with effect from September 2021.

(v) Mr. CHEN Rui has been appointed as a director of the Company with effect from September 2021.

(vi) Ms. ZHOU Li has been appointed as a director of the Company with effect from March 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included three, three and three directors, respectively, details of whose remuneration are set out in note 8.

Details of the remuneration for the remaining two, two and two highest paid employees who are neither directors nor the chief executive of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	905	915	903
Pension scheme contributions	154	154	150
Share incentive plan expense	366	366	366
	1,425	1,435	1,419

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Nil to HKD1,000,000	2	2	2
	2	2	2

During the Relevant Periods, awarded shares were granted to 2 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details are included in the disclosures in note 28 to the consolidated financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the countries or jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains during the Relevant Periods.

Hong Kong

The subsidiary which operates in Hong Kong is subject to profits tax at a rate of 8.25% applies to the first HKD2,000,000 of assessable profits, the remaining assessable profits is subject to profits tax at a rate of 16.5%.

10. INCOME TAX (continued)

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

In 2019, Shanghai Quna was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from December 2019 to December 2022. Shanghai Quna subsequently renewed its HNTE qualification in 2022 and was entitled to the preferential tax rate of 15% from December 2022 to December 2025.

The income tax expense of the Group for the Relevant Periods is analyzed as follows:

	Year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Current income tax	2,475	15,573	22,701
Deferred income tax	325	(4,683)	(2,567)
Total tax charge for the year	2,800	10,890	20,134

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the countries or jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the applicable tax rate is as follows:

	Year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
(Loss)/profit before tax	(136,678)	(105,167)	156,836
Tax charged at the statutory tax rate	(34,170)	(26,292)	39,209
Preferential tax rate enacted by the subsidiary	(5,300)	(8,746)	(22,056)
Expenses not deductible for tax*	47,649	49,087	10,718
Additional deductible allowance for research and development costs	(5,512)	(3,203)	(7,769)
Temporary difference and tax losses not recognised	133	44	32
Tax charge at the Group's effective rate	2,800	10,890	20,134

* Expenses not deductible for tax mainly represent the impact of fair value losses on financial liabilities at fair value through profit or loss of RMB47.4 million, RMB47.9 million and RMB6.0 million for the years ended December 31, 2021, 2022 and 2023, which are determined by the statutory tax rate (25%) and the fair value losses on financial liabilities at fair value through profit or loss of RMB189.4 million, RMB191.5 million and RMB24.1 million recognized for the years ended December 31, 2021, 2022 and 2023. In addition, expense not deductible for tax for the years ended December 31, 2023 also includes the impact of listing expenses and share incentive plan expenses of RMB4.4 million.

11. DIVIDENDS

The board of the directors of the Company (the "Board") did not recommend the payment of any dividend during the Relevant Periods.

12. LOSS/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss/profit per share amounts is based on the loss/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss/profit per share calculation. The weighted average number of shares is determined based on 104,361,369 shares issued pursuant to the Reorganisation had been in issue throughout the Relevant Periods.

For the years ended December 31, 2023, the calculation of the diluted profit per share is based on the profit for the period attributable to ordinary equity holders of the parent adding fair value loss of RMB21,963,000 on the convertible redeemable preferred shares that had a dilutive effect and deducting effect of instrument that are convertible into ordinary shares of a subsidiary of RMB11,654,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic profit per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares including the effect of dilution from convertible redeemable preferred shares that had a dilutive effect of 132,473,549 shares and options granted under the Stock Incentive Plan of 15,772,158 shares, respectively.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2021 and 2022 as the impact of the convertible redeemable preferred share and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Experiential vending machines RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Total RMB'000
December 31, 2021				
At January 1, 2021:				
Cost	170,752	2,348	694	173,794
Accumulated depreciation	(42,791)	(775)	(659)	(44,225)
Net carrying amount	127,961	1,573	35	129,569
At January 1, 2021, net of accumulated depreciation	127,961	1,573	35	129,569
Additions	133,421	496	-	133,917
Transfer from right-of-use assets	12,056	-	-	12,056
Depreciation provided during the year	(40,890)	(1,209)	-	(42,099)
Disposals	-	-	(35)	(35)
At December 31, 2021, net of accumulated depreciation	232,548	860	-	233,408
At December 31, 2021:				
Cost	316,229	2,845	-	319,074
Accumulated depreciation	(83,681)	(1,985)	-	(85,666)
Net carrying amount	232,548	860	-	233,408

	Experiential vending machines RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Total RMB'000
December 31, 2022				
At January 1, 2022:				
Cost	316,229	2,845	-	319,074
Accumulated depreciation	(83,681)	(1,985)	-	(85,666)
Net carrying amount	232,548	860	-	233,408
At January 1, 2022, net of accumulated depreciation	232,548	860	-	233,408
Additions	2,071	204	-	2,275
Depreciation provided during the year	(58,644)	(1,064)	-	(59,708)
Disposals	(1,352)	-	-	(1,352)
At December 31, 2022, net of accumulated depreciation	174,623	-	-	174,623
At December 31, 2022:				
Cost	292,048	3,049	-	295,097
Accumulated depreciation	(117,425)	(3,049)	-	(120,474)
Net carrying amount	174,623	-	-	174,623

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Experiential vending machines	Leasehold improvements	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2023				
At January 1, 2023:				
Cost	292,048	3,049	-	295,097
Accumulated depreciation	(117,425)	(3,049)	-	(120,474)
Net carrying amount	174,623	-	-	174,623
At January 1, 2023 net of accumulated depreciation	174,623	-	-	174,623
Additions	805	-	-	805
Depreciation provided during the year	(55,515)	-	-	(55,515)
Disposals	(2,261)	-	-	(2,261)
At December 31, 2023 net of accumulated depreciation	117,652	-	-	117,652
At December 31, 2023				
Cost	273,356	3,049	-	276,405
Accumulated depreciation	(155,704)	(3,049)	-	(158,753)
Net carrying amount	117,652	-	-	117,652

During the Relevant Periods, there was no impairment provided for the Group's property, plant and equipment.

14. LEASES

The Group as a lessee

The Group has lease contracts mainly for various items of experiential vending machines, buildings and warehouse used in its operations. Leases of experiential vending machines generally have lease terms in 24 months, and leases of buildings generally have lease terms between 24 months and 48 months, while warehouse has lease terms between 18 and 54 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods are as follows:

The Group

	Experiential vending machines RMB'000	Buildings RMB'000	Warehouse RMB'000	Total RMB'000
As at January 1, 2021	13,493	4,525	522	18,540
Additions	-	1,334	1,980	3,314
Depreciation provided during the year	(1,437)	(2,158)	(1,082)	(4,677)
Transfer out	(12,056)	-	-	(12,056)
As at December 31, 2021and January 1, 2022	-	3,701	1,420	5,121
Additions	-	333	213	546
Depreciation provided during the year	-	(2,380)	(1,193)	(3,573)
As at December 31, 2022and January 1, 2023	-	1,654	440	2,094
Additions	-	2,333	1,186	3,519
Depreciation provided during the year	-	(1,981)	(531)	(2,512)
Disposal as a result of early cancellation of lease	-	(667)	(73)	(740)
As at December 31, 2023	-	1,339	1,022	2,361

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as a lessee (continued)

(a) Lease liabilities

The carrying amounts of lease liabilities and the movements during each of the Relevant Periods are as follows:

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	7,937	5,218	1,967
New lease	3,314	546	3,519
Accretion of interest recognised during the year	550	172	68
Payments	(6,583)	(3,969)	(2,609)
Disposal as a result of early cancellation of lease	-	-	(758)
Carrying amount at the end of the year	5,218	1,967	2,187
Analysed into:			
Current portion	3,489	1,752	1,659
Non-current portion	1,729	215	528

(b) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	550	172	68
Depreciation charge of right-of-use assets	4,677	3,573	2,512
Expense relating to short-term leases	1,121	1,304	1,495
The impact of early cancellation of lease	-	-	(18)
Total amount recognised in profit or loss	6,348	5,049	4,057

The maturity analysis of lease liabilities is disclosed in note 35 to the consolidated financial statements.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at fair value			
Shandong Sofine Food Technology Co., Ltd* ("Shandong Sofine") (山東頌飯食品科技有限公司)	-	-	4,000
	-	-	4,000

In January 2023, Shanghai Quxuan invested RMB4,000,000 to acquire 10.53% equity interest in an unlisted company Shandong Sofine. This investment was not accounted for under the equity method as Shanghai Quxuan does not have the power to participate in its operating and financial policy decisions, and there is lack of any direct or indirect involvement at its board level.

Further details on the Group's fair value measurement are set out in Note 34.

* English name of the unlisted equity investment is translated directly from its corresponding official Chinese name.

16. DEFERRED TAX ASSETS

The movements in deferred tax assets of the Group during each of the Relevant Periods are as follows:

	Lease liabilities	Allowance for doubtful debts	Provision for inventories	Deferred income	Loss available for offsetting against future tax profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	48	1,067	-	120	2,854	4,089
Deferred tax credited/ (charged) to the consolidated statement	18	2,427	-	84	(2,854)	(325)
As at December 31, 2021 and January 1, 2022	66	3,494	-	204	-	3,764
Deferred tax credited/(charged) to the consolidated statement	(12)	3,423	1,320	(48)	-	4,683
As at December 31, 2022 and January 1, 2023	54	6,917	1,320	156	-	8,447
Deferred tax credited/(charged) to the consolidated statement	(37)	2,869	(266)	(48)	49	2,567
As at December 31, 2023	17	9,786	1,054	108	49	11,014

The amounts of unrecognised tax losses as at December 31, 2021, 2022 and 2023 were RMB532,000, RMB708,000 and RMB828,000, respectively, which will expire in five to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets have been recognised in relation to these tax losses due to it is not considered probable that taxable profit will be available against which the losses can be utilised.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Current			
Prepayments	19,693	22,552	67,756
Value-added-tax recoverable	31,999	29,061	3,355
Deposits and other receivables	4,013	4,221	3,809
Deferred listing expenses	-	-	3,331
Income tax recoverable	16	-	-
	55,721	55,834	78,251
Allowance for expected credit loss	(554)	(621)	(1,463)
	55,167	55,213	76,788
Non-Current			
Prepayments for property, plant and equipment	1,950	91	34,750

As at December 31, 2021, 2022, and 2023, the Group's other receivables with the gross amounts of RMB4,013,000, RMB3,825,000 and nil, respectively, were pledged to secure certain of interest-bearing bank borrowings of the Group (note 24).

18. INVENTORIES

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finished goods	20,426	32,690	27,785

19. TRADE RECEIVABLES

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade receivables	265,915	510,274	541,331
Allowance for expected credit loss	(22,734)	(48,371)	(47,332)
	243,181	461,903	493,999
Denominated in RMB	243,181	461,903	493,999

The Group's trading terms with its customers are mainly on credit. The credit term is generally from three to six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control process to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at December 31, 2021, 2022, and 2023, the Group's trade receivables with the gross amounts of RMB243,181,000, RMB461,903,000 and nil, respectively, were pledged to secure certain of interest-bearing bank borrowings of the Group (note 24).

An ageing analysis of the Group's trade receivables, based on the invoice date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within 6 months	165,829	274,598	284,315
6 to 12 months	52,100	75,708	169,995
1 to 2 years	24,412	104,671	33,132
Over 2 years	840	6,926	6,557
	243,181	461,903	493,999

19. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
At the beginning of the year	6,698	22,734	48,371
Impairment losses, net	16,036	25,637	(1,039)
At the end of the year	22,734	48,371	47,332

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. To measure the expected credit losses, trade receivables have been assessed on individual basis for debtors in severe financial difficulty, or by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at December 31, 2021, 2022 and 2023, debtors of trade receivable with carrying amount of RMB6,630,000, RMB7,930,000 and RMB26,000,000 are assessed for ECL individually and loss allowance of RMB6,630,000, RMB7,930,000 and RMB26,000,000 is charged against the balance, respectively.

The information about the credit risk exposure on the Group's trade receivables assessed on collectively basis by using a provision matrix are set out as following:

As at December 31,2021

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000	Net carrying amount RMB'000
Provision on a collective basis				
Aged within 6 months	5.27%	175,055	9,226	165,829
Aged 6 to 12 months	5.27%	54,998	2,898	52,100
Aged 1 to 2 years	12.83%	28,004	3,592	24,412
Aged over 2 years	31.62%	1,228	388	840
		259,285	16,104	243,181

As at December 31,2022

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000	Net carrying amount RMB'000
Provision on a collective basis				
Aged within 6 months	5.74%	291,336	16,738	274,598
Aged 6 to 12 months	5.74%	80,322	4,614	75,708
Aged 1 to 2 years	13.25%	120,663	15,992	104,671
Aged over 2 years	30.90%	10,023	3,097	6,926
		502,344	40,441	461,903

19. TRADE RECEIVABLES (continued)

The information about the credit risk exposure on the Group's trade receivables assessed on collectively basis by using a provision matrix are set out as following: (continued)

As at December 31,2023

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000	Net carrying amount RMB'000
Provision on a collective basis				
Aged within 6 months	3.18%	293,648	9,333	284,315
Aged 6 to 12 months	3.18%	175,576	5,581	169,995
Aged 1 to 2 years	10.57%	37,048	3,916	33,132
Aged over 2 years	27.62%	9,059	2,502	6,557
		515,331	21,332	493,999

20. CASH AND BANK BALANCES

The Group

	As at December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash and bank balances	191,752	87,342	299,018
Denominated in			
USD	107,292	72	265
RMB	84,460	87,270	298,699
HKD	-	-	54

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The Company

	As at December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash and bank balances	79,052	9	318
Denominated in			
USD	79,052	3	257
RMB	-	6	54
HKD	-	-	7

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Within 1 year	50,827	20,792	11,451
1 to 2 years	6	-	-
Over 2 years	41	-	-
	50,874	20,792	11,451

The trade payables are non-interest-bearing and are normally settled on 30 to 60 day terms.

22. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Salary payables	4,431	4,524	3,668
Other tax payables	205	29	194
Outsourcing service fee payable	2,358	2,026	997
Professional service fee payable	2,000	20	-
Other payables and accruals	447	585	847
Accrual for listing expenses	-	-	3,698
	9,441	7,184	9,404

The Company

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Accrual for listing expenses	-	-	3,698

Other payables are unsecured and non-interest-bearing, repayable on demand.

23. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

The Group

	As at December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Short-term advances received from customers			
Sales of service	711	182	2,762

24. INTEREST-BEARING BANK BORROWINGS

The Group

	Notes	As at December 31, 2021 Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – pledged	(a)	One-year LPR+175bp	2022	49,900
Bank loans – unpledged		4.35	2022	9,900
				59,800
Non-current				
Bank loans – pledged	(b)	One-year LPR+175bp	2023	32,202
				92,002

	Notes	As at December 31, 2022 Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – pledged	(a)	One-year LPR+210bp	2023	22,000
Current portion of long term bank loans – pledged	(b)	One-year LPR+175bp	2023	4,247
				26,247
Non-current				
Bank loans – unpledged		4.50	2025	15,000
				41,247

24. INTEREST-BEARING BANK BORROWINGS (continued)

The Group (continued)

	Notes	As at December 31, 2023		
		Effective interest rate	Maturity	
		(%)		RMB'000
Current				
Bank loans – unpledged		3.85	2024	29,940
		3.75	2024	30,000
		3.45	2024	30,000
		3.70	2024	15,000
		3.20	2024	15,000
				119,940
Non-current				
Bank loans – unpledged		4.50	2025	13,500
				133,440

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	59,800	26,247	119,940
In the second year	32,202	-	13,500
In the third to fifth years, inclusive	-	15,000	-
	92,002	41,247	133,440

(a) As at December 31, 2021, 2022 and 2023, certain of the Group's current bank borrowings with the amounts of RMB49,900,000, RMB22,000,000 and nil, respectively, were pledged by trade receivables and other receivables of Shanghai Quna.

(b) As at December 31, 2021, 2022 and 2023, certain of long term bank loans (including both current and non-current portion) with the amount of RMB32,202,000, RMB4,247,000 and nil, respectively, were pledged by trade receivables and other receivables of Shanghai Quna.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS

25.1 Convertible Redeemable Preferred Shares

Series Seed-1 Preferred Shares, Series Seed-2 Preferred Shares, Series Angel Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares

From 2013 to 2019, the Group obtained several rounds of investments, including Series Seed-1 Financing, Series Seed-2 Financing, Series Angel Financing, Series A Financing, Series B Financing, Series C Financing and Series D Financing through subscription for the increased registered capital or transfer of equity interests of Shanghai Quna prior to the Reorganization.

On September 22, 2021, the Company issued convertible redeemable preferred shares or warrants to the then existing shareholders of Shanghai Quna or their affiliates, numbers of which are determined pursuant to their respective proportion in Shanghai Quna.

Series E Preferred Shares

On September 22, 2021, the Company issued 10,755,975 Series E Preferred Shares for a total consideration of US$19,650,000, and 8,470,588 Series E warrants to Series E investors. Series E warrants were subsequently exercised, and 8,470,588 Series E Preferred Shares were issued for a total consideration of RMB100,000,000 accordingly in March 2022.

Series E+ Preferred Shares

In March and July 2022, the Company issued 7,688,450 and 3,386,663 Series E+ Preferred Shares for a consideration of US$15,000,000 and RMB42,000,000 to Series E+ investors, respectively.

Series F-1 Preferred Shares and Series F-2 Preferred Shares

On June 29, 2023, the Company entered into a Series F Preferred Shares purchase agreement with, among others, Ai Liang Shan Holdings Limited (“Ai Liang Shan”), pursuant to which Ai Liang Shan agreed to subscribe 4,120,583 Series F-1 Preferred Shares at a price of US$1.01 per share for a total consideration of RMB30,000,000 or equivalent U.S. dollars, and 2,045,945 Series F-2 Preferred shares at a price of US$2.04 per share for a total consideration of RMB30,000,000 or equivalent U.S. dollars. The consideration has been received on the same day.

Series Seed-1 Preferred Shares, Series Seed-2 Preferred Shares, Series Angel Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series E+ Preferred Shares, Series F-1 Preferred Shares and Series F-2 Preferred Shares are collectively referred to as “Preferred Shares”.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.1 Convertible Redeemable Preferred Shares (continued)

According to the amended and restated Memorandum and Articles of Association of the Company ("MOA") passed in June 2023, the authorized share capital of the Company is US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each, consisting of (i) 4,861,359,923 Ordinary Shares, (ii) 7,805,712 Series Seed-1 Preferred Shares, (iii) 4,000,020 Series Seed-2 Preferred Shares, (iv) 20,888,298 Series Angel Preferred Shares, (v) 3,278,010 Series A Preferred Shares, (vi) 29,999,988 Series B Preferred Shares, (vii) 21,799,845 Series C Preferred Shares, (viii) 14,400,000 Series D Preferred Shares, (ix) 19,226,563 Series E Preferred Shares, (x) 11,075,113 Series E+ Preferred Shares, (xi) 4,120,583 Series F-1 Preferred Shares and (xii) 2,045,945 Series F-2 Preferred Shares. The key terms of the Preferred Shares are as follows:

Conversion rights

Any fully-paid and non-assessable Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares of the Company ("Ordinary Shares") based on the then- effective conversion price ("Conversion Price"). The initial Conversion Price for the Preferred Shares will be the applicable Preferred Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect share dividends, share splits, share combinations, reorganisations, mergers, consolidations, reclassifications, exchanges and substitutions, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

Each Preferred Share shall automatically be converted based on the then-effective Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon the closing of an IPO (see definition below) or at such time prior to an IPO as may be required to give effect to such IPO pursuant to applicable securities laws or listing rules of the applicable stock exchange.

Redemption rights

The holders of the Preferred Shares (except for Series Seed-1 Preferred Shares and Series Seed-2 Preferred Shares) may require the Company to redeem any of the then issued and outstanding Preferred Shares held by such requesting holder subject to and in accordance with the MOA upon the occurrence of the earlier of the following events:

(i) the Company fails to complete an IPO on The Stock Exchange of Hong Kong Limited by December 31, 2024;

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.1 Convertible Redeemable Preferred Shares (continued)

Redemption rights (continued)

(ii) the Denied IPO Event, which means any one or more of the following events when the time for completing an IPO of the Company has matured: (a) when voting on the resolution relating to the IPO of the Company, (x) all Investors or all directors designated by the holders of the Preferred Shares vote in favor of the IPO of the Company, but the founders or the directors designated by the founders abstain from voting or vote against the IPO of the Company, causing the IPO of the Company is rejected by the shareholders' meeting or the Board, or (y) when voting on the resolution relating to the revocation or abolition of the IPO of the Company, the Founders vote in favor of such revocation or abolition; (b) after the IPO of the Company is approved by the shareholders' meeting or the Board, the Founders in their capacity as the controlling shareholder fails to prevent the occurrence of the following: the Company fails to submit the IPO application within 12 months after the IPO of the Company is approved by the shareholders' meeting or the Board because the management of the Company stop the IPO process without reasonable reasons, or the management of the Company delay or impede the IPO without reasonable reasons, and fails to make corrections after being urged in writing by any investor;

(iii) any Investor or any holder of Preferred Shares (except for Series Seed-1 Preferred Shares and Series Seed-2 Preferred Shares) elect to exercise the rights of redemption pursuant to the MOA;

(iv) the auditor engaged by the Company is unable to issue an audit report which satisfies the IPO requirements due to any material omission of the Company's internal control system or tax compliance issue, and this situation continues for more than 6 months; and Series E Investors requires the Company to redeem any of the then issued and outstanding Series E Preferred Shares.

The redemption price per Preferred Share (the "Redemption Price") shall be equal to: (i) an amount equal to the sum of the applicable Preferred Share issue price, plus (A) a ten percent (10%) annual internal rate of return from the applicable Preferred Share issue date to the earlier date of (x) the date of the Redemption Price of such redeeming Preferred Share is fully paid; or (y) Redemption Price payment date, and (B) all declared but unpaid dividends thereon up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers.

If the Company does not have sufficient cash or funds legally available to redeem all of the preferred shares required to be redeemed, those assets or funds which are legally available shall be used to redeem the preferred shares, following the order, firstly to Series F-2 Holders, secondly to Series E+ Holders, thirdly to Series E Holders, fourthly to Series D Holders, fifthly to 379,840 Series F-1 and Series C Holders, sixthly to Series B Holders, seventhly to 3,740,743 Series F-1 and Series A Holders and lastly to Series Angel Holders.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.1 Convertible Redeemable Preferred Shares (continued)

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary or the consummation of a deemed liquidation event as detailed in the MOA, the assets of the Company legally available for distribution shall be distributed among the holders of the then issued and outstanding shares in the following order and manner:

(i) an amount equal to the sum of the applicable Preferred Share issue price, following the order, firstly to Series F-2 Holders, secondly to Series E+ Holders, thirdly to Series E Holders, fourthly to Series D Holders, fifthly to 379,840 Series F-1 and Series C Holders, sixthly to Series B Holders, seventhly to 3,740,743 Series F-1 and Series A Holders;

(ii) an interest equal to (x) a ten percent (10%) annual internal rate of return of the applicable Preferred Share issue price from applicable Preferred Share issue date to the date of the interest mentioned herein is fully paid, plus (y) any declared but unpaid dividends, following the order, firstly to Series F-2 Holders, secondly to Series E+ Holders, thirdly to Series E Holders, fourthly to Series D Holders, fifthly to 379,840 Series F-1 and Series C Holders, sixthly to Series B Holders, seventhly to 3,740,743 Series F-1 and Series A Holders;

(iii) an amount equal to (x) two hundred percent (200%) of the Series Angel Preferred Shares issue price, plus (y) any declared but unpaid dividends to Series Angel Holders; and

(iv) an amount equal to (x) one hundred percent (100%) of the Series Seed-1 and Seed-2 Preferred Shares issue price, plus (y) any declared but unpaid dividends to Series Seed-1 and Seed-2 Holders.

Voting Rights

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the Company's shareholders entitled to vote, or, if no such record date is established, at the date such vote is taken or any written resolution or consent of the Company's shareholders is solicited. The holders of the Preferred Shares and Ordinary Shares shall vote together as a single class, unless otherwise required by the MOA.

Presentation and Classification

The Group have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.1 Convertible Redeemable Preferred Shares (continued)

The movements of the Preferred Shares are set out below:

	Convertible redeemable preferred shares
	RMB'000
At January 1, 2021	561,445
Issue	185,840
Changes in fair value	188,848
At December 31, 2021 and at January 1, 2022	936,133
Issue	142,773
Transfer from convertible bonds	40,574
Changes in fair value	191,467
At December 31, 2022 and at January 1, 2023	1,310,947
Issue	60,000
Repurchase of convertible redeemable preferred shares (note i)	(80,000)
Termination of convertible redeemable preferred shares (note i)	(61,047)
Changes in fair value	24,088
At December 31, 2023	1,253,988

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Analysed into:			
Non-current portion	936,133	1,310,947	1,253,988
	936,133	1,310,947	1,253,988

Note (i): On September 22, 2021, each of Xiamen SAIF Venture Capital Investment Partnership (Limited Partnership) (厦门赛富创业投资合伙企业(有限合伙)) ("SAIF VC", a Series A investor) and Xiamen SAIF Equity Investment Partnership (Limited Partnership) (厦门赛富创业投资合伙企业(有限合伙)) ("SAIF Investment", a Series C investor) was issued a warrant to purchase up to 21,666,696 Series A Preferred Shares and 2,200,062 Series C Preferred Shares of the Company, respectively (collectively, the "SAIF Warrants"). As at December 31, 2022, SAIF VC and SAIF Investment held aggregately approximately 9.15% equity interest in Shanghai Quna.

On June 27, 2023, Qunabox HK acquired aggregately approximately 5.19% equity interest in Shanghai Quna from SAIF VC and SAIF Investment at an aggregate consideration of RMB80,000,000. On the same day, each of SAIF VC and SAIF Investment also entered into a termination agreement, pursuant to which the SAIF Warrants were terminated and cancelled.

Before the termination of SAIF Warrants, the SAIF Warrants together with the equity interest held by SAIF VC and SAIF Investment were accounted for as financial liabilities at FVTPL. Upon the completion of the 5.19% equity transfer and the termination of SAIF Warrants, the remaining 3.96% equity interest in Shanghai Quna held by SAIF VC and SAIF Investment was accounted for as equity instrument and presented as non-controlling interests of the Group.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.1 Convertible Redeemable Preferred Shares (continued)

The Group generally applied the Back-solve method based on recent transactions in the Company's shares or discounted cash flow method to determine the underlying equity value of the Group, and then adopted the option-pricing method in equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at December 31,		
	2021	2022	2023
Risk-free interest rate	2.37%	2.15%	2.17%
Discount for lack of marketability ("DLOM")	3%~25%	2%~19%	1%~19%
Volatility	54.25%	50.09%	52.08%

The Group estimated the risk-free interest rate based on the yield of the PRC Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on recognised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

25.2 Convertible Bonds

In June 2021, Shanghai Quna issued convertible bonds for a total principal amount of RMB40,000,000 to an affiliate of a Series E investor. The major terms and conditions of the convertible bonds are as follows:

(a) Maturity

The maturity date for the convertible bonds is 1 year from the date of issuance, which is renewable subject to agreement between the Group and the aforesaid Series E investor.

(b) Interest Rate

The convertible bonds were interest-free. However, if the convertible bonds failed to be transferred to Preferred Shares by reason of the Group, the Group need to repay the principal and an interest equal to 8% annual internal rate from convertible bonds issue date.

(c) Conversion price

At any time after the date of issuance of these bonds and prior to the repayment in full, the aforesaid Series E investor are entitled to convert these bonds into Series E Preferred Shares to be issued by the Company at an original conversion price based on a pre-money valuation of the Group of RMB3,200 million.

Presentation and Classification

The Group have designated the convertible bonds as whole as financial liabilities measured at FVTPL. The change in fair value of the convertible bonds is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that there is minimal credit risk of the financial liabilities that drives the change of the fair value of the financial liabilities.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND CONVERTIBLE BONDS (CONTINUED)

25.2 Convertible Bonds (continued)

The movements of the convertible bonds are set out below:

	Convertible bonds
	RMB'000
At January 1, 2021	-
Issue	40,000
Changes in fair value	574
At December 31, 2021 and at January 1, 2022	40,574
Transfer to Preferred Shares*	(40,574)
At December 31, 2022 and 2023	-

*: Pursuant to the Series E Preference Share Purchase Agreement dated September 22, 2021, the Company agreed to issue and allot 3,388,235 Series E Preferred Shares for a total consideration of RMB40,000,000 to the holders of convertible bonds issued by Shanghai Quna. In 2022, the convertible bonds were converted into Series E Preferred Shares.

Key valuation assumptions used to determine the fair value of convertible bonds as at the end of each Relevant Period are as follows:

	As at December 31,		
	2021	2022	2023
Risk-free interest rate	2.37%	N/A	N/A
DLOM	3%~25%	N/A	N/A
Volatility	54.25%	N/A	N/A

The Group estimated the risk-free interest rate based on the yield of the PRC Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on recognised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

26. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 15, 2021. Upon its incorporation, the Company had an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each.

According to the MOA passed in June 2023, the authorized share capital of the Company is US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each, consisting of (i) 4,861,359,923 Ordinary Shares, (ii) 7,805,712 Series Seed-1 Preferred Shares, (iii) 4,000,020 Series Seed-2 Preferred Shares, (iv) 20,888,298 Series Angel Preferred Shares, (v) 3,278,010 Series A Preferred Shares, (vi) 29,999,988 Series B Preferred Shares, (vii) 21,799,845 Series C Preferred Shares, (viii) 14,400,000 Series D Preferred Shares, (ix) 19,226,563 Series E Preferred Shares, (x) 11,075,113 Series E+ Preferred Shares, (xi) 4,120,583 Series F-1 Preferred Shares and (xii) 2,045,945 Series F-2 Preferred Shares.

Ordinary shares issued and fully paid:

	Numbers of ordinary shares	Share capital
As at January 1, 2020 and 2021	-	-
Issue of ordinary shares of US$0.00001 each	104,361,369	7
As at December 31, 2021, 2022 and 2023: Ordinary shares of US$0.00001 each	104,361,369	7

27. RESERVE

(a) The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve as at January 1 and December 31, 2020 represents the initial capital injection in Shanghai Quna of RMB1,000,000 by the founders of the Company, which has been deducted to nil by a capital reduction from Shanghai Quna by the Controlling Shareholders of the Company in September 2021 pursuant to the reorganization framework agreement.

(ii) Share award reserve

The share award reserve of the Group represents the fair value of equity-settled share-based payments granted in 2016, 2017, 2019 and during the Relevant Periods.

(iii) Other reserve

The other reserve of the Group represents the difference between the proportionate share of the subsidiary’s identifiable net assets and convertible redeemable preferred shares derecognized as a result of termination of SAIF Warrants (as defined in note 25).

27. RESERVE

(b) Reserve movements of the Company

	Capital reserve	Share award reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Incorporated on June 15, 2021	-	-	-	-
Loss for the year	-	-	(154,621)	(154,621)
Total comprehensive expense for the year	-	-	(154,621)	(154,621)
Impact of the Reorganization	(160,781)	2,685	-	(158,096)
Equity-settled share award plan	-	2,379	-	2,379
At December 31, 2021	(160,781)	5,064	(154,621)	(310,338)
At January 1, 2022	(160,781)	5,064	(154,621)	(310,338)
Loss for the year	-	-	(162,062)	(162,062)
Total comprehensive expense for the year	-	-	(162,062)	(162,062)
Equity-settled share award plan	-	2,753	-	2,753
At December 31, 2022	(160,781)	7,817	(316,683)	(469,647)
At January 1, 2023	(160,781)	7,817	(316,683)	(469,647)
Loss for the year	-	-	(44,036)	(44,036)
Total comprehensive expense for the year	-	-	(44,036)	(44,036)
Equity-settled share award plan	-	14,634	-	14,634
At December 31, 2023	(160,781)	22,451	(360,719)	(499,049)

28. SHARE BASED PAYMENTS

Share options

The Group operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees of the Group, consultants of the Group or the affiliates or any entity in which the Group or affiliate holds a substantial interest (the "Related Entity"), and any persons who made special contributions in certain aspects to the Group or any Related Entity.

Prior to the Reorganization, Shanghai Quna had granted share options to directors and employees since 2016 (the "Onshore Options Arrangement"). In anticipation of the global offering, the Group decided to implement overseas incentive program to assume the Onshore Options Arrangement and administer all the share options granted and to be granted going forwards, and therefore adopted the stock incentive plan (the "Stock Incentive Plan") on September 22, 2021. As at December 31, 2023, options to subscribe for an aggregate of 40,658,824 shares have been conditionally granted to 108 eligible participants under the Stock Incentive Plan. The vesting schedule of the share options granted would be subject to the service condition that would be satisfied over a period of 2 to 4 years. The options granted to directors and employees are accounted for as equity awards and measured at their grant date fair values.

28. SHARE BASED PAYMENTS (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the Relevant Periods is as follows:

	Number of share options	Average exercise price per share
		(RMB)
As at January 1, 2021	26,423,224	2.73
Granted during the year	2,744,000	6.94
As at December 31, 2021 and January 1, 2022	29,167,224	3.13
Granted during the year	810,000	11.81
As at December 31, 2022 and January 1, 2023	29,977,224	3.36
Granted during the year	10,681,600	5.77
As at December 31, 2023	40,658,824	3.99

	Number of share options	Exercise price per share	Weighted average remaining contractual life
		(RMB)	(Year)
As at December 31, 2021	29,167,224	1.10~6.94	4.6
As at December 31, 2022	29,977,224	1.10~11.81	3.7
As at December 31, 2023	40,658,824	1.10~12.40	3.9

The number of share options and average exercise price per share disclosed above have been adjusted to reflect the impact of implementing overseas incentive program to assume the Onshore Options Arrangement.

For the fair value of equity-settled share options granted during the Relevant Periods, a binominal model was used and taken into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of Grant	January 1, 2021	January 1, 2022	January 1, 2023	January 2, 2023	June 1, 2023
Expected volatility	54.43%	53.63%	53.35%~53.89%	53.35%	51.28%~53.93%
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	3.15%	2.78%	2.82%	2.82%	2.53%~2.66%
Expected life of options (year)	9	9	8 to 9	9	7 to 9

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Dividend yield is based on management estimate at the valuation date. Risk-free interest rate was estimated based on the yield of the PRC Government Bonds with a maturity life closest to the life to expiration, as of the option grant date.

The Group recognised share-based payment expenses in relation to the Stock Incentive Plan of RMB2,379,000, RMB2,753,000 and RMB14,634,000 for the years ended December 31, 2021, 2022 and 2023, respectively.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended December 31, 2021, 2022 and 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,314,000, RMB546,000 and RMB3,519,000, respectively, in respect of lease arrangements for buildings.

During the year ended December 31, 2023, as a result of termination of SAIF Warrants, convertible redeemable preferred shares of RMB61,047,000 was transferred to reserves and non-controlling interests of the Group.

(b) Changes in liabilities arising from financing activities

Year ended December 31, 2021

	Bank loans	Lease liabilities	Convertible redeemable preferred shares	Convertible bonds	Increase/ (decrease) in amounts due to shareholders
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	62,366	7,937	561,445	-	-
Changes from financing cash flows	24,589	(6,583)	185,840	40,000	80,000
Change in fair value	-	-	188,848	574	-
Additions of lease liabilities	-	3,314	-	-	-
Interest expense (note 6)	5,047	550	-	-	-
At December 31, 2021	92,002	5,218	936,133	40,574	80,000

Year ended December 31, 2022

	Bank loans	Lease liabilities	Convertible redeemable preferred shares	Convertible bonds	Increase/ (decrease) in amounts due to shareholders
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	92,002	5,218	936,133	40,574	80,000
Changes from financing cash flows	(53,868)	(3,969)	142,773	-	(80,000)
Change in fair value	-	-	191,467	-	-
Additions of lease liabilities	-	546	-	-	-
Transfer in/(out)	-	-	40,574	(40,574)	-
Interest expense (note 6)	3,113	172	-	-	-
At December 31, 2022	41,247	1,967	1,310,947	-	-

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

Year ended December 31, 2023

	Bank loans	Lease liabilities	Convertible redeemable preferred shares
	RMB'000	RMB'000	RMB'000
At January 1, 2023	41,247	1,967	1,310,947
Changes from financing cash flows	90,650	(2,609)	(20,000)
Change in fair value	-	-	24,088
Lease termination	-	(758)	-
Interest expense (note 6)	1,543	68	-
Additions of lease liabilities	-	3,519	-
Transfer of convertible redeemable preferred shares*	-	-	(61,047)
At December 31, 2023	133,440	2,187	1,253,988

*: During the year ended December 31, 2023, as a result of termination of SAIF Warrants, convertible redeemable preferred shares of RMB61,047,000 was transferred to reserves and non-controlling interests of the Group.

(c) Total cash outflow for leases

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within operating activities	1,121	1,304	1,495
Within financing activities	6,583	3,969	2,609
	7,704	5,273	4,104

30. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	-	910	16,750
	-	910	16,750

31. RELATED PARTY TRANSACTIONS

The following table sets forth the outstanding balances with related parties as of the dates indicated:

The Group and the Company

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amounts due from shareholders			
Mr. Lau, Siu Ying (note i)	1,181	1,181	-
Beyond Branding (note ii)	5	5	5
Q-robot (note ii)	1	1	1
Kiosk Joy (note ii)	1	1	1
Q-robot shop (note ii)	-*	-*	-*
INSIGMA (note ii)	-*	-*	-*
NeoBox (note ii)	-*	-*	-*
QFUN Holding Limited (note iii)	-*	-*	-*
	1,188	1,188	7

* The relevant amount is less than RMB1,000.

Note i: Mr. Lau, Siu Ying, the Series Seed investor, has repaid the balance in July 2023.

Note ii: These entities are owned by the Controlling Shareholders of the Company.

Note iii: This entity is owned by a Series C investor.

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amount due from a subsidiary			
Shanghai Quna	356,419	201,387	164,583

Amounts due from shareholders and amount due from a subsidiary are non-trade in nature, unsecured and payable on demand with interest-free.

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amount due to a shareholder			
Nanjing Siyue Enterprise Management Development Co. ("Nanjing Siyue", note i)	80,000	-	-

31. RELATED PARTY TRANSACTIONS (continued)

The Group (continued)

Note i: Nanjing Siyue is an affiliate of Banyan Pacific Technology Investment Limited ("Banyan Pacific"), a Series E investor. Pursuant to the agreement entered into between the Group and Nanjing Siyue, Nanjing Siyue paid RMB80,000,000 in advance to Shanghai Quna, which should be repaid with 10 working days after Banyan Pacific fully paid the consideration of US$15,000,000 for Series E Preferred Shares. Banyan Pacific has fully paid the consideration by the end of December 2021 and the Group has settled amount due to Nanjing Siyue in January 2022.

Note ii: The balance was in relation to the repurchase of convertible redeemable preferred shares, details of which are set out in note (i) of note 25 to the consolidated financial statements.

Amount due to a shareholder are non-trade in nature, unsecured and payable on demand with interest-free.

Compensation of key management personnel of the Group

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	1,891	1,886	1,864
Performance related bonuses	-	-	-
Pension scheme contributions	308	304	300
Share incentive plan expense	926	926	926
	3,125	3,116	3,090

32. PLEDGE OF ASSETS

Details of the Group's trade receivable and other receivable pledged for the Group's bank borrowings are included in notes 17 and 19 to the consolidated financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

<u>Financial assets</u>

As at December 31, 2021

	Financial assets at amortised cost RMB'000
Trade receivables	243,181
Amount due from shareholders	1,188
Financial assets included in prepayments, other receivables and other assets	3,459
Cash and bank balances	191,752
	439,580

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

As at December 31, 2022

	Financial assets at amortised cost RMB'000
Trade receivables	461,903
Amount due from shareholders	1,188
Financial assets included in prepayments, other receivables and other assets	3,600
Cash and bank balances	87,342
	554,033

As at December 31, 2023

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	-	493,999	493,999
Amount due from shareholders	-	7	7
Financial assets included in prepayments, other receivables and other assets	-	2,346	2,346
Cash and bank balances	-	299,018	299,018
Financial assets at fair value through profit or loss	4,000	-	4,000
	4,000	795,370	799,370

Financial liabilities

As at December 31, 2021

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	50,874	50,874
Amount due to a shareholder	-	80,000	80,000
Financial liabilities included in other payables and accruals	-	4,805	4,805
Convertible redeemable preferred shares	936,133	-	936,133
Convertible bonds	40,574	-	40,574
Interest-bearing bank borrowings	-	92,002	92,002
	976,707	227,681	1,204,388

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities (continued)

As at December 31, 2022

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	20,792	20,792
Financial liabilities included in other payables and accruals	-	2,631	2,631
Convertible redeemable preferred shares	1,310,947	-	1,310,947
Interest-bearing bank borrowings	-	41,247	41,247
	1,310,947	64,670	1,375,617

As at December 31, 2023

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	11,451	11,451
Financial liabilities included in other payables and accruals	-	5,542	5,542
Convertible redeemable preferred shares	1,253,988	-	1,253,988
Interest-bearing bank borrowings	-	133,440	133,440
	1,253,988	150,433	1,404,421

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments and other receivables, trade receivables, due from related parties, trade payables, financial liabilities included in other payables and accruals, due to related parties and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of lease liabilities have been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of the convertible redeemable preferred shares and convertible bonds measured at FVTPL are determined using the option pricing model. Further details are set out in note 25 to the consolidated financial statements.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:
As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss	-	-	4,000	4,000

The investment is not publicly traded in an open market. Therefore, the fair value of the investment was determined with reference to the issue price for its recently issued share.

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities				
Convertible redeemable preferred shares	-	-	936,133	936,133
Convertible bonds	-	-	40,574	40,574
	-	-	976,707	976,707

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities				
Convertible redeemable preferred shares	-	-	1,310,947	1,310,947

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities				
Convertible redeemable preferred shares	-	-	1,253,988	1,253,988

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Financial instruments in Level 3

Further details of convertible redeemable preferred shares and convertible bonds are included in note 25 to the consolidated financial statements.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2021, 2022 and 2023:

December 31, 2021

	Valuation technique	Significant unobservable inputs	Range of inputs	Increase/ (decrease) in the inputs (%)	Increase (decrease) of fair value to the input RMB'000
Convertible redeemable preferred shares and convertible bonds	Back-solved method and option-pricing method	DLOM	3%~25%	1/(1)	(11,390) 11,390
		Risk-free interest rate	2.51%	1/(1)	(3,293) 3,338

December 31, 2022

	Valuation technique	Significant unobservable inputs	Range of inputs	Increase/ (decrease) in the inputs (%)	Increase (decrease) of fair value to the input RMB'000
Convertible redeemable preferred shares	Back-solved method and option-pricing method	DLOM	2%~19%	1/(1)	(14,485) 14,485
		Risk-free interest rate	2.15%	1/(1)	(2,120) 2,142

December 31, 2023

	Valuation technique	Significant unobservable inputs	Range of inputs	Increase/ (decrease) in the inputs (%)	Increase (decrease) of fair value to the input RMB'000
Convertible redeemable preferred shares	Back-solved method and option-pricing method	DLOM	1%~19%	1/(1)	(6,497) 6,497
		Risk-free interest rate	2.17%	1/(1)	(2,024) 2,661

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank borrowings, financial liabilities at FVTPL and amount due to shareholder(s). The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Board holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk
The Group's exposure to the risk of changes in fair value relates primarily to the Group's bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points RMB'000	(Decrease)/ increase in profit/(loss) after tax RMB'000	(Decrease)/ increase in equity RMB'000
2021			
RMB	100	(698)	(698)
RMB	(100)	698	698
2022			
RMB	100	(223)	(223)
RMB	(100)	223	223
2023			
RMB	100	NA	NA
RMB	(100)	NA	NA

Credit risk
The Group trades only with recognised and creditworthy third parties and there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As at December 31, 2021, 2022 and 2023, the Group had certain concentrations of credit risk as 10.62%, 6.16% and 6.15% were due from the Group's largest customer, and 33.60%, 27.22% and 24.06% were due from the Group's five largest customers, respectively. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The table below shows the credit quality based on the Group's credit policy and the maximum exposure to credit risk presented at gross carrying amounts, which is mainly based on reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, and year-end staging classification as at the end of each of the Relevant Periods.

December 31, 2021

	12 months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	265,915	265,915
Amount due from shareholders	1,188	-	-	-	1,188
Financial assets included in prepayments and other receivables and other assets					
− Normal**	4,013	-	-	-	4,013
Cash and bank balances	191,752	-	-	-	191,752
	196,953	-	-	265,915	462,868

December 31, 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	510,274	510,274
Amount due from shareholders	1,188	-	-	-	1,188
Financial assets included in prepayments and other receivables and other assets					
− Normal**	4,221	-	-	-	4,221
Cash and bank balances	87,342	-	-	-	87,342
	92,751	-	-	510,274	603,025

December 31, 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	541,331	541,331
Amount due from shareholders	7	-	-	-	7
Financial assets included in prepayments and other receivables and other assets					
− Normal**	3,809	-	-	-	3,809
Cash and bank balances	299,018	-	-	-	299,018
	302,834	-	-	541,331	844,165

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables and other receivables are respectively disclosed in notes 19 and 17 to the consolidated financial statements, respectively.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2021			
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	50,827	47	50,874
Amount due to a shareholder	-	80,000	-	80,000
Financial liabilities included in other payables and accruals	-	4,606	201	4,807
Interest-bearing bank borrowings	-	61,576	32,310	93,886
Convertible bonds	-	43,200	-	43,200
Convertible redeemable preferred shares (note a)	-	-	695,915	695,915
Lease liabilities	-	3,793	2,011	5,804
Total	-	244,002	730,484	974,486

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

	As at December 31, 2022			
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	20,792	-	20,792
Financial liabilities included in other payables and accruals	-	2,430	201	2,631
Interest-bearing bank borrowings	-	28,130	16,235	44,365
Convertible redeemable preferred shares (note a)	-	-	907,893	907,893
Lease liabilities	-	1,794	217	2,011
Total	-	53,146	924,546	977,692

	As at December 31, 2023			
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	11,451	-	11,451
Financial liabilities included in other payables and accruals	-	5,542	-	5,542
Interest-bearing bank borrowings	-	122,892	14,613	137,505
Convertible redeemable preferred shares (note a and b)	-	-	1,042,342	1,042,342
Lease liabilities	-	1,703	544	2,247
Total	-	141,588	1,057,499	1,199,087

Notes：

(a) As at December 31, 2021 and 2022, the liquidity risk of convertible redeemable preferred shares is the original issue price of Preferred Shares plus the respective predetermined interest (the "redemption amount"), assuming that no consummation of public listing of the Company's shares by December 31, 2023, and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares within 30 business days after December 31, 2023 pursuant to the effective MOA as at the end of respective reporting period.

(b) According to the MOA passed in June 2023, the redemption date regarding IPO consummation has been changed to December 31, 2024.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total assets	755,957	823,591	1,067,374
Total liabilities	1,216,313	1,397,251	1,435,317
Asset-liability ratio*	161%	170%	134%

* Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

36. INVESTMENT IN A SUBSIDIARY

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted			
Qunabox HK	108,688	488,088	589,492

37. EVENTS AFTER THE RELEVANT PERIODS

There is no material subsequent event happened after December 31, 2023.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on May 17, 2024.