

## FINANCIAL INFORMATION

*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in “Appendix I — Accountant’s Report” to this document. The consolidated financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.*

*The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.*

### OVERVIEW

**UBTech** is established robotic company based in the PRC, dedicated to the research and development (R&D), design, production, commercialization, sales and marketing of smart service robots and smart service robotic solutions, as well as the R&D of humanoid robots. Our product offerings, ranging from consumer-level smart robots and appliances, enterprise-level robotic solutions tailored for education, logistics and other sectors, to life-sized humanoid robots which we endeavour to eventually commercialize and put into every day use, are equipped to different extent with smart features that sense, interact, analyze and process humans and external environment. According to Frost & Sullivan, we are the No. 3 in the smart robotic solution industry in China (in terms of revenue) in 2022 with a market share of 2.8%, and China’s No. 1 provider of education smart robotic products and solutions (in terms of revenue) in 2022 with a market share of 22.5%.

In FY2020, FY2021, FY2022, 4M2022 and 4M2023, our total revenue was RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB102.5 million and RMB131.8 million, respectively. We incurred a net loss of RMB707.0 million, RMB917.5 million, RMB987.4 million, RMB411.6 million and RMB421.0 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively.

### BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (“FVPL”) and financial assets at fair value through other comprehensive income (“FVOCI”), which are measured at fair value.

Our preparation of the historical financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise their judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to Appendix I — “Accountant’s Report”.

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In preparing the historical financial information, we have consistently adopted all applicable new and amended HKFRSs throughout all the years and periods presented except for any new or interpretation that are not yet effective. Our management concluded, on a preliminary basis, that the adoption of new and amended standards is not expected to have a significant impact on our Group in the current or future reporting periods and on foreseeable future transactions.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **PRC Government’s policies supporting the smart service robotic solution industry**

Since our revenue was derived from providing smart service robotic products and solutions, our result of operation is susceptible to the government policies supporting this industry.

The smart service robotic solutions industry is considered by the Chinese government as an important industry, and therefore it has promulgated a series of favorable policies to propel the development of the smart service robotic solutions industry. According to Frost & Sullivan, in recent years, the PRC government has been implementing preferential policies and development plans to encourage the development of the smart service robotic solutions industry. For instance, according to the “14th Five-Year Plan of the People’s Republic of China” issued in 2021, breakthroughs are to be made during the period in a number of areas of core technologies and for high-end robotic products, comprehensive indicators of machines are to reach international advanced levels, and the performance and reliability of key components in similar products are to reach international levels. The average annual growth of operating income of the robotics industry is also set to exceed 20%. Moreover, the “Guiding Opinions on Accelerating Scenario innovation and Promoting High-quality Economic Development with High-level Application of Artificial intelligence” issued in 2022 points out that the priority in the field of manufacturing is to explore industrial brains, robot-assisted manufacturing, and machine vision industrial inspection. Furthermore, the “Robot + Application Action Implementation Plan” issued by the MIIT and various other PRC governmental departments in January 2023 proposed that the depth and breadth of application of service robots and special robots in the industry is expected to significantly increase, which would benefit various industry such as manufacturing, agricultural, construction, energy, logistics, etc.; and that the ability of robots to promote high-quality economic and social development would be significantly enhanced.

We believe these favorable policies and development plans will continue to contribute to the development of the smart service robotic solution industry and in particular, the growth of our revenue from provision of smart service robotic products and solutions. However, these government policies may be subject to restrictions and uncertainties beyond our control and the PRC government may also continuously adjust and change these policies from the evolvement of the industry. Furthermore, during the Track Record Period, we recorded government grants in relation to funding for patents of invention and several government-sponsored projects focusing on the research and development of technologies. Any reduction or cancelation of the favorable government supports due to policy changes or otherwise, or any government guidance that reduces the demand for smart service robotic products and solutions could jeopardize the market which may impose a material and adverse effect on our operation.

#### **Development and performance of the underlying industries of our customers**

During the Track Record Period, we generated revenue from providing smart service robotic products and solutions to various industries, in particular the education and logistics industries. For FY2020, FY2021, FY2022, 4M2022 and 4M2023, the aggregate revenue from the education and logistics industries accounted for 84.4%, 79.8%, 77.3%, 57.4% and 45.5% of our total revenue, respectively. Since most of our revenue was generated from the education and logistics industries, our result of operation is highly dependent on the changes in the education and logistics industries.

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According to Frost & Sullivan, at the present stage, the programme writing educational robot in primary and secondary education mainly appears in the form of robot competition and extracurricular robot training. Looking forward, with promotion of strengthening AI education in China and the support of the government’s favorable policies, the number of programming laboratories will start to increase and AI subjects will prevail in many schools and educational institutions. Meanwhile, smart educational robots will gradually enter more and more schools and educational institutions to cultivate students’ comprehensive ability in an all-round way and improve their competitiveness. We believe such promotion of STEAM or AI subjects to enter more and more schools in China has imposed a favorable impact on the demand of our products and thus, on our revenue and result of operations. Moreover, in 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the “Opinions on Further Reducing the Burden of Students’ Homework and Off-campus Training in Compulsory Education” (the “Double Reduction Policy”). Since the application of our education smart robotic products and solutions are related to STEAM subjects instead of compulsory subjects and are not subject to relevant restrictive policy, we believe such policy would not negatively impact on our results of operation. However, in the future, any changes to the development of the STEAM or AI subjects or application for education may affect the demand of our education smart robotic products and solutions, which in turns affect our results of operation.

According to Frost & Sullivan, robot-based automation solutions are seen as an efficient and effective way to address the challenges brought by the rapid development of logistics and manufacturing industries, such as the stagnation of productivity, labor shortage, increasing labor cost and lack of digitalization, and have achieved significant growth in recent years. In order to capture the expanding market of the logistics industry, we have provided logistic smart robotic products and solutions for robotic warehouse automation to create a safer working environment and more cost-effective productivity for businesses. Since the launch of our logistic smart robotic products and solutions in late FY2020, we successfully built up business relationship with over 20 customers and end-users, some of which are EV vehicles manufacturer, intelligent equipment manufacturer and vehicle accessories manufacturers. If certain underlying industries of our customers and end customers were adversely affected by respective factors, our profitability may be materially and adversely affected.

Further to the industry-specific factors, the social, political and economic environment may also influence the demand for our smart robotic products and solutions. For instance, during the outbreak of COVID-19, demand for our products which incorporated features to prevent the spread of virus increased temporarily. Since 2020, we introduced new line of robots, which are designed to assist our customers to implement anti-pandemic measures amidst the outbreak of COVID-19, such as the ADIBOT Series, anti-pandemic model of Cruzr and anti-pandemic model of AIMBOT with additional functionalities, including body temperature measurement, QR code scanning and disinfection. Thus, our revenue generated from our sale of general service smart robots increased from RMB36.3 million in FY2020 to RMB77.4 million in FY2021, primarily due to the increase in demand for these products amidst the outbreak of COVID-19. Moreover, we believe the consumer demand for our consumer-level robots and other smart hardware devices is susceptible to the purchasing power of consumers and market sentiment.

Leveraging our proprietary technology capabilities, we intend to further expand our product and solution portfolios to different enterprise-level and consumer-level scenarios to cater for the specific requirements and demands for different industries. See “Future Plans and [REDACTED]”.

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### **Our ability to design and develop new smart service robotic products and solutions and to address their respective demands**

Since we are subject to change in customers’ demand from time to time, our ability to design and develop new products and AI solutions and to address their respective demands is crucial to our success. Our industry is characterised by rapidly evolving technology. We believe that our future success will depend on our ability to enhance our current products and solutions and to introduce new products and solutions that keep pace with this rapidly evolving technology. As such, our success is susceptible to our ability to integrate new technology into our products and solutions, create new solutions and adapt to changing demands of our customers in a timely manner. In addition, we had write-down of inventories during the Track Record Period. In particular, we have approximately 12,590 units of humanoid Alpha Mini (non-education), which amounted to RMB24.9 million, remained in our inventories as of April 30, 2023. Such products have a relatively shorter life cycle due to the change in customer demand and preference and technological changes which resulted in decrease in its net realizable value. Thus, we had write-down of inventories of RMB2.0 million, in relation to this product as of April 30, 2023.

As a result, we may need to invest significant resources in R&D to maintain our market position, keep pace with technological changes and compete effectively. For FY2020, FY2021, FY2022, 4M2022 and 4M2023, our R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB134.7 million and RMB160.8 million, respectively. Such R&D cost represented approximately 57.9%, 63.3%, 42.5%, 131.4% and 122.1% of our total revenue in the same years/periods, respectively. Our failure to improve our products and solutions, offer new products and solutions and adapt to changing demands in a timely and cost-effective manner could materially and adversely affect our business, financial condition and results of operations.

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### Revenue mix

During the Track Record Period, we generated revenue from our products and solutions, namely (i) education smart robotic products and solutions; (ii) logistics smart robotic products and solutions; (iii) other sector-tailored smart robotic products and solutions; and (iv) consumer-level robots and other smart hardware devices. The following table sets out our revenue, gross profit and gross profit margin by products and solutions during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Revenue	Percentage to revenue	Gross profit / (loss) margin	Revenue	Percentage to revenue	Gross profit / (loss) margin	Revenue	Percentage to revenue	Gross profit / (loss) margin	Revenue	Percentage to revenue	Gross profit / (loss) margin	Revenue	Percentage to revenue	Gross profit / (loss) margin
	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000
Education smart robotic products and solutions.....	612,249	82.7	309,865	461,843	56.5	207,045	516,688	51.2	290,079	57,904	56.5	17,387	55,579	42.2	17,163
Logistics smart robotic products and solutions.....	12,690	1.7	1,885	190,786	23.3	26,919	263,437	26.1	20,843	936	0.9	84	4,373	3.3	728
Other sector-tailored smart robotic products and solutions.....	38,598	5.2	17,720	90,245	11.0	40,365	82,418	8.2	55,039	4,448	4.3	(1,069)	16,361	12.4	8,818
Consumer-level robots and other smart hardware devices.....	62,016	8.4	19,164	67,795	8.3	(17,869)	132,448	13.1	(2,955)	34,737	33.9	2,652	54,544	41.4	6,205
Others <sup>(Note)</sup> .....	14,673	2.0	(5,316)	6,561	0.9	696	13,281	1.4	1,657	4,510	4.4	1,869	912	0.7	(878)
Sub-total.....	740,226	100.0	343,318	817,230	100.0	257,156	1,008,272	100.0	364,663	102,535	100.0	20,923	131,769	100.0	32,036
Net write-down of inventories.....	N/A	N/A	(12,580)	N/A	N/A	(1,203)	N/A	N/A	(70,618)	N/A	N/A	(47,820)	N/A	N/A	(1,965)
Total.....	740,226	100.0	330,738	817,230	100.0	255,953	1,008,272	100.0	294,045	102,535	100.0	(26,897)	131,769	100.0	30,073

Note: “Others” primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020.

During the Track Record Period, the fluctuation of our overall gross profit margin was mainly driven by the mix of different revenue stream, mix of different products among each products and solutions segment, as well as the fluctuation of gross profit margins among different revenue stream. If we fail to evaluate and adjust our portfolio of smart service robotic products and solution offerings from time to time to focus on items with higher gross profit margins, our profitability may be materially and adversely affected.

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### Competition and pricing

We face competition in the smart service robotic solutions market in China primarily from other competitors. We believe factors that are critical to our competitiveness in this market include strong R&D capabilities, breadth and quality of our product offerings, strong relationship with our customers and end-users, marketing and sales channels, competitive pricing, brand recognition, and after-sales services. We believe that we have enjoyed certain competitive advantages as a result of our strong R&D capabilities, breadth and quality of our product offerings at competitive prices, strong relationships with our customers and end-users, extensive sales, marketing and services network and a high level of brand recognition, among other factors. However, increased competition or our inability to sustain our competitive advantage could adversely affect our results of operations.

Our pricing directly affects our revenue, average selling price, gross profit margin and results of operations. We consider various factors, such as the different series of product lines, technological level involved, level of customization, timing of launch and popularity of the products when pricing our products. Since we only launched our logistics smart robotic products and solutions in late 2020, as a late joiner, we decided to use low-pricing strategy to capture market share in logistics smart robotic products and solutions and gain sufficient demand for our products, which enabled us to establish our market position in the industry and ranked eighth and accounted for 2.2% of China’s logistics smart robotic products and solutions in terms of revenue in 2022 according to Frost & Sullivan. We experienced volatility in our revenue, average selling price, gross profit margin during the Track Record Period mainly due to the mix of different types of products sold and market competition during each of the financial year/period.

If we have to reduce our product prices to remain competitive but fail to offset such reductions by reducing our costs and increasing our sales volume, our profitability may be materially and adversely affected.

For illustration purpose, we set out below a sensitivity analysis of our loss before taxation with reference to the fluctuation on the average selling price of our robotic products during the Track Record Period. The following table hypothesizes the impact of increase or decrease in the average selling price of our robotic products on our profit or loss before taxation, while all other factors remain unchanged:

As a result of	Hypothetical (decrease)/ increase loss before taxation for FY2020 RMB’000	Hypothetical (decrease)/ increase loss before taxation for FY2021 RMB’000	Hypothetical (decrease)/ increase loss before taxation for FY2022 RMB’000	Hypothetical (decrease)/ increase loss before taxation for 4M2022 RMB’000	Hypothetical (decrease)/ increase loss before taxation for 4M2023 RMB’000
Hypothetical increase/(decrease) of 5% . . . . .	(24,969)/24,969	(20,326)/20,326	(22,117)/22,117	(3,040)/3,040	(3,740)/3,740
Hypothetical increase/(decrease) of 10% . . . . .	(49,937)/49,937	(40,652)/40,652	(44,234)/44,234	(6,080)/6,080	(7,479)/7,479
Hypothetical increase/(decrease) of 15% . . . . .	(74,906)/74,906	(60,978)/60,978	(66,351)/66,351	(8,011)/8,011	(10,716)/10,716



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### Seasonality

Our revenue is subject to seasonal fluctuation. The following table sets forth our revenue by quarter during the Track Record Period:

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Revenue</b>					
1st quarter . . . . .	82,753	170,383	57,903	57,903	99,649
2nd quarter . . . . .	327,380	178,592	225,620	44,632	32,120
3rd quarter . . . . .	128,514	154,748	245,670	N/A	N/A
4th quarter . . . . .	201,579	313,507	479,079	N/A	N/A
	<u>740,226</u>	<u>817,230</u>	<u>1,008,272</u>	<u>102,535</u>	<u>131,769</u>

Typically, our sales reaches a peak in the fourth quarter, which is mainly attributed to most of our revenue were contributed by Enterprise-level customers (over 80% of our total revenue during the Track Record Period) which generally has a financial year ending on December 31 of the calendar year. For example, our revenue from our logistics smart robotic products and solutions is generally higher in the fourth quarter every year because our customers generally complete the inspection and recognition of progress of projects by the fourth quarter (i.e. their respective year-end), according to Frost & Sullivan.

On the other hand, our revenue is generally lower in the first quarter due to fewer working days in the first quarter every year as a result of the longer statutory holidays in China for the Spring Festival.

There is no assurance that the volume of our customers’ purchase orders will be consistent with our expectations over each season. Accordingly, our results of operations may vary from period to period. If we cannot effectively plan our production and delivery schedules and secure purchase orders from our customers during non-peak seasons, our business, financial condition and results of operations may be adversely affected. We expect that our revenue will continue to be subject to the seasonality before reaching sizable business, for example, for our consumer-level business, which does not subject to material seasonality.

### Cost of raw materials and consumable goods used and subcontracting fee

Our cost of raw materials and consumable goods used, mainly included compliers, PCB boards, electronic parts, plastic parts and electromechanical parts, represented the largest portion of our cost of sales, accounted for 53.1%, 62.6%, 64.2%, 22.2% and 38.7% of our total cost of sales for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. The purchase costs of our raw materials may vary from period to period due to factors such as scarcity of supply and inflation. We are subject to the risks of fluctuations in the price of these materials. Changes in the availability and price of raw materials could have a significant impact on our operating costs and results of operations.

Moreover, we also engaged subcontractors during the Track Record Period for services such as course operation consulting services, teachers training and teaching support services. For FY2020, FY2021, FY2022, 4M2022 and 4M2023, our subcontracting fee amounted to RMB80.3 million, RMB105.8 million, RMB63.8 million, RMB26.4 million and RMB3.7 million, respectively, accounted for 19.6%, 18.8%, 8.9%, 20.4% and 3.6% of our total cost of sales for the corresponding year. We are subject to the risks of fluctuations in the subcontracting fees. Changes in the availability and price of subcontracting work could have a significant impact on our operating costs and results of operations.

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For illustration purpose, we set out below a sensitivity analysis of our profit or loss before taxation with reference to the fluctuation on the total cost of raw materials and consumable goods used and subcontracting fee during the Track Record Period. The following table hypothesizes the impact of increase or decrease in the total cost of raw materials and consumable goods used and subcontracting fee on our profit or loss before taxation, while all other factors remain unchanged:

As a result of	Hypothetical increase/ (decrease) in loss before taxation for FY2020	Hypothetical increase/ (decrease) in loss before taxation for FY2021	Hypothetical increase/ (decrease) in loss before taxation for FY2022	Hypothetical increase/ (decrease) in loss before taxation for 4M2022	Hypothetical increase/ (decrease) in loss before taxation for 4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Hypothetical increase/(decrease) of 5% .....	14,886/(14,886)	22,857/(22,857)	26,135/(26,135)	2,754/(2,754)	2,149/(2,149)
Hypothetical increase/(decrease) of 10% .....	29,772/(29,772)	45,713/(45,713)	52,270/(52,270)	5,508/(5,508)	4,297/(4,297)
Hypothetical increase/(decrease) of 15% .....	44,658/(44,658)	68,570/(68,570)	78,405/(78,405)	8,262/(8,262)	6,446/(6,446)

### SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group’s financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our judgment on principal versus agent considerations and accounting estimates discussed under “Significant Accounting Estimates and Judgements” in this section below, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are summarized below and the full text is set out in notes 2 and 4 of the Accountant’s Report for details.

#### Significant Accounting Policies

##### *Revenue recognition*

##### *(a) Revenue from sale of products*

Revenue from sales of products (mainly robotic products and hardware devices) is recognized when we have transferred the control over products to customer, which is upon the acceptance of the products by the customer.

Revenue from sales of products is based on the price specified in the sales contracts and a receivable is recognized immediately when the goods are accepted as this is the point in time that the consideration is unconditional. In some contract, the customer is granted a right of return within 7 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate the likelihood and provide for sales returns for the goods sold at the time of sale.



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*(b) Revenue from provision of services*

Revenue from provision of services is recognized over the contracted period with customers in which the services are provided as the customer simultaneously receive and consume the benefit provided by our Group.

*(c) Multiple performance obligations in a contract*

Several contracts with customers include multiple performance obligations of sales of robotic products and solutions. For such arrangements, we allocate transaction price to each performance obligation based on the relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers when we sell it separately in similar circumstances to similar customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

***Research and development expenditures***

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Research and development expenditures that do not meet these criteria are recognized as an expense as incurred.

***Share-based compensation expenses***

Certain RSUs granted to our Group’s employees will only vest at the end of certain periods after a successful [REDACTED] of our Company’s shares or on certain dates. In order to determine the amount of share-based compensation expenses over the vesting period, our Group is required to estimate the date of [REDACTED] of our Company’s share and the number of grantees that will remain in employment with our Group at the end of the vesting periods.

Changes in these estimates and assumptions could have a material effect on the determination of the timing and amount of RSUs to vest, which may in turn significantly impact the amount of share-based compensation expenses for the respective years/periods.

***Property, plant and equipment***

Property, plant and equipment are stated at historical costs less depreciation. Historical costs includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Useful lives
• Buildings	30-50 years
• Machinery	3-10 years
• Office and other equipment	3-8 years
• Leasehold improvements	Shorter of estimated useful lives and remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### *Leases*

#### *Our Group is a lessee*

Our Group's right-of-use assets include buildings and land use rights. Lease terms are negotiated on an individual basis and contain various terms and conditions. Contracts may contain both lease and non-lease components. Our Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in our Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If our Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

### *Intangible assets*

#### *(a) Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

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*(b) Trademarks, customer contracts and customer relationships*

Separately acquired trademarks are shown at historical cost. Customer contracts and customer relationships acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

Based on the expected period of effective registration that can bring in economic benefit, our management determined that the useful lives of trademarks are 10 years.

Based on the fact that the relevant service periods of the customer contracts are mainly around 3 years, our management estimates that the useful lives of customer contracts are 3 years. Based on long-term contractual relationships between the acquired companies and their existing customers, our management believes that the acquired companies are highly likely to continue to enter into service contracts with these existing customers for another 3-6 years, leading to an estimate that the useful lives of customer relationships are 3-6 years.

*(c) Software*

Computer software are initially recognized and measured on the basis of the costs incurred to acquire and bring them to use. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment.

*(d) Amortization method and period*

We amortize intangible assets finite a limited useful life using the straight-line method over the following periods:

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	Useful lives
• Trademarks .....	10 years
• Customer contracts and customer relationships .....	3-6 years
• Software .....	3-5 years

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***Principles of consolidation and equity accounting***

*(a) Subsidiaries*

Subsidiaries are all entities over which our Group has control. We control an entity where we are exposed to, or has rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to our Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

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### *(b) Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize our share of the post-acquisition profits or losses of the investee in profit or loss, and our share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where our share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, we do not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between our and our equity-accounted investees are eliminated to the extent of our interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by our Group.

### **Significant Accounting Estimates and Judgments**

#### ***Revenue from contracts with multiple performance obligations***

Contracts with customers may include multiple performance obligations. For such arrangements, our Group allocates transaction price to each performance obligation based on its relative standalone selling price. Our Group generally determines standalone selling prices based on the prices charged to customers when our Group sells it separately in similar circumstances to similar customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the amount of revenue recognized.

#### ***Net realizable value (“NRV”) of inventories***

Our Group’s inventories are stated at the lower of cost and NRV. The management of our Group make significant estimation in determining the NRV of inventories.

In determining the NRV of inventories, our Group evaluates customers’ orders and prevailing market prices of finished goods, the estimated costs of completion of work in progress and contract fulfillment costs and the estimated costs necessary to make the sale. If conditions which have impact on the NRV of inventories deteriorate, additional allowances for write-down may be required.

#### ***Impairment of tangible non-current assets***

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less costs to sell.

Management judgment is required in the area of the impairment of tangible non-current assets particularly in assessing: (i) whether an event has occurred that may indicate that the relevant asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continuing use of the assets; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate and growth rate used in the calculation of the present value of the estimated cash flows as appropriate.

Changes in relevant assumptions adopted by our Group to determine impairment may have material impact on the estimated recoverable amount used in the impairment test, and cause impairment of these tangible non-current assets of our Group.

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### *Impairment of goodwill*

Our Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. In determining whether goodwill is impaired, our Group estimates the recoverable amount of cash generating units (“CGU”) to which goodwill has been allocated. The recoverable amount of a CGU is determined based on value in use (“VIU”) calculations which require the use of assumptions, including growth rate, gross margin and pre-tax discount rate. The VIU calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated terminal growth rates.

Changes in relevant assumptions adopted by our Group to determine impairment may have material impact on the estimated recoverable amount used in the impairment test, and cause impairment of the goodwill of our Group.

### *Measurement of the ECL*

The measurement of the ECL for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. A number of judgements are also required in applying the accounting requirements for measuring ECL, including the determining criteria for SICR and choosing appropriate models and assumptions. Changes in relevant assumptions adopted by our Group may impact the ECL recognized.

### *Share-based compensation expenses*

Certain restricted shares units (“RSU”) granted to our employees will only vest at the end of certain periods after a successful [REDACTED] of the Company’s shares or on certain dates. In order to determine the amount of share-based compensation expenses over the vesting period, our Group is required to estimate the date of [REDACTED] of the Company’s share and the number of grantees that will remain in employment with our Group at the end of the vesting periods.

Changes in these estimates and assumptions could have a material effect on the determination of the timing and amount of RSUs to vest, which may in turn significantly impact the amount of share-based compensation expenses for the respective years.

### *Current and deferred income taxes*

Our Group is subject to income taxes in various jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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### RESULTS OF OPERATIONS

The following table summarizes the consolidated income statements from the consolidated financial statements during the Track Record Period, details of which are set out in the Accountant’s Report to this document.

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Revenue . . . . .	740,226	817,230	1,008,272	102,535	131,769
Cost of sales . . . . .	(409,488)	(561,277)	(714,227)	(129,432)	(101,696)
Gross profit/(loss) . . . . .	330,738	255,953	294,045	(26,897)	30,073
Selling and marketing expenses . . . . .	(313,298)	(357,607)	(361,023)	(114,254)	(128,451)
General and administrative expenses . . . . .	(212,061)	(325,899)	(398,083)	(114,603)	(149,493)
Research and development expenses . . . . .	(428,766)	(517,072)	(428,280)	(134,708)	(160,831)
Net impairment (losses)/reversal of impairment on financial assets . . . . .	(40,067)	(7,358)	(46,386)	(9,144)	1,454
Other income and expenses, net . . . . .	85,720	76,013	9,467	(13,127)	10,615
Other losses and gains, net . . . . .	(17,833)	(6,555)	(23,014)	9,399	(13,527)
Operating loss . . . . .	(595,567)	(882,525)	(953,274)	(403,334)	(410,160)
Finance income . . . . .	12,715	12,703	3,628	1,454	712
Finance costs . . . . .	(49,104)	(30,555)	(26,734)	(12,208)	(10,699)
Finance costs, net . . . . .	(36,389)	(17,852)	(23,106)	(10,754)	(9,987)
Share of results of investments accounted for using the equity method . . . . .	(43,539)	(584)	5,521	2,892	—
Loss before income tax . . . . .	(675,495)	(900,961)	(970,859)	(411,196)	(420,147)
Income tax expense . . . . .	(31,504)	(16,558)	(16,509)	(444)	(893)
Loss for the year/period . . . . .	<u>(706,999)</u>	<u>(917,519)</u>	<u>(987,368)</u>	<u>(411,640)</u>	<u>(421,040)</u>
Losses attributable to:					
Owners of the Company . . . . .	(706,990)	(920,180)	(974,809)	(408,122)	(408,390)
Non-controlling interests . . . . .	(9)	2,661	(12,559)	(3,518)	(12,650)
	<u>(706,999)</u>	<u>(917,519)</u>	<u>(987,368)</u>	<u>(411,640)</u>	<u>(421,040)</u>



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### NON-HKFRS MEASURES

As to supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use “adjusted net loss (non-HKFRS measures)” and “adjusted EBITDA (non-HKFRS measures)” as additional financial measures. We present this financial measure because it is used by our management to evaluate our financial performance. We also believe this non-HKFRS measures provide additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management. However, these non-HKFRS measures do not have a standardized meaning prescribed by HKFRSs and therefore, they may not be comparable to similar measures presented by other companies.

We define “adjusted net loss (non-HKFRS measure)” as loss for the year adding back share-based compensation (being non-cash in nature) and [REDACTED] (which is related to the [REDACTED]) during the Track Record Period. We define “adjusted EBITDA (non-HKFRS measure)” as “adjusted net loss (non-HKFRS measure)” adding back (i) interest expenses, (ii) income tax expense, (iii) depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets, which are non-cash in nature, and (iv) deducting interest income from it.

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Reconciliation of net loss and “adjusted net loss (non-HKFRS measures)” and “adjusted EBITDA (non-HKFRS measures)”					
<b>Net loss for the year/period</b> . . . . .	(706,999)	(917,519)	(987,368)	(411,640)	(421,040)
<i>Add:</i>					
Share-based compensation . . . . .	64,490	156,396	204,387	83,255	146,249
[REDACTED] . . . . .	—	—	944	—	1,258
<b>Adjusted net loss for the year/period (Non-HKFRS measure)</b> . . . . .	(642,509)	(761,123)	(782,037)	(328,385)	(273,533)
<i>Add:</i>					
Interest expenses <sup>(Note)</sup> . . . . .	54,414	32,222	24,435	10,226	10,694
— <i>Interest expenses on lease liabilities</i> . . . . .	3,969	4,245	3,185	1,079	813
— <i>Interest expenses on borrowings</i> . .	49,853	29,811	38,688	14,017	15,250
— <i>Interest expenses on advances from ultimate controlling shareholder</i> . .	592	—	—	—	—
— <i>Interest expenses capitalised</i> . . . . .	—	(1,834)	(17,438)	(4,870)	(5,369)
Income tax expense . . . . .	31,504	16,558	16,509	444	893
Depreciation of right-of-use assets . .	31,055	41,355	36,693	13,034	10,620
Depreciation of property, plant and equipment . . . . .	46,183	54,754	51,018	17,376	16,228
Amortization of intangible assets . . .	1,886	3,596	2,332	540	1,514
<i>Less:</i>					
Finance income . . . . .	12,715	12,703	3,628	1,454	712
<b>Adjusted EBITDA (Non-HKFRS measure)</b> . . . . .	<u>(490,182)</u>	<u>(625,341)</u>	<u>(654,678)</u>	<u>(288,219)</u>	<u>(234,296)</u>

*Note:* Interest expenses included interest expenses on borrowings, net of amount capitalised, lease liabilities and advances from ultimate controlling shareholder.

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Our “adjusted EBITDA (non-HKFRS measure)” increased from negative RMB490.2 million in FY2020 to negative RMB625.3 million in FY2021 primarily due to the decrease in gross profit from education smart robotic products and solutions and consumer-level robots and other smart hardware devices. Our “adjusted EBITDA (non-HKFRS measures)” increased from negative RMB625.3 million in FY2021 to negative RMB654.7 million in FY2022, which was consistent with the increased net loss in FY2022. Our “adjusted EBITDA (non-HKFRS measures)” decreased from negative RMB288.2 million in 4M2022 to negative RMB234.3 million in 4M2023, primarily due to the increased gross profit resulting from improved gross profit margin for all products and solutions segment and decreased net write-down of inventories in 4M2023 and increased share-based compensation in 4M2023. For details of the write-down of inventories, see “Financial Information — Description of Selected Items in Consolidated Income Statements — Cost of Sales” in this document.

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED INCOME STATEMENTS

#### Revenue

During the Track Record Period, we generate revenue primarily from sales of (i) education smart robotic products and solutions, (ii) logistics smart robotic products and solutions, (iii) other sector-tailored smart robotic products and solutions and (iv) consumer-level robots and other smart hardware devices. In FY2020, FY2021, FY2022, 4M2022 and 4M2023, our total revenue was RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB102.5 million and RMB131.8 million, respectively. The following table sets out our revenue by products and solutions during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Education smart robotic products and solutions ..	612,249	82.7	461,843	56.5	516,688	51.2	57,904	56.5	55,579	42.2
Logistics smart robotic products and solutions ..	12,690	1.7	190,786	23.3	263,437	26.1	936	0.9	4,373	3.3
Other sector-tailored smart robotic products and solutions .....	38,598	5.2	90,245	11.0	82,418	8.2	4,448	4.3	16,361	12.4
Consumer-level robots and other smart hardware devices .....	62,016	8.4	67,795	8.3	132,448	13.1	34,737	33.9	54,544	41.4
Others <sup>(Note)</sup> .....	14,673	2.0	6,561	0.9	13,281	1.4	4,510	4.4	912	0.7
<b>Total</b> .....	<b>740,226</b>	<b>100.0</b>	<b>817,230</b>	<b>100.0</b>	<b>1,008,272</b>	<b>100.0</b>	<b>102,535</b>	<b>100.0</b>	<b>131,769</b>	<b>100.0</b>

Note: “Others” primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020.

During the Track Record Period, our largest revenue contributor was the education smart robotic products and solutions, accounting for 82.7%, 56.5%, 51.2%, 56.5% and 42.2% of our total revenue in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively.

#### By products and solutions

##### (i) Education smart robotic products and solutions

Our education smart robotic products and solutions are adopted in various schools at different levels and training centres. The major customers mainly include government educational institution and enterprises who purchase our education smart robotic solutions including uKit and Jimu (education) series, humanoid Yanshee and the relevant AI curriculums and equipment for education purposes. During the Track Record Period, our revenue from education smart robotic products and solutions included (i) education hardware products and solutions, and software and (ii) ancillary services.

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The following table sets forth our revenue from education smart robotic products and solutions during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Sales		ASP	Sales		ASP	Sales		ASP	Sales		ASP	Sales		ASP
	Revenue	volume		Revenue	volume		Revenue	volume		Revenue	volume		Revenue	volume	
	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	
- Education hardware products and solutions, and software	403,702	128	3,150	254,654	68	3,740	279,874	60	4,702	22,170	7	3,373	10,063	9	
- Others <sup>(1)</sup>	103,583	N/A	N/A	95,752	N/A	N/A	139,320	N/A	N/A	5,366	N/A	N/A	24,104	N/A	
<i>Subtotal of education hardware products and solutions, and software</i>	507,285			350,406			419,194			27,536			34,167		
<i>Ancillary services<sup>(2)</sup></i>	104,964	N/A	N/A	111,437	N/A	N/A	97,494	N/A	N/A	30,368	N/A	N/A	21,412	N/A	
<b>Total of education smart robotic products and solutions</b>	<b>612,249</b>			<b>461,843</b>			<b>516,688</b>			<b>57,904</b>			<b>55,579</b>		

Notes:

- (1) “Others” under our education smart robotic products and solutions segment mainly represented the sales of other accessories and purchased items, including but not limited to (i) teaching and learning resources such as textbooks, teachers’ manuals and training modules; (ii) add-on components to our educational robotic products to enhance their functionalities and performance; (iii) expansion packs containing extra content and scenarios which improve user experience; and (iv) ancillary hardware such as customized programming notebooks and compilers. These products are intended to enrich and diversify the use scenarios of our educational robotic products. We generally sell them in conjunction with our education hardware products, solutions and software to schools and educational institutions which wish to provide a more comprehensive curriculum and teaching environment for their teachers and students. Please refer to the section headed “Business — Our Products and Solutions — At Enterprise level — Education Smart Robotic Products and Solutions” of this document for further details of the products. Average selling price is not meaningful as product types and specification vary significantly within this category. In FY2022, it included sales of a tailor-made solution for simulating production line for vocational education purpose, of RMB27.0 million, to Customer F.
- (2) “Ancillary services” of our education smart robotic products and solutions segment mainly included (i) providing professional team support for teacher training and operation and utilization of our products and solutions; and (ii) designing project solutions, themed activities and competitions. We generally sell them in conjunction with our education hardware products, solutions and software to schools and educational institutions which wish to further customize our products and solutions to suit their educational objectives and/or provide training for teachers on how to use our products and solutions as well as to help develop their proficiency in A.I. education. Please refer to the section headed “Business — Our Products and Solutions — At Enterprise level — Education Smart Robotic Products and Solutions” of this document for further details of such ancillary services.

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### *Education hardware products and solutions, and software*

From FY2020 to FY2022, majority of our revenue from education smart robotic products and solutions were generated from sales of education hardware products and solutions, and software, which amounted to RMB403.7 million, RMB254.7 million and RMB279.9 million in FY2020, FY2021 and FY2022, and accounted for 65.9%, 55.1% and 54.2% of our total revenue from education smart robotic products and solutions during the respective years. Our sales of education hardware products and solutions, and software, amounted to RMB22.2 million and RMB10.1 million in 4M2022 and 4M2023, respectively, accounting for 38.3% and 18.1% of our total revenue from education smart robotic products and solutions during the respective periods. Thus, our revenue from education smart robotic products and solutions is susceptible to (i) fluctuations in the revenue from the sales of education hardware products and solutions, and software, which in turns depend on the sales volume and quantity and the different product mix; and (ii) fluctuations in the revenue from ancillary services, which in turns depends on the number of projects and the value of the projects.

The revenue from sales of education hardware products and solutions, and software was mainly derived from the sales of our education service robots, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education). We generated revenue of RMB394.6 million, RMB243.3 million, RMB270.6 million, RMB21.6 million and RMB8.0 million from the sales of these education service robots in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively, represented 64.5%, 52.7%, 52.4%, 37.3% and 14.4% of the total sales of education smart robotic products and solutions in the corresponding years, whilst the sales volume of these education service robots represented 96.8%, 97.5%, 97.4%, 95.3% and 97.8% of our total sales volume of education hardware products and solutions, and software in the respective years/period.

Our revenue from education smart robotic products and solutions decreased by 24.6% from FY2020 to FY2021, primarily due to (i) a large sales order to Customer A for promoting the use of STEAM products in schools in Xiamen, which did not recur in FY2021; and (ii) decrease in demand due to the temporary suspension of schools in certain provinces in China due to force majeure events such as pandemic in FY2021. In fact, our sales volume of education hardware products and solutions, and software decreased by 60,060 units to 68,090 units in FY2021 and remained stable in FY2022, with the increase in average selling price because we introduced some new products and upgraded products which entailed a higher average selling price. The average selling price of education hardware products and solutions, and software increased from RMB3,150 per unit in FY2020 to RMB3,740 per unit in FY2021, and further to RMB4,700 per unit in FY2022. Such increase was mainly driven by the increase in average selling price of our (i) uKit and Jimu (education) Series from RMB2,610 per unit in FY2020 to RMB4,080 per unit in FY2022 primarily resulting from the launch of new products among the series; and (ii) humanoid Yanshee from RMB11,790 per unit in FY2020 to RMB15,950 per unit in FY2022 primarily resulting from the upgraded version of humanoid Yanshee, with more functions and value-added solutions in them.

Our sales of education hardware products and solutions, and software decreased by RMB12.1 million in 4M2023, primarily due to the decrease in revenue from sales of uKit and Jimu (education) Series of RMB10.0 million because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors. As a result, it led to the decrease in average selling price of uKit and Jimu (education) Series from RMB2,770 per unit in 4M2022 to RMB660 per unit in 4M2023 and the increase in sales volume of our uKit and Jimu (education) Series as a percentage to our total sales volume of education hardware products and solutions, and software from 85.2% in 4M2022 to 93.7% in 4M2023. As such, our sales volume of education hardware products and solutions, and software increased from 6,570 units in 4M2022 to 9,000 units in 4M2023 and the average selling price of education hardware products and solutions, and software decreased from RMB3,370 per unit in 4M2022 to RMB1,120 per unit in 4M2023.

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Our revenue from others mainly represented the sales of other accessories and purchased items, including but not limited to teaching and learning resources, add-on components to our educational robotic products, expansion packs and ancillary hardware, which complement our education service robots. Such sales represented 16.9%, 20.7%, 27.0%, 9.3% and 43.4% of our revenue from education smart robotic products and solutions in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. In FY2022, the revenue was relatively higher because it included sales of a tailor-made solution for simulating production line for vocational education purpose, of RMB27.0 million, to Customer F. Our revenue from sales of others increased by RMB18.7 million from 4M2022 to 4M2023 primarily due to sales of (i) a tailor-made solution for AI education for Customer H, a customer in Liuzhou, of RMB16.4 million, including certain programming notebooks and compilers; and (ii) a tailor-made solution for AI education for Customer I, a customer in Sichuan, of RMB5.0 million in 4M2023.

### *Ancillary services*

During the Track Record Period, our ancillary services offering mainly included (i) providing professional team support for teacher trainings and operation, and utilization of our products and solutions, and (ii) designing project solutions, themed activities and competitions.

Our revenue from provision of ancillary services generally consisted of service fee income which was determined and quoted according to the services provided. We recorded an increasing trend of the revenue from FY2020 to FY2021, primarily due to the increase in number of projects. Our revenue from ancillary services were RMB105.0 million, RMB111.4 million, RMB97.5 million, RMB30.4 million and RMB21.4 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively, which accounted for 17.1%, 24.1%, 18.9%, 52.4% and 38.5% of our revenue from education smart robotic products and solutions in the respective years/periods. We had 11, 22, 18, 16 and 10 revenue-generating projects in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively.

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*(ii) Logistics smart robotic products and solutions*

The following table sets forth our revenue from logistics smart robotic products and solutions during the Track Record Period:

FY2020		FY2021		FY2022		4M2022		4M2023	
Revenue	Average revenue per project <sup>(Note)</sup>	Revenue	Average revenue per project <sup>(Note)</sup>	Revenue	Average revenue per project <sup>(Note)</sup>	Revenue	Average revenue per project <sup>(Note)</sup>	Revenue	Average revenue per project <sup>(Note)</sup>
RMB'000	Projects	RMB'000	Projects	RMB'000	Projects	RMB'000	Projects	RMB'000	Projects
12,690	2	190,786	43	263,437	22	936	4	4,373	15
		6,345	4,437	11,974	234				292

Note: The fluctuation of our average revenue per project was mainly susceptible to the request from our customers, complexity of the projects, duration of projects, etc.



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We generated revenue of RMB12.7 million, RMB190.8 million, RMB263.4 million, RMB0.9 million and RMB4.4 million from our logistics smart robotic products and solutions from two, 43, 22, four and 15 completed projects in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Since we launched these products and solutions in FY2020, our number of customers had increased from two customers in FY2020 to 12 customers in FY2021, and to nine customers in FY2022, and increased from four customers in 4M2022 to seven customers in 4M2023. The overall increase in our revenue from this products and solutions was mainly due to the increase in demand of manufacturing and logistics companies to achieve the automation and intellectualization of the sorting, movement and/or storage functions of components, semi-finished products and finished products throughout their installation and assembly processes, thus enabling them to operate in a cost and operationally efficient and effective manner. Our revenue from logistics smart robotic products and solutions is subject to seasonality and is generally higher in the fourth quarter of a year. See “Key Factors Affecting Our Results of Operations – Seasonality” in this section.

A substantial portion of revenue from our logistics smart robotic products and solutions were derived through MAE Group, our connected person. Revenue contributed by MAE Group amounted to RMB12.4 million, RMB175.0 million, RMB251.2 million, nil and RMB1.5 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively, accounted for 97.6%, 91.7%, 95.4%, nil and 33.7% of the revenue from our logistics smart robotic products and solutions. For details of the MAE arrangements, please refer to “Business – Overlapping of Customers and Suppliers – Overlapping relationship with MAE Group”.

*(iii) Other sector-tailored smart robotic products and solutions*

Our other sector-tailored smart robotic products and solutions primarily consist of (i) general service smart robotic products and solutions and (ii) Walker series and other accessories, which included the life-sized humanoid robots of Walker series.

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The following table sets forth our revenue from provision of other sector-tailored smart robotic products and solutions during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	Unit	RMB/unit	RMB'000	Unit	RMB/unit	RMB'000	Unit	RMB/unit	RMB'000	Unit	RMB/unit	RMB'000	Unit	RMB/unit
(Unaudited)															
<b>Other sector-tailored smart robotic products and solutions</b>															
— General service smart robotic products and services <sup>(1)</sup>	36,297	420	86,422	77,440	572	135,385	30,569	1,046	29,224	4,197	44	95,377	10,816	59	183,322
— Walker series and others <sup>(2)</sup>	2,301	N/A	N/A	12,805	N/A	N/A	51,849	N/A	N/A	251	N/A	N/A	5,545	N/A	N/A
	<u>38,598</u>			<u>90,245</u>			<u>82,418</u>			<u>4,448</u>			<u>16,361</u>		

Notes:

(1) The average selling price of general service smart robotic products and services increased from RMB86,420 per unit in FY2020 to RMB135,390 per unit in FY2021 primarily due to the introduction of ADIBOT, anti-pandemic model of Cruzr with additional functionalities, including body temperature measurement and QR code scanning and disinfection, which entailed a relatively higher selling price. The aggregate sales volume of these products accounted for 52.3% of our total sales volume of general service smart robotic products and services in FY2021.

The average selling price of general service smart robotic products and services then decreased to RMB29,220 per unit in FY2022 due to the change of revenue mix where more than 70% of our sales volume of general service smart robotic products and services in FY2022 was contributed by sales of first edition of Cruzr robots (compared to less than 10% of our sales volume of general service smart robotic products and services in FY2021), which entailed a relatively lower average selling price of RMB8,060 per unit in FY2022 as our Group adjusted the selling price of these products downward to boost their sales in order to deal with the slow-moving inventory.

The average selling price of general service smart robotic products and services increased from RMB95,380 per unit in 4M2022 to RMB183,320 per unit in 4M2023, primarily due to the change of product mix as we sold five units of our new wellness and elderly products and solutions, such as smart walking assistance robot and smart wheelchair robot which were of higher average selling price. Their aggregate revenue accounted for 57.5% of the total revenue of general service smart robotic products and services in 4M2023.

(2) Walker series and others mainly represented the sales of Walker series and accessories. Average selling price is not meaningful as product types and specification vary significantly within this category. The pricing of the Walker series and others was mainly susceptible to the request from our customers, complexity of the products, duration of production, etc. as they are not standardized products.

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We recognized revenue from general service smart robotic products and solutions of RMB36.3 million, RMB77.4 million, RMB30.6 million, RMB4.2 million and RMB10.8 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. With our efforts in R&D, we introduced the ADIBOT, anti-pandemic model of Cruzr and anti-pandemic model of AIMBOT with additional functions, including body temperature measurement, screening and mask detection. We sold 14 and 32 anti-pandemic model of AIMBOT in FY2020 and FY2021, respectively. Such increase in sales volume contributed to an increase in revenue of RMB15.3 million in FY2021. Moreover, we launched the ADIBOT series, patrol robots that use Ultraviolet-C (“UV-C”) for disinfection and sterilization, in response to the market demand for UV-C disinfection devices amidst the COVID-19 pandemic in FY2020 and we sold 181 units of these products in FY2021 as compared to nil in FY2020, which contributed revenue of RMB16.8 million in the same year. As such, our revenue from other sector-tailored smart robotic products and solutions increased significantly in FY2021.

Our revenue from other sector-tailored smart robotic products and solutions decreased in FY2022 primarily due to decrease in average selling price of general service smart robotic products and services from RMB135,390 per unit in FY2021 to RMB29,220 per unit in FY2022. Such decrease was mainly due to the change of revenue mix because more than 70% of our sales volume in FY2022 was contributed by sales of first edition of Cruzr robots (compared to less than 10% of our sales volume in FY2021), which entailed a relatively lower average selling price of RMB8,060 per unit in FY2022.

Our revenue from other sector-tailored smart robotic products and solutions increased from RMB4.4 million in 4M2022 to RMB16.4 million in 4M2023 primarily due to the sales of a tailor-made wellness and elderly products and solution for a customer in Shenzhen of RMB6.2 million, which include smart wellness and elderly robotic products, such as smart walking assistance robot and smart wheelchair robot which were of higher average selling price, tailor-made software platform and related services.

Backed by full-stack of technologies accumulated throughout the years, we sold our Walker-X, a life-sized humanoid robot, in FY2022. Our revenue from Walker series and others amounted to RMB2.3 million, RMB12.8 million, RMB51.9 million, RMB0.3 million and RMB5.5 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Such increase in revenue from FY2020 to FY2021, and to FY2022, was primarily attributable to the revenue contributed by Walker series of RMB8.8 million in FY2021, compared to RMB0.4 million in FY2020, and revenue contributed by Walker series of RMB48.7 million in FY2022, which represented sales of (a) a Walker, a Walker-1, a Walker-2 and two units of Walker X for educational purposes, (b) a Walker-2 for general commercial purposes such as greeting and display and (c) two units of Walker X for general commercial purposes in FY2022. Our Walker series and others increased from RMB0.3 million in 4M2022 to RMB5.5 million in 4M2023, primarily due to (i) the sales of a Walker 2 humanoid robot in 4M2023 for educational purposes; and (ii) the increase in provision of ancillary services to our customers following the sales Walker series robots.

Our average selling price for general service smart robotic products and solutions increased from RMB86,420 per unit in FY2020 to RMB135,390 per unit in FY2021, primarily due to the (i) the average selling price of ADIBOT at RMB92,930 per unit in FY2021, which was newly launched in FY2021; and (ii) increase in average selling price of our (a) anti-pandemic model of AIMBOT from RMB269,920 per unit in FY2020 to RMB595,740 per unit in FY2021; and (b) ATRIS model from RMB422,580 per unit in FY2020 to RMB568,220 per unit in FY2021. The increase in ASP for these products was primarily due to the sales to Customer E with end users mainly representing the local government, schools and hospitals, in FY2021 which included a number of customized value-added solutions into these products, such as, customized software functions and AI algorithms. Since such order did not recur in FY2022, the average selling price of our general service smart robotic products and solutions then decreased to RMB29,220 per unit in FY2022. In FY2022, our overall average selling price significantly decreased compared to FY2021, primarily due to the (i) increase in sales volume of our first edition of Cruzr robots which accounted for more than 70% of our sales volume of general service smart robotic products and services in FY2022 (compared to less than

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10% of our sales volume of general service smart robotic products and services in FY2021) and entailed relatively lower average selling price of RMB8,060 per unit as we adjusted the selling price downward to boost its sales in order to deal with the slow-moving inventory; and (ii) decrease in sales volume and selling price of anti-pandemic products in FY2022. Our average selling price of general service smart robotic products and services increased from RMB95,380 per unit in 4M2022 to RMB183,320 per unit in 4M2023, primarily due to increased sales of our new wellness and elderly care smart robotic products, which demanded a higher selling price.

*(iv) Consumer-level robots and other smart hardware devices*

During the Track Record Period, our consumer-level robots smart hardware devices included a range of user-friendly products that are suitable for household use, namely, Jimu series (non-education) which are designed for children to have early access to robotics and AI, and user-friendly smart household devices that aim at bringing convenience to household users by saving their time and increasing efficiency when doing household chores, such as sweeping robots.

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The following table sets forth our revenue from consumer-level robots and other smart hardware devices during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
Consumer-level robots and other smart hardware devices	59,372	63	940	65,575	99	664	131,900	206	639	34,430	42	827	53,912	89	607
— Consumer-level robots and other smart hardware devices	2,044	N/A	N/A	2,220	N/A	N/A	548	N/A	N/A	307	N/A	N/A	632	N/A	N/A
— Others <sup>(Note)</sup>	62,016			67,795			132,448			34,737			54,544		

Note: Others mainly represented the sales of accessories and purchased parts. Average selling price is not meaningful as product types and specification vary significantly within this category.

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From FY2020 to FY2022, our sales of consumer-level robots and other smart hardware devices increased primarily due to the increase in sale volume which was mainly attributable to new products launched each year. In FY2021, we introduced four new products, such as, a sweeping robots, dictionary pens, smart pens and AI reading lamp, which led to the increase in sales volume of 30,360 units and contributed revenue of RMB18.9 million in FY2021. In FY2022, the increase in revenue was mainly attributable to the increase in revenue from sweeping robots of RMB60.8 million, primarily due to the increase in market share resulting from our increased promotion effort. In FY2022, we launched four new products, such as, humidifiers, air purifiers, AiRROBO cat litter box and sensory drum kit, which led to further increase in sales volume of 41,450 units and contributed revenue of RMB17.5 million in FY2022. Our revenue from sales of consumer-level robots and other smart hardware devices increased from 4M2022 to 4M2023, primarily due to the increase in sales of humidifiers, air purifiers, AiRROBO cat litter box launched in FY2022, which led to a further increase in sales volume of over 28,000 units and contributed to an increase in revenue of RMB13.3 million in 4M2023 compared to that of 4M2022. In addition, the sales volume of sweeping robots also increased by 9,390 units from 4M2022 to 4M2023, which led to an increase in revenue of RMB7.7 million from the sales of sweeping robots in 4M2023. The revenue of our sweeping robots accounted for over 50% of our total revenue of consumer-level robots and other smart hardware devices in FY2022, 4M2022 and 4M2023.

Nevertheless, we experienced a downward trend in our average selling price of consumer-level robots and other smart hardware devices throughout the Track Record Period because (i) their homogeneity to other similar products in the market; (ii) we sold our Alpha series at reduced prices in order to reduce the slow-moving inventories in FY2021; and (iii) we adjusted the selling price to our humanoid Alpha Mini (non-education) products downward to boost their sales in order to reduce the slow-moving inventories in FY2022 and in 4M2023.

### *By sales channel*

The following table set forth the breakdown of revenue by our sales channels during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Direct sales .....	649,792	87.8	697,304	85.3	866,251	85.9	69,916	68.2	73,049	55.4
Distributors and others . . . .										
— Traditional distributors <sup>(1)</sup> .....	87,048	11.8	97,958	12.0	55,653	5.5	18,732	18.3	15,855	12.0
— Online/Offline hybrid distributors <sup>(2)</sup> .....	698	0.1	6,957	0.9	6,705	0.7	1,292	1.2	7,879	6.0
Self operated online stores	2,688	0.4	15,011	1.7	79,663	7.9	12,595	12.3	34,986	26.6
<b>Total .....</b>	<b>740,226</b>	<b>100.0</b>	<b>817,230</b>	<b>100.0</b>	<b>1,008,272</b>	<b>100.0</b>	<b>102,535</b>	<b>100.0</b>	<b>131,769</b>	<b>100.0</b>

*Notes:*

- (1) Revenue generated from traditional distributors also included an insignificant sales from consignees and retailers which accounted for not more than 2.0% of our total revenue each year during the Track Record Period.
- (2) Online/offline hybrid distributors mainly included sales through third party e-commerce platform (which may also sell our products through offline stores).



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During the Track Record Period, majority of our products and services were sold through direct sales to customers, such as government educational institutions, manufacturer of electronic components and intelligent vehicle equipment. These customers generally procure education and logistics smart robotic products and solutions from us and sales to these customers are in line with the fluctuation of our revenue from education and logistics smart robotic products and solutions. Our revenue through direct sales accounted for 87.8%, 85.3%, 85.9%, 68.2% and 55.4% of our total revenue for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Leveraging the extensiveness of the platforms of our distributors, we also conducted sales through traditional distributors, consignees, retailers and online/offline hybrid distributors, which accounted for 11.9%, 12.9%, 6.2%, 19.5% and 18.0% of our total revenue for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Our distributors mainly procured education smart robotic products and solutions, consumer-level robots and other smart hardware devices. We also conducted sales to consumers through our self-operated online stores in online e-commerce platforms, such as Jingdong and Tmall.

### ***By geographical location***

During the Track Record Period, majority of our sales was derived in the PRC, which accounted for 92.2%, 92.2%, 87.0%, 75.8% and 67.3% of our total revenue in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Our overseas sales mainly included the sales to United States, Japan, Belgium and Thailand, which accounted for 7.8%, 7.8%, 13.0%, 24.2% and 32.7% in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively.

### **Cost of Sales**

Our cost of sales represents our cost of production and consists of costs of raw material and consumable goods used, subcontracting fee, overhead expenses, direct labor costs and net write-down of inventories:

- Raw material and consumable goods used: Raw material and consumable goods used include compliers, PCB boards, electronic parts, plastic parts and electromechanical parts.
- Subcontracting fee: Subcontracting fee primarily consist of the costs incurred by the work subcontracted to third-party suppliers. For example, we subcontracted course operation consulting services, teachers training and teaching support services during the Track Record Period.
- Overhead expenses: Overhead expenses represent depreciation of our production facilities and other fixed assets used in our production process, overhead expenses incurred and utilities used in our production process.
- Direct labor costs: Direct labor costs primarily consist of the salaries and benefits of direct labor involved in our production.
- Installation costs: Installation costs primarily represented the costs for installation mainly for our education smart robotic products and solutions.
- Net write-down of inventories: Net write-down of inventories represent the net amount of provision due to the decrease in net realizable value and the reversal due to higher resale value than the net realizable value. For details, see “Description of Certain Items of Consolidated Statements of Financial Position – Inventories” in this section.

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The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Raw materials and consumable goods used .....	217,418	53.1	351,333	62.6	458,890	64.2	28,692	22.2	39,310	38.7
Subcontracting fee .....	80,301	19.6	105,798	18.8	63,811	8.9	26,388	20.4	3,661	3.6
Overhead expenses .....	54,703	13.4	74,839	13.3	68,747	9.7	19,797	15.3	31,603	31.1
Direct labor costs .....	25,507	6.2	17,855	3.2	40,120	5.6	6,251	4.8	21,874	21.5
Installation costs .....	18,979	4.6	10,249	1.9	12,041	1.7	484	0.4	3,285	3.2
Sub-total .....	396,908	96.9	560,074	99.8	643,609	90.1	81,612	63.1	99,733	98.1
Net write-down of inventories .....	12,580	3.1	1,203	0.2	70,618	9.9	47,820	36.9	1,963	1.9
<b>Total .....</b>	<b>409,488</b>	<b>100.0</b>	<b>561,277</b>	<b>100.0</b>	<b>714,227</b>	<b>100.0</b>	<b>129,432</b>	<b>100.0</b>	<b>101,696</b>	<b>100.0</b>

In FY2020, FY2021, FY2022, 4M2022 and 4M2023, our cost of sales was RMB409.5 million, RMB561.3 million, RMB714.2 million, RMB129.4 million and RMB101.7 million, respectively, accounting for 55.3%, 68.7%, 70.8%, 126.2% and 77.2% of our total revenue for the same periods, respectively.

The following table sets forth a breakdown of our cost of sales by products and solutions during the Track Record Period.

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Education smart robotic products and solutions .....	302,384	73.8	254,798	45.4	226,609	31.7	40,517	31.3	38,416	37.8
Logistics smart robotic products and solutions .....	10,805	2.6	163,867	29.2	242,594	34.0	852	0.7	3,645	3.6
Other sector-tailored smart robotic products and solutions .....	20,878	5.1	49,880	8.9	27,379	3.8	5,517	4.3	7,543	7.4
Consumer-level robots and applications .....	42,852	10.5	85,664	15.3	135,403	19.0	32,085	24.8	48,339	47.5
Others <sup>(Note)</sup> .....	19,989	4.9	5,865	1.0	11,624	1.6	2,641	2.0	1,790	1.8
Sub-total .....	396,908	96.9	560,074	99.8	643,609	90.1	81,612	63.1	99,733	98.1
Net write-down of inventories .....	12,580	3.1	1,203	0.2	70,618	9.9	47,820	36.9	1,963	1.9
<b>Total .....</b>	<b>409,488</b>	<b>100.0</b>	<b>561,277</b>	<b>100.0</b>	<b>714,227</b>	<b>100.0</b>	<b>129,432</b>	<b>100.0</b>	<b>101,696</b>	<b>100.0</b>

*Note:* “Others” primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020.

During the Track Record Period, the fluctuation in our cost of sales (before the net write-down of inventories) was generally in line with the fluctuation in our revenue.

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**(i) Education smart robotic products and solutions**

The following table sets forth our cost of sales of our education smart robotic products and solutions during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost
	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
— Education hardware products and solutions, and software .....	137,409	128	1,072	96,400	68	1,416	102,273	60	1,718	10,960	7	1,668	12,780	9	1,420
— Others <sup>(Note)</sup> .....	90,516	N/A	N/A	69,049	N/A	N/A	68,523	N/A	N/A	5,174	N/A	N/A	18,475	N/A	N/A
<b>Subtotal of education hardware products and solutions, and software .....</b>	<b>227,925</b>			<b>165,449</b>			<b>170,796</b>			<b>16,134</b>			<b>31,255</b>		
<b>Ancillary services .....</b>	<b>74,459</b>			<b>89,349</b>			<b>55,813</b>			<b>24,383</b>			<b>7,161</b>		
<b>Total of education smart robotic products and solutions .....</b>	<b>302,384</b>			<b>254,798</b>			<b>226,609</b>			<b>40,517</b>			<b>38,416</b>		

Note: Others mainly represented the sales of other accessories and purchased items, including but not limited to teaching and learning resources, add-on components to our educational robotic products, expansion packs and ancillary hardware. Average cost per unit is not meaningful as product types and specification vary significantly within this category.

The fluctuation in our cost of sales of our education smart robotic products and solutions was generally in line with the fluctuation in its revenue. The average cost per unit sold for our education hardware products and solutions, and software generally increased from FY2020 to FY2022, which was mainly due to increase in average cost per unit of our uKit and Jimu (education) Series and humanoid Yanshee because we included more functions and value-added solutions in them, such as, analyzing teaching results through the account system and cloud platform records, providing a platform for displaying results, supporting sensor application knowledge, graphical programming, code programming, basic circuit design, etc.. Our average cost per unit decreased from 4M2022 to 4M2023, primarily due to the change of product mix because we sold more uKit and Jimu (education) Series in 4M2023, which had a relatively lower average cost per unit of RMB1,180 per unit in 4M2023. The sales volume of our uKit and Jimu (education) Series accounted for 93.7% of our total sales volume of education hardware products and solutions, and software in 4M2023, while the same accounted for 85.2% in 4M2022.

**(ii) Logistics smart robotic products and solutions**

We recorded costs of sales of our Logistics smart robotic products and solutions of RMB10.8 million, RMB163.9 million, RMB242.6 million, RMB0.9 million and RMB3.6 million. Such fluctuation was generally in line with the fluctuation in its revenue except for FY2022. See “Gross profit and Gross profit margin” below.

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(iii) *Other sector-tailored smart robotic products and solutions*

The following table sets forth our cost of sales of our other sector-tailored smart robotic products and solutions during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Cost of sales RMB'000	Sales volume Unit	Average cost RMB/unit	Cost of sales RMB'000	Sales volume Unit	Average cost RMB/unit	Cost of sales RMB'000	Sales volume Unit	Average cost RMB/unit	Cost of sales RMB'000	Sales volume Unit	Average cost RMB/unit	Cost of sales RMB'000	Sales volume Unit	Average cost RMB/unit
Other sector-tailored smart robotic products and solutions															
— General service smart robotic products and solutions	18,722	420	44,576	41,583	572	72,697	15,142	1,046	14,476	5,382	44	122,318	4,959	59	84,045
— Walker series and others <sup>(Note)</sup>	2,156	N/A	N/A	8,297	N/A	N/A	12,237	N/A	N/A	135	N/A	N/A	2,584	N/A	N/A
	<u>20,878</u>			<u>49,880</u>		<u>27,379</u>				<u>5,517</u>			<u>7,543</u>		

Other sector-tailored smart robotic products and solutions

— General service smart robotic

products and solutions

— Walker series and others<sup>(Note)</sup>

(Unaudited)

Note: Walker series and others mainly represented the sales of Walker series and accessories. Average cost per unit is not meaningful as product types and specification vary significantly within this category.

The fluctuation in our cost of sales of our other sector-tailored smart robotic products and solutions was generally in line with the fluctuation in its revenue. The average cost per unit sold for our other sector-tailored smart robotic products and solutions increased from FY2020 to FY2021, primarily due to product mix because we sold more products with higher average cost per unit due to more functions and value-added solutions were included in these products, such as, anti-pandemic model of AIMBOT series and ATRIS series for a customized order to Customer E; and ADIBOT series that use UV-C in FY2021. The average cost per unit decreased in FY2022 primarily due to the increase in sales volume of first edition of Cruzr robots of 662 units which entailed a relatively lower average cost per unit, at RMB5,860 per unit in FY2022. Such increase in sales of first edition of Cruzr robots in FY2022 was primarily attributable to sales to a customer at lower selling price to reduce slow-moving inventories. The average cost per unit decreased from 4M2022 to 4M2023 primarily due to the decrease in cost per unit of our Cruzr series resulting from decrease in scrap in 4M2023.

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**(iv) Consumer-level robots and other smart hardware devices**

The following table sets forth our cost of sales of our consumer-level robots and other smart hardware devices during the Track Record Period:

	FY2020			FY2021			FY2022			4M2022			4M2023		
	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost	Cost of sales	Sales volume	Average cost
	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
Consumer-level robots and other smart hardware devices															
— Consumer-level robots and other smart hardware devices	41,196	63	652	79,974	99	809	132,976	206	644	31,961	42	768	47,963	89	540
— Others <sup>(Note)</sup>	1,656	N/A	N/A	5,690	N/A	N/A	2,427	N/A	N/A	124	N/A	N/A	376	N/A	N/A
	<u>42,852</u>			<u>85,664</u>			<u>135,403</u>			<u>32,085</u>			<u>48,339</u>		

(Unaudited)

*Note:* Others mainly represented the sales of accessories and purchased parts. Average cost per unit is not meaningful as product types and specification vary significantly within this category.

The fluctuation in our cost of sales of our consumer-level robots and other smart hardware devices was generally in line with the fluctuation in its revenue. The average cost per unit for our consumer-level robots and other smart hardware devices increased from FY2020 to FY2021, primarily due to product mix because we sold more humanoid Alpha-Mini (non-education) products that had relatively higher average cost per unit due to higher production cost of these products. Our average cost per unit decreased in FY2022, primarily due to product mix because we sold more sweeping robots in FY2022, which had relatively lower cost per unit. Our average cost per unit then further decreased in 4M2023, primarily due to change of our product mix because we sold more sweeping robots, humidifiers and AirROBO cat litter box in 4M2023, which had relatively lower cost per unit.

**Net write-down of inventories**

We had net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB47.8 million and RMB2.0 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. Our net write-down of inventories were relatively higher in FY2020 and FY2022, because we made provisions to our first edition of Cruzr robots in FY2020 and humanoid Alpha Mini (non-education) in FY2022, as a result of the lowered selling price to boost their sales in order to reduce their slow-moving inventories.

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### Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by products and solutions during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	
	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	/(loss) margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Education smart robotic products and solutions . . . . .	309,865	50.6	207,045	44.8	290,079	56.1	17,387	30.0	17,163	30.9
Logistics smart robotic products and solutions . . . . .	1,885	14.9	26,919	14.1	20,843	7.9	84	9.0	728	16.6
Other sector-tailored smart robotic products and solutions . . . . .	17,720	45.9	40,365	44.7	55,039	66.8	(1,069)	(24.0)	8,818	53.9
Consumer-level robots and other smart hardware devices . . . . .	19,164	30.9	(17,869)	(26.4)	(2,955)	(2.2)	2,652	7.6	6,205	11.4
Others <sup>(Note)</sup> . . . . .	(5,316)	(36.2)	696	10.6	1,657	12.5	1,869	41.4	(878)	(96.1)
Sub-total . . . . .	343,318	46.4	257,156	31.5	364,663	36.2	20,923	20.4	32,036	24.3
Net write-down of inventories . . . . .	(12,580)		(1,203)		(70,618)		(47,820)		(1,963)	
<b>Total</b> . . . . .	<b>330,738</b>	<b>44.7</b>	<b>255,953</b>	<b>31.3</b>	<b>294,045</b>	<b>29.2</b>	<b>(26,897)</b>	<b>(26.2)</b>	<b>30,073</b>	<b>22.8</b>

*Note:* “Others” primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020. The gross loss attained in FY2020 was primarily due to sales of certain customized products at loss, which are no longer used by us. The gross loss attained from others in 4M2023 was primarily due to the scrap of certain raw materials in 4M2023.

In FY2020, FY2021, FY2022, 4M2022 and 4M2023, our gross profit before net write-down of inventories were RMB343.3 million, RMB257.2 million, RMB364.7 million, RMB20.9 million and RMB32.0 million, respectively, and the respective gross profit margins were 46.4%, 31.5%, 36.2%, 20.4% and 24.3% in the respective years/periods. Our gross profit before net write-down of inventories fluctuated during the Track Record Period mainly due to (i) the sales of products with different gross profit margin; (ii) the gross loss attained from the sales of consumer-level robots and other smart hardware devices in FY2021 and FY2022; (iii) the gross loss attained from the sales of others in FY2020; and (iv) the gross loss attained from other sector-tailored smart robotic products and solutions in 4M2022.

In FY2020, FY2021, FY2022, 4M2022 and 4M2023, we recorded net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB47.8 million and RMB2.0 million, respectively. See “Cost of sales — Net write-down of inventories” above.

Our gross loss in 4M2022 was primarily due to the (i) net write-down of inventories of RMB47.8 million mainly made for our Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory; and (ii) gross loss attained from other sector-tailored smart robotic products and solutions.



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As a result, our overall gross profits were RMB330.7 million, RMB256.0 million, RMB294.0 million and RMB30.1 million in FY2020, FY2021, FY2022 and 4M2023, respectively, and the respective gross profit margins were 44.7%, 31.3%, 29.2% and 22.8% in the respective years/period.

**(i) Education smart robotic products and solutions**

The following table sets forth our gross profit and gross profit margin of our education smart robotic products and solutions during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Gross profit/(loss) margin		Gross profit/(loss) margin		Gross profit/(loss) margin		Gross profit/(loss) margin		Gross profit/(loss) margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
— Education hardware products and solutions, and software .....	266,293	66.0	158,254	62.1	177,601	63.5	11,210	50.6	(2,717)	(27.0)
— Others <sup>(1)</sup> .....	13,067	12.6	26,703	27.9	70,797	50.8	192	3.6	5,629	23.4
<b>Subtotal of education hardware products and solutions, and software .....</b>	<b>279,360</b>	<b>55.1</b>	<b>184,957</b>	<b>52.8</b>	<b>248,398</b>	<b>59.3</b>	<b>11,402</b>	<b>41.4</b>	<b>2,912</b>	<b>8.5</b>
<b>Ancillary services<sup>(2)</sup> .....</b>	<b>30,505</b>	<b>29.1</b>	<b>22,088</b>	<b>19.8</b>	<b>41,681</b>	<b>42.8</b>	<b>5,985</b>	<b>19.7</b>	<b>14,251</b>	<b>66.6</b>
	<b>309,865</b>	<b>50.6</b>	<b>207,045</b>	<b>44.8</b>	<b>290,079</b>	<b>56.1</b>	<b>17,387</b>	<b>30.0</b>	<b>17,163</b>	<b>30.9</b>

**Notes:**

- (1) “Others” under our education smart robotic products and solutions segment mainly represented the sales of other accessories and purchased items, including but not limited to (i) teaching and learning resources such as textbooks, teachers’ manuals and training modules; (ii) add-on components to our educational robotic products to enhance their functionalities and performance; (iii) expansion packs containing extra content and scenarios which improve user experience; and (iv) ancillary hardware such as customized programming notebooks and compliers. These products are intended to enrich and diversify the use scenarios of our educational robotic products. We generally sell them in conjunction with our education hardware products, solutions and software to schools and educational institutions which wish to provide a more comprehensive curriculum and teaching environment for their teachers and students. Please refer to the section headed “Business — Our Products and Solutions — At Enterprise level — Education Smart Robotic Products and Solutions” of this document for further details of the products. Average selling price is not meaningful as product types and specification vary significantly within this category. In FY2022, it included sales of a tailor-made solution for simulating production line for vocational education purpose, of RMB27.0 million, to Customer F.
- (2) “Ancillary services” of our education smart robotic products and solutions segment mainly included (i) providing professional team support for teacher training and operation and utilization of our products and solutions; and (ii) designing project solutions, themed activities and competitions. We generally sell them in conjunction with our education hardware products, solutions and software to schools and educational institutions which wish to further customize our products and solutions to suit their educational objectives and/or provide training for teachers on how to use our products and solutions as well as to help develop their proficiency in A.I. education. Please refer to the section headed “Business — Our Products and Solutions — At Enterprise level — Education Smart Robotic Products and Solutions” of this document for further details of such ancillary services.

Our education smart robotic products and solutions represented majority of our total gross profit. The gross profit margin decreased in FY2021, primarily due to decrease in gross profit margin from education hardware products and solutions, and software, primarily due to the relatively higher gross profit margin of 69.5% attained from a large sales order to Customer A in FY2020 for promoting STEAM products to schools in Xiamen, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from

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## FINANCIAL INFORMATION

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Customer A among the education smart robotic products and solutions accounted for 40.7% of our total revenue from education smart robotic products and solutions in FY2020. The gross profit margin from ancillary services decreased from 29.1% in FY2020 to 19.8% in FY2021, mainly due to the increase in number of projects which attained a relatively lower gross profit margin in FY2021.

The gross profit margin from sales of education smart robotic products and solutions increased in FY2022, primarily due to the increase in gross profit margin from (i) others from 27.9% in FY2021 to 50.8% in FY2022, primarily due to the sales of a tailor-made solution for simulating production line for vocational education purpose to Customer F of RMB27.0 million in FY2022; and (ii) ancillary services mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

The gross profit margin from sales of education smart robotic products and solutions remained relatively stable in 4M2023 and 4M2022, primarily due to the combined effect of (i) decrease in gross profit margin from education hardware products and solutions, and software - from a gross profit margin of 50.6% in 4M2022 to a gross loss margin of 27.0% in 4M2023, as a result of the decrease in average selling price of our uKit and Jimu (education) Series because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors; (ii) increase in gross profit margin from others from 3.6% in 4M2022 to 23.4% in 4M2023, primarily due to the relatively higher gross profit margin attained by the sales of a tailor-made solution for smart classroom supporting tools for Customer I, a customer in Sichuan, of RMB5.0 million which had a gross profit margin of 37.0% in 4M2023; and (iii) the increase in gross profit margin from our ancillary services from 19.7% in 4M2022 to 66.6% in 4M2023, mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

***(ii) Logistics smart robotic products and solutions***

Our gross profit margin from sales of logistics smart robotic products and solutions were 14.9%, 14.1%, 7.9%, 9.0% and 16.6% in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. The logistics smart robotic products and solutions attained relatively lower gross profit margin compared to other types of products and solutions was primarily due to (i) lower pricing as we faced down-stream price pressure from our major end-users in automobile industry which have stronger bargaining power; and (ii) higher raw material costs incurred in the logistics installation and testing works. Our gross profit margin decreased to 7.9% in FY2022, primarily due to the relatively lower gross profit of under 2.0% from each of the three new projects obtained and completed in FY2022 for an end-user in automobile industry which contributed revenue of RMB58.3 million, in order for us to retain such end-user. Our gross profit margin increased from 4M2022 to 4M2023, primarily due to the relatively higher gross profit of over 40% from each of the two projects completed in 4M2023 which contributed revenue of RMB1.3 million.

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*(iii) Other sector-tailored smart robotic products and solutions*

The following table sets forth our gross profit and gross profit margin of our other sector-tailored smart robotic products and solutions during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit/(loss)	/(loss) margin	Gross profit/(loss)	/(loss) margin	Gross profit/(loss)	/(loss) margin	Gross profit/(loss)	/(loss) margin	Gross profit/(loss)	/(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Other sector-tailored smart robotic products and solutions										
— General service smart robotic products and solutions . . . . .	17,575	48.4	35,857	46.3	15,427	50.5	(1,185)	(28.2)	5,857	54.2
— Walker series and others <sup>(Note)</sup> . . . . .	145	6.3	4,508	35.2	39,612	76.4	116	46.4	2,961	53.4
	<u>17,720</u>	<u>45.9</u>	<u>40,365</u>	<u>44.7</u>	<u>55,039</u>	<u>66.8</u>	<u>(1,069)</u>	<u>(24.0)</u>	<u>8,818</u>	<u>53.9</u>

Note: Walker series and others mainly represented the sales of Walker series and accessories.

Our gross profit margin from sales of other sector-tailored smart robotic products and solutions remained relatively stable in FY2020 and FY2021. Our gross profit margin then increased in FY2022 mainly due to the increase in gross profit margin from Walker series and others to 76.4% in FY2022 mainly due to increase in sales contribution from Walker series of RMB39.9 million which attained a relatively higher gross profit margin.

We had a gross loss for our general service smart robotic products and solutions in 4M2022 primarily due to the scrap of Cruzr series.

Our gross profit margin from our general service smart robotic products and solutions in 4M2023 was relatively stable at 54.2% compared to 50.5% in FY2022. The gross profit margin from walkers series and others decreased from 76.4% in FY2022 to 53.4% in 4M2023, primarily due to the decrease in gross profit margin of the Walker sold in 4M2023.

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*(iv) Consumer-level robots and other smart hardware devices*

The following table sets forth our gross profit and gross profit margin of our consumer-level robots and other smart hardware devices during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Gross profit/ (loss) margin		Gross profit/ (loss) margin		Gross profit/ (loss) margin		Gross profit/ (loss) margin		Gross profit/ (loss) margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(Unaudited)										
Consumer-level robots and other smart hardware devices										
— Consumer-level robots and other smart hardware devices	18,176	30.6	(14,399)	(22.0)	(1,076)	(0.8)	2,469	7.2	5,949	11.0
— Others <sup>(Note)</sup>	988	37.4	(3,470)	(156.3)	(1,879)	(343.4)	183	59.6	256	40.5
	<u>19,164</u>	<u>30.9</u>	<u>(17,869)</u>	<u>(26.4)</u>	<u>(2,955)</u>	<u>(2.2)</u>	<u>2,652</u>	<u>7.6</u>	<u>6,205</u>	<u>11.4</u>

*Note:* Others mainly represented the sales of accessories and purchased parts. The gross loss attained in FY2021 and FY2022 was primarily due to disposal of scrap accessories.

The consumer-level robots and other smart hardware devices attained relatively lower gross profit margin compared to other types of products and solutions, which was mainly because we sold products and hardware devices instead of providing solutions to our customers and there was downward-pricing pressure as many other similar or comparable products were offered by our competitors in the market.

Our gross profit decreased from FY2020 to a gross loss in FY2021 primarily due to the reduced prices we offered for certain products, such as, Alpha 1, Alpha 2 and Jimu series (non-education) to boost their sales in order to reduce the slow-moving inventories and the disposal of scrap. Our gross loss from consumer smart robotic products and solutions decreased in FY2022 primarily due to the increase in sales of sweeping robots, which attained a gross profit margin of over 20% in FY2022, partially offset by the gross loss attained by our Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory and disposal of scrap.

Our gross profit margin from our consumer-level robots and other smart hardware devices increased from 4M2022 to 4M2023, primarily due to the change in product mix because of the increase in sales of sweeping robots which attained a gross profit margin of 19.3% in 4M2023. The increase in gross profit margin was partially offset by the gross loss incurred from our Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory and the disposal of scrap.

## FINANCIAL INFORMATION

### Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee benefit expenses for sales staff, advertising and promotion expenses, marketing, conference and traveling expenses and depreciation of right-of-use assets and property, plant and equipment and amortization of intangible assets. The following table sets forth a breakdown of our selling and marketing expenses during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefit expenses . . . . .	180,434	57.6	226,291	63.3	235,932	65.4	86,271	75.5	84,510	65.8
Advertising and promotion . . . . .	78,705	25.1	63,435	17.7	50,784	14.1	11,457	10.0	17,104	13.3
Marketing, conference and traveling expenses . . . . .	23,775	7.6	33,921	9.5	31,950	8.8	5,859	5.1	9,109	7.1
Depreciation and amortization . . . . .	12,325	3.9	15,553	4.3	16,136	4.5	4,950	4.3	5,385	4.2
Others <sup>(Note)</sup> . . . . .	18,059	5.8	18,407	5.2	26,221	7.2	5,717	5.1	12,343	9.6
Total . . . . .	<u>313,298</u>	<u>100.0</u>	<u>357,607</u>	<u>100.0</u>	<u>361,023</u>	<u>100.0</u>	<u>114,254</u>	<u>100.0</u>	<u>128,451</u>	<u>100.0</u>

*Note:* Others mainly represented miscellaneous expenses, such as, outsourcing labor cost, office expenses and other non-essential support service expenses.

Selling and marketing expenses amounted to RMB313.3 million, RMB357.6 million, RMB361.0 million, RMB114.3 million and RMB128.5 million for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. As a percentage of total revenue, our selling and marketing expenses accounted for 42.3%, 43.8%, 35.8%, 111.4% and 97.5% during the respective years/periods.

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### General and Administrative Expenses

General and administrative expenses primarily comprised of employee benefit expenses for our administrative staff, depreciation for our right-of-use assets and property, plant and equipment and amortization of intangible assets, business development, conference and traveling expenses, office expenses, professional service fee mainly for fundraising activity attempted in the past and expenses for acquisition of a subsidiary. The following table sets forth a breakdown of our general and administrative expenses during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefit expenses . . . . .	144,186	68.0	224,496	68.9	233,379	58.6	92,355	80.6	123,625	82.7
Depreciation and amortization . . . . .	26,258	12.4	34,055	10.4	31,405	7.9	10,188	8.9	10,478	7.0
Business development, conference and traveling expenses . . . . .	11,057	5.2	9,547	2.9	10,793	2.7	1,935	1.7	4,012	2.7
Office expenses . . . . .	10,502	5.0	14,578	4.5	10,884	2.7	3,222	2.8	2,593	1.7
Professional service fees . . . . .	7,057	3.3	30,877	9.5	5,197	1.3	3,840	3.4	2,531	1.7
Expenses for acquisition of a subsidiary . . . . .	—	—	—	—	91,999	23.1	—	—	—	—
Others <sup>(Note)</sup> . . . . .	13,001	6.1	12,346	3.8	14,426	3.7	3,063	2.6	6,254	4.2
Total . . . . .	<u>212,061</u>	<u>100.0</u>	<u>325,899</u>	<u>100.0</u>	<u>398,083</u>	<u>100.0</u>	<u>114,603</u>	<u>100.0</u>	<u>149,493</u>	<u>100.0</u>

*Note:* Others mainly represented transportation expenses, maintenance expenses and other non-essential support service expenses.

General and administrative expenses amounted to RMB212.1 million, RMB325.9 million, RMB398.1 million, RMB114.6 million and RMB149.5 million for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. As a percentage of total revenue, our general and administrative expenses accounted for 28.6%, 39.9%, 39.5%, 111.8% and 113.5% during the respective years/periods.

Our professional service fees mainly represent fees paid to professional parties for fundraising activity attempted in the past. It was relatively higher in FY2021 mainly due to higher fees incurred during previous A-share [REDACTED] attempts, which included expenses for legal and accounting services and financial advisory service.

In FY2022, we had expenses for acquisition of a subsidiary of RMB92.0 million arising from the acquisition of Shanghai UBJ which represented the share-based payment expenses. In July 2022, our Company acquired additional 47.8% equity interest of Shanghai UBJ at a total consideration of RMB117.8 million which was satisfied by the issue and allotment of a total of 1,166,319 ordinary shares of the Company to the three Series B Investors. For details, see “History, Development and Corporate Structure — Material Acquisitions During the Period from January 1, 2020 to December 31, 2022” and note 36 of the Accountant’s Report contained in Appendix I to this Document.

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### R&D Expenses

R&D expenses primarily comprised of employee benefit expenses for our R&D staff, software tools and consumables mainly represented purchase of software and services, raw material and consumables used, depreciation for property, plant and equipment and amortization for intangible assets. The following table sets forth a breakdown of our R&D expenses during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefit expenses . . . . .	349,492	81.5	415,387	80.3	358,662	83.7	118,179	87.7	136,319	84.8
Software tools and consumables . . . . .	19,104	4.5	27,948	5.4	16,913	3.9	3,194	2.4	6,303	3.9
Raw material and consumables used . . . . .	18,951	4.4	23,056	4.5	18,867	4.4	3,206	2.4	6,723	4.2
Depreciation and amortization . . . . .	18,555	4.3	21,795	4.2	16,601	3.9	6,340	4.7	5,337	3.3
Others <sup>(Note)</sup> . . . . .	22,664	5.3	28,886	5.6	17,237	4.1	3,789	2.8	6,149	3.8
Total . . . . .	<u>428,766</u>	<u>100.0</u>	<u>517,072</u>	<u>100.0</u>	<u>428,280</u>	<u>100.0</u>	<u>134,708</u>	<u>100.0</u>	<u>160,831</u>	<u>100.0</u>

*Notes:* Others mainly represented intellectual property costs, outsourcing fee for personnel due to temporary demand from short-term projects, warehouse and short-term and low-value lease expenses, miscellaneous office expenses, traveling and entertainment expenses and other support service expenses.

R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB134.7 million and RMB160.8 million for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. As a percentage of total revenue, our R&D expenses accounted for 57.9%, 63.3%, 42.5%, 131.4% and 122.1% during the respective years/periods.

### Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets mainly represented the net loss allowance or reversal for expected credit losses on trade receivables, notes receivable, contract assets and other receivables. Our impairment losses on financial assets were RMB40.1 million, RMB7.4 million, RMB46.4 million, and RMB9.1 million and reversal of impairment losses on financial assets of RMB1.5 million in FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively. See “Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables” in this section for details.



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### Other Income and Expenses, Net

Other income and expenses, net mainly comprised of government grants which consisted of grants relating to income and grants relating to assets and value-added tax (“VAT”), other tax refunds and return of VAT refunded. Other income amounted to RMB85.7 million, RMB76.0 million, RMB9.5 million and RMB10.6 million in FY2020, FY2021, FY2022 and 4M2023, respectively. We had other expenses of RMB13.1 million in 4M2022. The following table sets forth a breakdown of our other income and expenses, net during the Track Record Period:

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants . . . . .	66,218	59,511	26,584	11,068	8,796
VAT and other tax refunds . . . . .	19,270	16,298	7,052	—	1,684
Return of VAT refunded . . .	—	—	(24,196)	(24,196)	—
Others <sup>(Note)</sup> . . . . .	232	204	27	1	135
Total . . . . .	<u>85,720</u>	<u>76,013</u>	<u>9,467</u>	<u>(13,127)</u>	<u>10,615</u>

*Note:* Others mainly represented compensation received.

The government grants relating to income mainly included (i) non-recurring government funding for patent of invention and several government-sponsored projects focusing on the research and development of technologies; (ii) government refunding for social security costs; and (iii) loans forgiveness which resulted from government subsidy that the local government will repay the loans on behalf of our Group during the period of COVID-19. Certain government grants relating to income were deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. See “Description of Certain Items of Consolidated Statements of Financial Position — Deferred Income” in this section for details.

The government grants relating to assets mainly included purchase of machinery, which were recognized as deferred income and credited to other income on a straight-line basis over the expected lives of the related assets.

VAT and other tax refunds represented refunds in relation to sales of software which were inserted. We recorded VAT and other tax refunds of RMB19.3 million, RMB16.3 million, RMB7.1 million and RMB1.7 million in FY2020, FY2021, FY2022 and 4M2023, respectively. From April 2022, pursuant to the “Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy” (Announcement No. 14 [2022] of the Ministry of Finance and the State Administration of Taxation) issued by the Ministry of Finance and the State Administration of Taxation in March 2022, we are entitled to apply for the refunds of VAT credit. As requested by relevant tax authorities stated in the notice, to apply for the refund of VAT credit, we had to return the VAT refunds of RMB24.2 million to relevant tax authorities during FY2022. For details, see “Laws and Regulations — Laws and Regulations Related to Taxation — Value-Added Tax” and Note 8 of the Accountant’s Report.

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### Other Losses and Gains, Net

Other losses and gains, net mainly comprised of net foreign exchange losses or gains, loss on deemed disposal of investment in a joint venture and loss on disposal of right-of-use assets. We had net other losses of RMB17.8 million, RMB6.6 million, RMB23.0 million and RMB13.5 million, in FY2020, FY2021, FY2022 in 4M2023, respectively, while we had other net gains of RMB9.4 million in 4M2022, respectively. The following table sets forth a breakdown of our other net gains or losses during the Track Record Period:

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Net foreign exchange losses/(gains) . . . . .	18,091	6,308	(22,835)	(8,572)	943
Loss on deemed disposal of investment in a joint venture . . . . .	—	—	28,131	—	—
Loss on disposal of right-of-use assets . . . . .	—	—	14,753	—	—
Loss on disposal of assets classified as held-for-sale <sup>(1)</sup> . . . . .	—	—	—	—	14,560
Others <sup>(2)</sup> . . . . .	(258)	247	2,965	(827)	(1,976)
	<u>17,833</u>	<u>6,555</u>	<u>23,014</u>	<u>(9,399)</u>	<u>13,527</u>

*Notes:*

- (1) Our loss on disposal of assets classified as held-for-sale represented the loss from a legal proceeding brought about by a construction company. See “Business — Legal Proceedings” for details.
- (2) Others mainly included net loss on disposals of property, plant and equipment and gains on early termination of leases.

Net foreign exchange losses/(gains) represent exchange differences arising from the settlement of monetary assets and liabilities and from translating monetary assets and liabilities at rates different from those at which they were translated on initial recognition during the years and periods. The fluctuations of net foreign exchange losses/(gains) during the Track Record Period were mainly due to the fluctuation of exchange rate between US dollars against RMB.

Loss on deemed disposal of investment in a joint venture represented the difference between the fair value and the carrying amount of the investment in Shanghai UBJ held before business combination. Before July 2022, our Group held 39.73% equity interest in Shanghai UBJ and accounted for Shanghai UBJ as an investment in a joint venture. In July 2022, our Group acquired additional 47.8% equity interest of Shanghai UBJ from other shareholders at a total consideration of RMB295.5 million. As a result, we obtained control over Shanghai UBJ. For details, see note 36 of the Accountant’s Report.

In June 2022, Kunming UBTECH entered into an agreement with an Independent Third Party, pursuant to which Kunming UBTECH conditionally agreed to transfer the land use right of this property (“Kunming Owned Property 2”) to the Independent Third Party for a consideration of RMB14.0 million. With a net book amount of RMB28.8 million, we recognized a disposal loss of right-of-use assets of RMB14.8 million with reference to the consideration. As at the Latest Practicable Date, one condition under the aforesaid agreement has yet to be fulfilled, namely, the condition that the Independent Third Party must have (i) commenced construction on and invested at least RMB50 million in the Kunming Owned Property 2, or (ii) obtained approval from the competent government department to handle the registration of the transfer of land use rights in advance. As advised by the PRC Legal Adviser, the Group still holds the land use right of the Kunming Owned Property 2 as Kunming UBTECH still holds the certificate of the Kunming Owned Property 2 as at the Latest Practicable Date.

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Notwithstanding the above, in light of the following factors:

- (1) the Kunming Municipal Government had issued a written approval for the proposed transfer of the land use right of the Kunming Owned Property 2 to an Independent Third Party subject to the conditions in sub-paragraph (3) below in August 2022;
- (2) the Independent Third Party had substantially possessed the right-of-use assets in relation to the land use right of Kunming Owned Property 2 since the issuance of the local government’s written approval, and had paid Kunming UBTECH RMB7 million (constituting half of the consideration of RMB14 million for the proposed transfer of the Kunming Owned Property 2) as at the Latest Practicable Date; and
- (3) the transfer of the land use right of the Kunming Owned Property 2 is subject to the Independent Third Party having (i) invested at least RMB50 million in the Kunming Owned Property 2 or (ii) obtained approval from the competent government department for the registration of the transfer of land use right of Kunming Owned Property 2 in advance despite not having invested at least RMB50 million in the Kunming Owned Property 2. Our Directors are of the view that there should not be any substantial obstacle to the Independent Third Party achieving the first condition,

our Group treated the land use right to the Kunming Owned Property 2 as having been disposed, as the Kunming Owned Property 2 had in substance been transferred.

The salient terms of the aforementioned agreement entered into between Kunming UBTECH and the Independent Third Party are as follows:

- Kunming Owned Property 2 is situated at Road No. 153, Wanxichong Community Neighborhood Committee Planning, Wujiaying Sub-district Office, Chenggong District, Kunming City with an area of 34,486.2 sq.m., the usage of Kunming Owned Property 2 is for industrial use;
- the consideration for Kunming Owned Property 2 is RMB14.0 million. The Independent Third Party shall pay (i) RMB2.1 million, representing 15% of the land transfer price, as a deposit after signing the agreement; (ii) RMB4.9 million, representing 35% of the land transfer fee, within 5 working days after obtaining the consent of the Natural Resources and Planning Bureau of Chenggong District. The rest of the land transfer payment shall be paid within 5 working days from the date when all the following conditions are met or exempted by the Independent Third Party in writing: (i) the Independent Third Party having obtained the “Certificate of Real Estate Ownership” of the target land where it was registered as the right holder; and (ii) Kunming UBTECH having provided the value-added tax invoice for the land transfer price of the respective period to the Independent Third Party;
- Kunming UBTECH shall cooperate with the Independent Third Party to handle the transfer registration of the land use right of Kunming Owned Property 2 within 5 working days from the date when the following conditions are met: (i) the Independent Third Party must have commenced construction on the Kunming Owned Property 2 and achieved an investment level of 25% (that is, at least RMB50 million) or obtained approval from the competent government department to handle the transfer registration of land use rights in advance; and (ii) a written notice has been sent by the Independent Third Party to Kunming UBTECH regarding the fulfillment of the aforementioned condition (i);
- this agreement can be terminated in advance by mutual agreement; and
- this agreement and the “Land Use Right Transfer Contract” will be terminated if the land transfer license from the relevant government department cannot be obtained within three months after the signing of this agreement.

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To the best of our knowledge, the Independent Third Party, a company which engaged in investment activities with self-owned funds, venture capital (limited to investment in unlisted companies), and enterprise credit management consulting services, does not have any other past or present relationships (including business, employment, family, trust, financing or otherwise) with our Company or our subsidiaries, their directors/supervisors, shareholders or senior management, or any of their respective associates. In 2022, we were developing the Kunming Owned Property 1, and the use of the Kunming Owned Property 2 had not yet been planned. According to the relevant laws, if we fail to start construction on Kunming Owned Property 2 two years after obtaining its land use right, the Kunming Municipal Government has the right to take back the land use right without consideration. Considering that we have no immediate demand for Kunming Owned Property 2 and do not want to bear additional development costs, the management decided to enter into the transfer arrangement with the Independent Third Party, and the land transfer was approved by the Kunming Municipal Government. The consideration of the disposal of Kunming Owned Property 2 is determined by mutual agreement after negotiations between Kunming UBTECH and the Independent Third Party. Subsequent to the entering into of the aforementioned agreement, the construction on the Kunming Owned Property 2 had been commenced by the Independent Third Party in May 2023, and therefore, as advised by our PRC Legal Adviser, we are no longer subject to the risk of withdrawal of land use right in respect of the Kunming Owned Property 2, which was the potential administrative penalty as a result of the Kunming Owned Property 2 being idle land.

### Finance Costs, net

Our net finance costs primarily consist of the interest income arising from bank deposits, interest expenses on our bank borrowings and lease liabilities. The following table sets forth a breakdown of our net finance costs during the Track Record Period:

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Interest income:					
— Interest income from bank deposits . . . . .	(12,715)	(12,703)	(3,628)	(1,454)	(712)
Finance costs					
— Interest expenses on lease liabilities . . . . .	3,969	4,245	3,185	1,079	813
— Interest expenses on bank borrowings . . . . .	49,853	29,811	38,688	14,017	15,250
Others <sup>(1)</sup> . . . . .	(4,718)	(1,667)	2,299	1,982	5
	49,104	32,389	44,172	17,078	16,068
Less: amount capitalized <sup>(2)</sup> . . . . .	—	(1,834)	(17,438)	(4,870)	(5,369)
	<u>36,389</u>	<u>17,852</u>	<u>23,106</u>	<u>10,754</u>	<u>9,987</u>

*Notes:*

- (1) Others mainly represented net exchange (gains)/losses on borrowings denominated in foreign currency and interest expenses on advances from ultimate controlling shareholder.
- (2) Amount capitalized represented the interest expenses in relation to the borrowings for the construction in progress of our headquarters in Shenzhen, which will be classified as our non-current assets upon completion.

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### Share of Results of Investments Accounted for Using the Equity Method

Share of results of investments in investment accounted for using the equity method mainly consisted of our share of profits from our joint venture and certain associates. We shared results of Shanghai UBJ in FY2020, FY2021 and the six months from 1 January 2022 to 30 June 2022, before it was accounted for as our subsidiary pursuant to the addition acquisition of its shares in July 2022. We had share of losses of RMB43.5 million, share of losses of RMB0.6 million and share of profits of RMB5.5 million in FY2020, FY2021 and FY2022, respectively. We recorded share of profits of RMB2.9 million and nil in 4M2022 and 4M2023, respectively.

### Income Tax Expense

Our current income tax primarily comprises PRC enterprise income tax expenses charged to our Company and our PRC subsidiaries.

In FY2020, FY2021, FY2022, 4M2022 and 4M2023, we recorded income tax expenses of RMB31.5 million, RMB16.6 million, RMB16.5 million, RMB0.4 million and RMB0.9 million, respectively. We recognized income tax expenses despite having loss before taxation mainly due to (i) tax losses and temporary differences not recognized as deferred tax assets; and (ii) expenses not deductible for tax purposes. During the Track Record Period, deferred tax assets were not recognized for the tax losses and temporary differences because our Group currently is continuously loss-making and there is no sufficient taxable temporary difference nor any convincing evidence that our Group will attain sufficient taxable profit to utilize those temporary differences and losses of our Group.

The expenses which were not deductible for tax purpose mainly represented the tax impact of expenses which were not deducted in accordance with the relevant regulations of the PRC. The different tax rates were mainly due to that (i) our Company and certain subsidiaries were subject to a preferential CIT rate of 15% or 12.5% during the Track Record Period; and (ii) the subsidiaries incorporated in Hong Kong and United States were subject different income tax rates, while the general CIT rate of 25% in China. The temporary differences which were not recognized and the utilization of temporary differences which not previously recognized mainly represented the timing differences between expenses accrual and payments.

Our Company and certain subsidiaries have been granted or in the process of application for the qualification as “High and New Technology Enterprise”, “Encouraged Software Enterprise” or “Catalogue of Encouraged Industries in the Western Region”. Based on the management’s assessment, it is highly probable that these companies would meet the requirements for the qualification. As a result, these companies were subject to a preferential CIT rate of 15% or 12.5% during the Track Record Period.

Save as aforesaid, other major subsidiaries were subject to CIT at a rate of 25%, which is the normal CIT rate in the PRC.

## REVIEW OF HISTORICAL RESULTS OF OPERATION

### 4M2023 compared to 4M2022

#### *Revenue*

Our revenue increased by RMB29.3 million, representing an increase of 28.5%, from RMB102.5 million for 4M2022 to RMB131.8 million for 4M2023. The increase was primarily due to the increase in revenue from consumer-level robots and other smart hardware devices of RMB19.8 million, other sector-tailored smart robotic products and solutions of RMB11.9 million and partially offset by the decrease in revenue from education smart robotic products and solutions of RMB2.3 million.

#### *Education smart robotic products and solutions*

Our revenue from education smart robotic products and solutions decreased from RMB57.9 million for 4M2022 to RMB55.6 million for 4M2023 primarily due to the decrease in the (i) sales of education hardware products and solutions, and software of RMB12.1 million; and (ii) ancillary services of RMB9.0 million. The decrease was partially offset by the increase in revenue from others of RMB18.7 million.



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Our sales of education hardware products and solutions, and software decreased by RMB12.1 million in 4M2023, primarily due to the decrease in revenue from sales of (i) uKit and Jimu (education) Series of RMB10.0 million because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors. As a result, it led to the decrease in average selling price of uKit and Jimu (education) Series from RMB2,770 per unit in 4M2022 to RMB660 per unit in 4M2023 and the increase in sales volume of our uKit and Jimu (education) Series as a percentage to our total sales volume of education hardware products and solutions, and software from 85.2% in 4M2022 to 93.7% in 4M2023. As such, our sales volume of education hardware products and solutions, and software increased from 6,570 units in 4M2022 to 9,000 units in 4M2023 and the average selling price of education hardware products and solutions, and software decreased from RMB3,370 per unit in 4M2022 to RMB1,120 per unit in 4M2023.

Our revenue from sales of others increased by RMB18.7 million primarily due to the sales of (i) a tailor-made solution for AI education for Customer H, a customer in Liuzhou, of RMB16.4 million, including certain programming notebooks and compilers; and (ii) a tailor-made solution for AI education for Customer I, a customer in Sichuan, of RMB5.0 million.

Our revenue from ancillary services decreased from RMB30.4 million in 4M2022 to RMB21.4 million in 4M2023, primarily due to the decrease in number of projects which contributed to our revenue, from 16 projects in 4M2022 to 10 projects in 4M2023.

### *Logistics smart robotic products and solutions*

Our revenue from logistics smart robotic products and solutions increased from RMB0.9 million for 4M2022 to RMB4.4 million in 4M2023, primarily due to the increase in revenue-generating projects from four in 4M2022 to 15 in 4M2023.

### *Other sector-tailored smart robotic products and solutions*

Our revenue from other sector-tailored smart robotic products and solutions increased from RMB4.4 million for 4M2022 to RMB16.4 million for 4M2023 primarily due to the sales of a tailor-made wellness and elderly products and solution for a customer in Shenzhen of RMB6.2 million, which include smart wellness and elderly robotic products, such as smart walking assistance robot and smart wheelchair robot which were of higher average selling price, tailor-made software platform and related services.

Our Walker series and others increased from RMB0.3 million in 4M2022 to RMB5.5 million in 4M2023, primarily due to (i) the sales of a Walker 2 in 4M2023; and (ii) increase in sales of others of RMB3.0 million mainly resulting from provision of ancillary services to our customers following the sales Walker series robots.

### *Consumer-level robots and other smart hardware devices*

Our revenue from consumer-level robots and other smart hardware devices increased from RMB34.7 million for 4M2022 to RMB54.5 million for 4M2023 primarily due to the increase in sales volume from 41,610 units sold in 4M2022 to 88,800 units sold in 4M2023. The increase was mainly due to (i) the increase in sales volume of our sweeping robots by 9,390 units, which contributed increase in revenue of RMB7.7 million; (ii) humidifiers, air purifiers and AiRROBO cat litter box, which were launched in FY2022 and led to an increase in sales volume of over 28,000 units and contributed an increase in revenue of RMB13.3 million in 4M2023; and (iii) the increase in sales volume of our Alpha mini (non-education) by 22,430 units because we adjusted the selling price to our humanoid Alpha Mini (non-education) products downward to boost their sales in order to reduce the slow-moving inventories in 4M2023. Our average selling price of consumer-level robots and other smart hardware devices decreased from RMB830 per unit in 4M2022 to RMB610 per unit in 4M2023, primarily due to the increase in sales volume of our humanoid Alpha Mini (non-education) products which accounted for around 30% of our sales volume of consumer-level robots and other smart hardware devices in 4M2023 (compared to around 10% of our sales volume in 4M2022) and entailed a relatively lower average selling price at RMB400 per unit in 4M2023 as we adjusted the selling price further downward to boost its sales in order to deal with the slow-moving inventory.

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### *Cost of sales*

Our cost of sales decreased by RMB27.7 million, representing a decrease of 21.4%, from RMB129.4 million for 4M2022 to RMB101.7 million for 4M2023. The decrease was mainly due to the (i) net write-down of inventories of RMB47.8 million in 4M2022, mainly arising from the price adjustment made for humanoid Alpha Mini (non-education) in 4M2022; and (ii) decrease in subcontracting fee of RMB22.7 million mainly due to the impact of consolidation of Shanghai UBJ after its acquisition in July 2022, which provides subcontracting services to us in relation to our education smart robotic products and solutions. Our decrease in cost of sales was partially offset by the increase in the (i) raw materials and consumable goods used of RMB10.6 million in 4M2023 due to the increase in total sales volume in 4M2023 compared to that in 4M2022; and (ii) direct labour costs and overheads expenses of RMB15.6 million and RMB11.8 million, respectively, due to the increased number of headcounts and overhead expenses in newly launched production lines in Liuzhou, Shijiazhuang and Jiujiang.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross loss of RMB26.9 million in 4M2022 turned to a gross profit of RMB30.1 million in 4M2023, primarily due to the decrease in net write-down of inventories of RMB45.9 million in 4M2023, which was mainly arising from our Alpha Mini (non-education) in 4M2022 as mentioned previously. Our gross profit margin before net write-down of inventories increased from 20.4% in 4M2022 to 24.3% in 4M2023, primarily due to the increase in gross profit margin from all products and solutions segments.

### *Education smart robotic products and solutions*

Our gross profit from education smart robotic products and solutions remained relatively stable at RMB17.4 million for 4M2022 and RMB17.2 million for 4M2023 and our gross profit margin remained relatively stable at 30.0% in 4M2022 and 30.9% in 4M2023. Our education hardware products and solutions, and software had a gross profit margin of 50.6% in 4M2022 and a gross loss in 4M2023. Such change was mainly due to the decrease in average selling price of our uKit and Jimu (education) Series because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors. Our gross profit margin from others increased from 3.6% in 4M2022 to 23.4% in 4M2023, primarily due to the relatively higher gross profit margin attained by the sales of a tailor-made solution for AI education to a customer in Sichuan, of RMB5.0 million which had a gross profit margin of 37.0% in 4M2023. Our gross profit margin from ancillary services increased from 19.7% in 4M2022 to 66.6% in 4M2023, mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

### *Logistics smart robotic products and solutions*

Our gross profit from provision of logistics smart robotic products and solutions increased from RMB84,000 for 4M2022 to RMB0.7 million for 4M2023 mainly due to the relatively higher gross profit of over 40% from each of the two projects completed in 4M2023 which contributed revenue of RMB1.3 million. Consequently, our gross profit margin from logistics smart robotic products and solutions increased from 9.0% in 4M2022 to 16.6% in 4M2023.

### *Other sector-tailored smart robotic products and solutions*

Our gross loss from provision of other sector-tailored smart robotic products and solutions of RMB1.1 million for 4M2022 turned to a gross profit of RMB8.8 million for 4M2023. We had a gross loss for our general service smart robotic products and solutions in 4M2022 primarily due to the scrap of Cruzr series.

Our gross profit margin from our general service smart robotic products and solutions in 4M2023 was relatively stable at 54.2% compared to 50.5% in FY2022. The gross profit margin from walkers series and others decreased from 76.4% in FY2022 to 53.4% in 4M2023, primarily due to the decrease in gross profit margin of the Walker sold in 4M2023.



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### *Consumer-level robots and other smart hardware devices*

Our gross profit from consumer-level robots and other smart hardware devices increased from RMB2.7 million for 4M2022 to RMB6.2 million for 4M2023. The increase was primarily due to the change in product mix because of the increase in sales of sweeping robots, which attained a gross profit margin of 19.3% in 4M2023, and was partially offset by the gross loss incurred from our Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory and the disposal of scrap. Consequently, the gross profit margin from consumer-level robots and other smart hardware devices increased from 7.6% for 4M2022 to 11.4% for 4M2023.

### *Selling and marketing expenses*

Selling and marketing expenses increased by RMB14.2 million, representing an increase of 12.4%, from RMB114.3 million for 4M2022 to RMB128.5 million for 4M2023. The increase was primarily due to the increase in (i) advertising and promotion expenses of RMB5.6 million for our online e-commerce platforms; (ii) travelling and entertainment expenses of RMB3.3 million resulting from more business trips arranged in 4M2023 when the pandemic started to subside; and (iii) others of RMB6.6 million mainly resulting from the increase in commission expenses of RMB3.4 million which was paid to our online e-commerce platforms resulting from the increase in sales through them.

### *General and administrative expenses*

General and administrative expenses increased by RMB34.9 million, representing an increase of 30.4%, from RMB114.6 million for 4M2022 to RMB149.5 million for 4M2023. The increase was primarily due to the increase in employee benefit expenses of RMB31.3 million mainly resulting from the increase in share-based compensation of RMB23.2 million and discretionary bonus of RMB13.6 million.

### *R&D expenses*

R&D expenses increased by RMB26.1 million, representing an increase of 19.4%, from RMB134.7 million for 4M2022 to RMB160.8 million for 4M2023. The increase was primarily due to the increase in (i) employee benefit expenses of RMB18.1 million mainly resulting from the increase in share-based compensation of RMB32.1 million partially offset by the decrease in salaries resulting from the decrease in headcounts; and (ii) software tools and consumables of RMB3.1 million and raw material and consumables used of RMB3.5 million mainly due to a higher consumption of software and raw materials for certain of our R&D projects.

### *Net impairment losses on financial assets*

We had net impairment losses on financial assets of RMB9.1 million for 4M2022 and reversal of impairment losses on financial assets of RMB1.5 million for 4M2023 mainly due to the decrease in trade receivables balance as of April 30, 2023. Please see “Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables” for details.

### *Other income and expenses, net*

We had net other expenses of RMB13.1 million for 4M2022 and a net other income of RMB10.6 million for 4M2023. Such change was mainly due to (i) the return of VAT and other tax returns of RMB24.2 million in 4M2022 which was non-recurring; and (ii) the decrease in government grants of RMB2.3 million primarily resulting from the cancelation of a research and industrialization project due to the impact of COVID-19 and the change of market demands. For details, see “Description of Selected Items in Consolidated Income Statements — Other Income and Expenses, Net” in this section.

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### *Other losses and gains, net*

We had net other gains of RMB9.4 million for 4M2022 and net other losses of RMB13.5 million for 4M2023. We had net other gains of RMB9.4 million for 4M2022, primarily due to the net foreign exchange gains of RMB8.6 million arising from the appreciation of USD against RMB during 4M2022. The net other losses in 4M2023 was primarily due to the loss on disposal of assets classified as held-for-sale of RMB14.6 million. See “Business — Legal Proceedings” for details.

### *Finance cost, net*

Our net finance cost remained relatively stable at RMB10.8 million and RMB10.0 million for 4M2022 and 4M2023, respectively.

### *Share of results of investments accounted for using the equity method*

Our share of losses from investments accounted for using the equity method decreased from RMB2.9 million for 4M2022 to nil for 4M2023 mainly due to decrease in share of profits from investments accounted for using the equity method as we ceased to share profits from Shanghai UBJ in July 2022 because it became our subsidiary since its acquisition.

### *Income tax expense*

Our income tax expense remained relatively low at RMB0.4 million for 4M2022 to RMB0.9 million for 4M2023.

### *Loss for the period*

As a result of the foregoing, we had loss for the period of RMB411.6 million and RMB421.0 million in 4M2022 and 4M2023, respectively.

## **FY2022 compared to FY2021**

### *Revenue*

Our revenue increased by RMB191.0 million, representing an increase of 23.4%, from RMB817.2 million for FY2021 to RMB1,008.3 million for FY2022. The increase was primarily due to the increase in revenue from education smart robotic products and solutions of RMB54.8 million, logistics smart robotic products and solutions of RMB72.7 million and consumer-level robots and other smart hardware devices of RMB64.7 million partially offset by the decrease in revenue from other sector-tailored smart robotic products and solutions of RMB7.8 million.

### *Education smart robotic products and solutions*

Our revenue from education smart robotic products and solutions increased from RMB461.8 million for FY2021 to RMB516.7 million for FY2022 primarily due to the increase in (i) sales of education hardware products and solutions, and software, of RMB25.2 million; and (ii) others of RMB43.6 million. The increase was partially offset by the decrease in revenue from ancillary services of RMB13.9 million.

Our sales of education hardware products and solutions, and software, increased by RMB25.2 million in FY2022, mainly because we sold more products with more functions and value-added solutions which entailed higher average selling price in FY2022. For instance, we sold over 10,000 units of certain products among the uKit and Jimu (education) Series and over 1,300 units of upgraded humanoid Yanshee, which contributed increase in revenue of RMB81.5 million and RMB23.8 million in FY2022, respectively. As such, the average selling price of education hardware products and solutions, and software increased from RMB3,740 per unit in FY2021 to RMB4,700 per unit in FY2022.

Our revenue from sales of others increased by RMB43.6 million primarily due to sales of a tailor-made solution for simulating production line for vocational education purpose to Customer F of RMB27.0 million in FY2022.

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Our revenue from ancillary services decreased from RMB111.4 million in FY2021 to RMB97.5 million in FY2022, primarily due to the decrease in projects which contributed to our revenue, from 22 projects in FY2021 to 18 projects in FY2022.

### *Logistics smart robotic products and solutions*

Our revenue from logistics smart robotic products and solutions increased from RMB190.8 million for FY2021 to RMB263.4 million in FY2022, primarily due to the completion of certain projects of higher revenue during the year for a sizeable end-user in automobile industry despite the decrease in number of projects completed, from 43 projects in FY2021 to 22 projects in FY2022. The projects for this end-user are generally of higher value but lower gross profit margin in order for us to retain such end-user.

### *Other sector-tailored smart robotic products and solutions*

Our revenue from other sector-tailored smart robotic products and solutions decreased from RMB90.2 million for FY2021 to RMB82.4 million for FY2022 primarily due to decrease in average selling price from RMB135,390 per unit in FY2021 to RMB29,220 per unit in FY2022. Such decrease was mainly due to the change of revenue mix because more than 70% of our sales volume of general service smart robotic products and services in FY2022 was contributed by sales of first edition of Cruzr robots (compared to less than 10% of our sales volume of general service smart robotic products and services in FY2021), which entailed a relatively lower average selling price of RMB8,060 per unit in FY2022 as we adjusted the selling price downward to boost its sales in order to deal with the slow-moving inventory.

The sales volume of other sector-tailored smart robotic products and solutions increased from 572 units in FY2021 to 1,046 units in FY2022, primarily due to the increase in sales of first edition of Cruzr robots of 662 units in FY2022, to a customer at lower selling price to reduce slow-moving inventories.

### *Consumer-level robots and other smart hardware devices*

Our revenue from consumer-level robots and other smart hardware devices increased from RMB67.8 million for FY2021 to RMB132.4 million for FY2022 primarily due to the increase in sales volume from 98,820 units sold in FY2021 to 206,470 units sold in FY2022. The increase was mainly due to (i) the increase in sales volume of our sweeping robots by 61,970 units, which contributed increase in revenue of RMB60.8 million; and (ii) the launch of four new products in FY2022, such as, humidifiers, air purifiers, AiRROBO cat litter box and sensory drum kit, which led to further increase in sales volume of 41,450 units and contributed revenue of RMB17.5 million in FY2022. Our average selling price of consumer-level robots and other smart hardware devices remained relatively stable at RMB664 per unit in FY2021 and RMB639 per unit in FY2022.

### *Cost of sales*

Our cost of sales increased by RMB153.0 million, representing an increase of 27.3%, from RMB561.3 million for FY2021 to RMB714.2 million for FY2022. The increase was mainly due to the increase in (i) raw materials and consumable goods used of RMB107.6 million in FY2022 due to the increase in total sales volume; and (ii) net write-down of inventories of RMB69.4 million in FY2022, mainly arising from the decrease in NRV of a batch of humanoid Alpha Mini (non-education), resulting from expected sales as we adjusted the selling price downward to boost its sales in order to reduce the slow-moving. Our increase in cost of sales was partially offset by the decrease in subcontracting fee of RMB42.0 million mainly due to the impact of consolidation of Shanghai UBJ after its acquisition in July 2022, which provides subcontracting services to us in relation to our education smart robotic products and solutions.

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### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by RMB38.1 million, representing an increase of 14.9%, from RMB256.0 million for FY2021 to RMB294.0 million for FY2022. Our gross profit margin decreased from 31.3% for FY2021 to 29.2% for FY2022, which was mainly due to increase in net write-down of inventories. Our gross profit margin (before the net write-down of inventories) increased from 31.5% in FY2021 to 36.2% in FY2022 mainly due to the increase in gross profit margin in education smart robotic products and solutions, other sector-tailored smart robotic products and solutions and consumer-level robots and other smart hardware devices and partially offset by the decrease in gross profit margin from logistics smart robotic products and solutions.

### *Education smart robotic products and solutions*

Our gross profit from education smart robotic products and solutions increased from RMB207.0 million for FY2021 to RMB290.1 million for FY2022. Such increase was in line with the increase in our revenue. The gross profit margin from sales of education smart robotic products and solutions increased from 44.8% in FY2021 to 56.1% in FY2022, primarily due to the increase in gross profit margin from (i) others from 27.9% in FY2021 to 50.8% in FY2022, primarily attributable to the sales of tailor-made solution for simulating production line for vocational education to Customer F of RMB27.0 million in FY2022, which entailed a relatively higher gross profit margin of over 80% in FY2022; and (ii) ancillary services mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

### *Logistics smart robotic products and solutions*

Our gross profit from provision of logistics smart robotic products and solutions decreased from RMB26.9 million for FY2021 to RMB20.8 million for FY2022 mainly due to (i) the relatively lower gross profit margin of under 2.0% for three contracts with aggregate revenue recognised of RMB58.3 million, which represented projects for an end-user principally engaged in the automobile industry, in order to retain such end-user; and (ii) higher raw material costs incurred in the installation and testing works. Thus, the gross profit margin decreased from 14.1% in FY2021 to 7.9% in FY2022.

### *Other sector-tailored smart robotic products and solutions*

Our gross profit from provision of other sector-tailored smart robotic products and solutions increased from RMB40.4 million for FY2021 to RMB55.0 million for FY2022 primarily due to the increase in the revenue contribution from sales of Walker series of RMB39.9 million which attained relatively higher gross profit margin than sales of other accessories. Thus, the gross profit margin of Walker series and others increased from 35.2% in FY2021 to 76.4% in FY2022. In FY2021 and FY2022, the revenue from Walker series accounted for an increasing proportion of Walker series and others from 69.1% in FY2021 to 94.0% in FY2022.

Our gross profit margin from general service smart robotic products and services remained relatively stable at 46.3% for FY2021 and 50.5% for FY2022.

### *Consumer-level robots and other smart hardware devices*

Our gross loss from consumer-level robots and other smart hardware devices decreased from RMB17.9 million in FY2021 to RMB3.0 million in FY2022. The decrease in gross loss attained in FY2022 was primarily due to the increase in revenue contribution from sweeping robots of RMB60.8 million which attained a gross profit margin of over 20% in FY2022.

### *Selling and marketing expenses*

Selling and marketing expenses remained relatively stable at RMB357.6 million for FY2021 and RMB361.0 million for FY2022.

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### *General and administrative expenses*

General and administrative expenses increased by RMB72.2 million, representing an increase of 22.1%, from RMB325.9 million for FY2021 to RMB398.1 million for FY2022. The increase was primarily due to the expense for acquisition of Shanghai UBJ of RMB92.0 million, partially offset by the decrease in the professional service fees of RMB25.7 million resulting from the relatively higher professional service fees incurred in FY2021 in relation to a fundraising activity in the past.

### *R&D expenses*

R&D expenses decreased by RMB88.8 million, representing a decrease of 17.2%, from RMB517.1 million for FY2021 to RMB428.3 million for FY2022. The decrease was primarily due to the decrease in (i) employee benefit expenses of RMB56.7 million resulting from decrease in headcounts; (ii) software tools and consumables of RMB11.0 million mainly due to less software was consumed in FY2022 resulting from the decrease in R&D projects from 136 projects in FY2021 to 65 projects in FY2022; and (iii) depreciation and amortization of RMB5.2 million because some of our R&D equipment was fully depreciated in FY2021.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets increased from RMB7.4 million for FY2021 to RMB46.4 million for FY2022 mainly in relation to trade receivables in connection with certain our customers whose trade receivable were long over-due, which we believe was mainly due to their financial difficulties. Please see “Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables” for details.

### *Other income and expenses, net*

Our net other income decreased from RMB76.0 million for FY2021 to RMB9.5 million for FY2022 which was mainly due to (i) decrease in government grants of RMB32.9 million primarily resulting from cancelation of a research and industrialization project in FY2022 due to the impact of COVID-19 and the change of market demands; and (ii) the return of VAT and other tax returns of RMB24.2 million which was non-recurring. For details, see “Description of Selected Items in Consolidated Income Statements – Other Income and Expenses, Net”.

### *Other losses and gains, net*

We had net other losses increased from RMB6.6 million for FY2021 to RMB23.0 million for FY2022 primarily due to (i) loss on deemed disposal of RMB28.1 million in relation to our acquisition of Shanghai UBJ; and (ii) the loss on disposal of right-of-use assets of RMB14.8 million in relation to our land use right in Kunming. The net other losses was partially offset by the net foreign exchange gains of RMB22.8 million mainly due to the appreciation of USD against RMB.

### *Finance cost, net*

Net finance cost increased by RMB5.2 million from RMB17.9 million for FY2021 to RMB23.1 million for FY2022. The increase was mainly due to the increase in interest expenses on bank borrowings of RMB8.9 million resulting from increase in average bank borrowing balances, partially offset by the increase in amount capitalised of RMB15.6 million mainly for the headquarters in Shenzhen.

### *Share of results of investments accounted for using the equity method*

We had share of losses from investments accounted for using the equity method of RMB0.6 million for FY2021 and share of profits of RMB5.5 million for FY2022 mainly due to (i) decrease in share of losses from certain associates because the investment of these associates has become nil due to share of losses in previous year; and (ii) decrease in share of profits from investments accounted for using the equity method as we ceased to share profits from Shanghai UBJ in July 2022 because it became our subsidiary since its acquisition.

### *Income tax expense*

Income tax expense remained relatively stable at RMB16.6 million for FY2021 and RMB16.5 million for FY2022.



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### *Loss for the period*

As a result of the foregoing, we had loss for the period of RMB917.5 million and RMB987.4 million in FY2021 and FY2022, respectively.

### **FY2021 compared to FY2020**

#### *Revenue*

Our revenue increased by RMB77.0 million, representing an increase of 10.4%, from RMB740.2 million for FY2020 to RMB817.2 million for FY2021. The increase was primarily due to the increase in revenue from (i) logistics smart robotic products and solutions of RMB178.1 million; and (ii) other sector-tailored smart robotic products and solutions of RMB51.6 million, partially offset by the decrease in revenue from education smart robotic products and solutions of RMB150.4 million.

#### *Education smart robotic products and solutions*

Our revenue from education smart robotic products and solutions decreased from RMB612.2 million for FY2020 to RMB461.8 million for FY2021 primarily due to the decrease in sales volume of education hardware products and solutions, and software from 128,150 units sold in FY2020 to 68,090 units sold in FY2021. Such decrease in sales volume was mainly due to (i) a large sales order to Customer A for promoting the use of STEAM products in schools in Xiamen of over 54,000 units in FY2020, which did not recur in FY2021; and (ii) decrease in demand of schools in certain provinces in China due to force majeure events such as the pandemic in FY2021. Despite the decrease in sales volume, the average selling price increased from RMB3,150 per unit in FY2020 to RMB3,740 per unit in FY2021, primarily due to the differences in product mix because (i) we included more functions and value-added solutions into our uKit and Jimu (education) Series and humanoid Yanshee which led to the increase in average selling price (a) of uKit and Jimu (education) Series from RMB2,610 per unit in FY2020 to RMB3,100 per unit in FY2021 and (b) of humanoid Yanshee from RMB11,790 per unit in FY2020 to RMB13,680 per unit in FY2021; and (ii) of the upgraded version of products which entailed a relatively higher selling price, such as, the high school education edition for our Cruzr robots, academic edition, of average selling price RMB108,280 per unit in FY2021.

Our revenue from ancillary services remained relatively stable at RMB105.0 million in FY2020 and RMB111.4 million in FY2021. We had 11 and 22 projects which contributed to our revenue in FY2020 and FY2021, respectively.

#### *Logistics smart robotic products and solutions*

Our revenue from logistics smart robotic products and solutions increased from RMB12.7 million for FY2020 to RMB190.8 million for FY2021 since we commenced such business in late FY2020. The increase in revenue was driven by the increase in number of projects completed from two in FY2020 to 43 in FY2021 and the higher contract value of the projects completed in FY2021.

#### *Other sector-tailored smart robotic products and solutions*

Our revenue from other sector-tailored smart robotic products and solutions increased from RMB38.6 million for FY2020 to RMB90.2 million for FY2021 primarily due to the increase in both sales volume and average selling price. The sales volume increased from 420 units in FY2020 to 572 units in FY2021, primarily due to sales of our newly launched products with features designed to assist our customers to implement anti-pandemic measures amidst the outbreak of COVID-19. The average selling price of general service smart robotic products and solutions increased from RMB86,420 per unit in FY2020 to RMB135,390 per unit in FY2021 primarily due to the introduction of ADIBOT, anti-pandemic model of AIMBOT and anti-pandemic model of Cruzr with additional functionalities, including body temperature measurement and QR code scanning and disinfection. Moreover, we generated revenue from our Walker Series of RMB8.8 million in FY2021.

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### *Consumer-level robots and other smart hardware devices*

Our revenue from consumer-level robots and other smart hardware devices increased from RMB62.0 million for FY2020 to RMB67.8 million for FY2021 primarily due to the increase in sales volume from 63,150 units sold in FY2020 to 98,820 units sold in FY2021. Such increase in sales volume was attributable to the new products launched in FY2021, such as, sweeping robots, which accounted for 18.1% of the total sales volume of consumer-level robots and other smart hardware devices in FY2021.

The increase in sales volume was partially offset by the decrease in average selling price from RMB940 per unit in FY2020 to RMB664 per unit in FY2021, primarily due to the change in product mix as certain new products, such as sweeping robots, which entailed a relatively lower selling price compared to the Alpha series products of RMB1,010 per unit in FY2021.

### *Cost of sales*

Our cost of sales increased by RMB151.8 million, representing an increase of 37.1%, from RMB409.5 million for FY2020 to RMB561.3 million for FY2021. The increase was primarily due to increase in (i) raw material and consumables used of RMB133.9 million mainly for the raw material costs for our logistics smart robotic products and solutions which was generally in line with the increase in number of projects and their respective revenue; and (ii) subcontracting fee of RMB25.5 million mainly for our education smart robotic products because we procured more services, such as, education and training services in FY2021.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit decreased by RMB74.7 million, representing a decrease of 22.6%, from RMB330.7 million for FY2020 to RMB256.0 million for FY2021. Our gross profit margin decreased from 44.7% for FY2020 to 31.3% for FY2021, which was mainly due to the (i) decrease in gross profit margin from education smart robotic products and solutions; and (ii) increase in revenue contribution from logistics smart robotic products and solutions which attained relatively lower gross profit margin in FY2021.

### *Education smart robotic products and solutions*

Our gross profit from education smart robotic products and solutions decreased from RMB309.9 million for FY2020 to RMB207.0 million for FY2021 primarily due to the decrease in its revenue. The gross profit margin from education smart robotic products and solutions decreased from 50.6% for FY2020 to 44.8% for FY2021, primarily due to (i) the relatively higher gross profit margin attained from a large sales order to Customer A for promoting the use of STEAM products in schools in Xiamen in FY2020 and did not recur in FY2021, which accounted for 40.7% of our total revenue from education smart robotic products and solutions in FY2020 with gross profit margin of 69.5% for education hardware products and solutions, and software; and (ii) increase in average cost per unit in FY2021 resulting from the decrease in sales volume of humanoid Yanshee. The gross profit margin of ancillary services decreased from 29.1% in FY2020 to 19.8% in FY2021, mainly due to the increase in number of projects that included education training which attained a relatively lower gross profit margin in FY2021.

### *Logistics smart robotic products and solutions*

Our gross profit from logistics smart robotic products and solutions increased from RMB1.9 million for FY2020 to RMB26.9 million for FY2021 primarily due to the increase in its revenue. The gross profit margin remained relatively stable at 14.9% in FY2020 and 14.1% in FY2021.

### *Other sector-tailored smart robotic products and solutions*

Our gross profit from other sector-tailored smart robotic products and solutions increased from RMB17.7 million for FY2020 to RMB40.4 million for FY2021 primarily due to the increase in its revenue. The gross profit margin remained relatively stable at 45.9% in FY2020 and 44.7% in FY2021.



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### *Consumer-level robots and other smart hardware devices*

Our gross profit from provision of consumer-level robots and other smart hardware devices decreased from RMB19.2 million for FY2020 to a gross loss of RMB17.9 million for FY2021 primarily due to the reduced selling prices for certain products, such as, Alpha 1, Alpha 2 and Jimu series (non-education) to boost their sales in order to reduce slow-moving inventories, and the disposal of scrap.

### *Selling and marketing expenses*

Selling and marketing expenses increased by RMB44.3 million, representing an increase of 14.1%, from RMB313.3 million for FY2020 to RMB357.6 million for FY2021. The increase was primarily due to (i) the increase in employee benefits expenses for our sales staff of RMB45.9 million resulting from (a) the increase in share-based compensation; (b) increase in headcounts of 113 staff from December 31, 2020 to December 31, 2021; and (c) the decrease in the exemption of payments of social insurance contribution in FY2020 during the outbreak of COVID-19; and (ii) the increase in marketing, conferences and traveling expenses of RMB10.1 million resulting from more business trips for promoting our business in FY2021. The increase in selling and marketing expenses was partially offset by the decrease in advertising and promotion expenses of RMB15.3 million mainly attributable to the decrease in reduced advertising and promotion resulting from our effort in cost control.

### *General and administrative expenses*

General and administrative expenses increased by RMB113.8 million, representing an increase of 53.7%, from RMB212.1 million for FY2020 to RMB325.9 million for FY2021. The increase was primarily due to the increase in (i) employee benefits expenses of RMB80.3 million resulting from the increase in both the quantity and the fair value of the share-based compensation and the increase in headcounts of 40 staff from December 31, 2020 to December 31, 2021 and the decrease in exemption of payments of social insurance contribution which was offered in FY2020 during the outbreak of COVID-19; (ii) professional services fees of RMB23.8 million mainly in relation to a fundraising activity attempted in the past; and (iii) depreciation and amortization of RMB7.8 million mainly resulting from the increase in leased offices.

### *R&D expenses*

R&D expenses increased by RMB88.3 million, representing an increase of 20.6%, from RMB428.8 million for FY2020 to RMB517.1 million for FY2021. The increase was primarily due to (i) the increase in employee benefit expenses of RMB65.9 million resulting from increase in share-based compensation and headcounts of 25 staff from December 31, 2020 to December 31, 2021; (ii) the decrease in the exemption of payments of social insurance contributions in FY2020 during the outbreak of COVID-19; and (iii) the increase in software tools and consumables of RMB8.8 million resulting from increase in R&D projects in FY2021, from 84 projects in FY2020 to 136 projects in FY2021.

### *Net impairment losses on financial assets*

We had an impairment loss on financial assets of RMB40.1 million and RMB7.4 million in FY2020 and FY2021, respectively. Our impairment losses on financial assets was relatively higher in FY2020, primarily due to the relatively higher impairment loss on trade receivables in connection with three of our customers (i) who experienced financial difficulties to settle our payments, of which operations were affected during the outbreak of COVID-19; and (ii) whose trade receivable were long over-due due to longer processing time for our customer to respond during the outbreak of COVID-19. For details, see “Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables” in this section.

### *Other income and expenses, net*

Our other income decreased by RMB9.7 million, representing a decrease of 11.3%, from RMB85.7 million for FY2020 to RMB76.0 million for FY2021. The decrease in other income was mainly due to decrease in (i) government grants of RMB6.7 million; and (ii) VAT and other taxes refund of RMB3.0 million which was due to decrease in sales of software inserted products in FY2021.

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### *Other losses and gains, net*

Our other net losses decreased by RMB11.2 million, representing a decrease of 63.2%, from RMB17.8 million for FY2020 to RMB6.6 million for FY2021. The decrease in other net losses was mainly due to the decrease in net foreign exchange loss of RMB11.8 million mainly resulting from the fluctuation of RMB against USD.

### *Finance cost, net*

Net finance cost decreased by RMB18.5 million from RMB36.4 million for FY2020 to RMB17.9 million for FY2021. The decrease was mainly due to decrease in interest expenses on bank borrowings of RMB20.0 million resulting from decrease in average bank borrowing balances. The decrease in finance costs was partially offset by the amount capitalized of RMB1.8 million in relation to the interest expenses for the construction of work in progress for our headquarters in Shenzhen.

### *Share of results of investments accounted for using the equity method*

We had share of losses from investments accounted for using the equity method of RMB43.5 million and RMB0.6 million for FY2020 and FY2021, respectively, primarily due to the decrease in share of loss from an associate of RMB48.4 million because its investment costs has become nil due to share of losses.

### *Income tax expense*

Income tax expense decreased by RMB14.9 million, representing a decrease of 47.4%, from RMB31.5 million for FY2020 to RMB16.6 million for FY2021. The decrease was mainly due to the increase in losses before income tax expense in FY2021.

### *Loss for the year*

As a result of the foregoing, we had loss for the year of RMB707.0 million and RMB917.5 million in FY2020 and FY2021, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash have been, and are expected to continue to be, funding our R&D, procurement of raw materials and other general corporate needs. Historically, we financed our operation and other capital requirements primarily using bank and other borrowings and funds raised from equity financings.

Upon completion of the [REDACTED], we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from [REDACTED] of the [REDACTED] for implementing our future plans as detailed under the section headed “Future Plans and [REDACTED]” in this Document. Any significant decrease in demand for, or pricing of, our products, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had cash and cash equivalents of RMB621.8 million, RMB273.1 million, RMB145.4 million and RMB695.8 million, respectively.

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### Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows during the Track Record Period:

	FY2020	FY2021	FY2022	4M2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax . . . . .	(675,495)	(900,961)	(970,859)	(411,196)	(420,147)
— Adjustments for non-cash item . . . . .	252,645	268,925	459,945	114,128	189,905
— Changes in working capital . . . . .	(142,608)	(40,634)	(22,018)	242,968 <sup>(Note)</sup>	(122,208)
Cash used in operations . . . . .	(565,458)	(672,670)	(532,932)	(54,100)	(352,450)
Income taxes refunded . . . . .	1,123	12,803	1,222	234	—
Income taxes paid . . . . .	(38,312)	(20,829)	(11,778)	(2,086)	(4,371)
Net cash flows used in operating activities . . . . .	(602,647)	(680,696)	(543,488)	(55,952)	(356,821)
Net cash flows used in investing activities . . . . .	(189,392)	(227,062)	(389,526)	(88,526)	(166,913)
Net cash flows generated from financing activities . . . . .	1,028,326	560,470	802,797	66,878	1,074,356
Net increase/(decrease) in cash and cash equivalents . . . . .	236,287	(347,288)	(130,217)	(77,600)	550,622
Cash and cash equivalents at beginning of year/period . . .	388,839	621,754	273,103	273,103	145,398
Effect of foreign exchange rate changes, net . . . . .	(3,372)	(1,363)	2,512	869	(199)
Cash and cash equivalents at end of year/period . . . . .	<u>621,754</u>	<u>273,103</u>	<u>145,398</u>	<u>196,372</u>	<u>695,821</u>

*Note:* We had an increase in working capital in 4M2022, primarily due to the decrease in trade receivables of RMB159.2 million resulting from repayment from our customers; (ii) decrease in prepayments, deposits and other receivables of RMB53.9 million mainly resulting from the VAT return; and (iii) decrease in contract liabilities of RMB49.5 million.

### Operating activities

In 4M2023, we had net cash used in operating activities of RMB356.8 million, primarily attributable to our loss before income tax of RMB420.1 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB146.2 million; (ii) depreciation of property, plant and equipment of RMB16.2 million; (iii) depreciation of right-of-use assets of RMB10.6 million; and (iv) net finance costs of RMB10.0 million. The amount was further adjusted by changes in working capital and net income tax paid of RMB4.4 million. The changes in working capital primarily included (i) decrease in other payables and accruals of RMB70.0 million; (ii) increase in prepayments, deposits and other receivables of RMB58.8 million; (iii) increase in inventories of RMB49.2 million; and (iv) decrease in trade payables of RMB44.5 million.

In FY2022, we had net cash used in operating activities of RMB543.5 million, primarily attributable to our loss before income tax of RMB970.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB204.4 million; (ii) expenses for acquisition of subsidiary of RMB92.0 million; (iii) depreciation of property, plant and equipment of RMB51.0 million; (iv) net impairment losses on financial assets of RMB46.4 million; and (v) depreciation of right-of-use assets of RMB36.7 million. The amount was further adjusted

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by changes in working capital and net income tax paid of RMB10.6 million. The changes in working capital primarily included (i) increase in trade receivables of RMB303.6 million; and (ii) decrease in contract liabilities of RMB68.6 million, partially offset by the (i) decrease in prepayments, deposits and other receivables of RMB167.3 million; (ii) increase in trade payables of RMB100.4 million; and (iii) decrease in inventories of RMB98.9 million.

In FY2021, we had net cash used in operating activities of RMB680.7 million, primarily attributable to our loss before income tax of RMB901.0 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB156.4 million; (ii) depreciation of property, plant and equipment of RMB54.8 million; (iii) depreciation of right-of-use assets of RMB41.4 million; and (iv) net finance costs of RMB17.9 million. The amount was further adjusted by changes in working capital and net income tax paid of RMB8.0 million. The changes in working capital primarily included (i) increase in trade receivables of RMB238.5 million which was in line with the increase in our revenue; (ii) increase in prepayments and other receivables of RMB83.9 million primarily resulting from increase in recoverable value-added tax and other taxes due to increase in purchase of materials and fixed assets, partially offset by the increase in trade payables of RMB170.1 million primarily due to increase in payables to our suppliers.

In FY2020, we had net cash used in operating activities of RMB602.6 million, primarily attributable to our loss before income tax of RMB675.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB64.5 million; (ii) share of results of accounted for using equity method of RMB43.5 million; (iii) depreciation of property, plant and equipment of RMB46.2 million; (iv) depreciation of right-of-use assets of RMB31.1 million; and (v) net finance costs of RMB36.4 million. The amount was further adjusted by changes in working capital and net income tax paid of RMB37.2 million. The changes in working capital primarily included (i) decrease in other payables and accruals of RMB267 million; and (ii) decrease in trade payables of RMB140.7 million, partially offset by the (i) decrease in inventories of RMB85.5 million; (ii) decrease in trade receivables of RMB111.1 million and (iii) increase in contract liabilities of RMB65.9 million.

### *Investing activities*

In 4M2023, our net cash used in investing activities of RMB166.9 million primarily reflected the purchases of property, plant and equipment of RMB183.0 million.

In FY2022, our net cash used in investing activities of RMB389.5 million primarily reflected (i) payments for purchase of property, plant and equipment of RMB318.7 million mainly for the construction in progress for our headquarters in Shenzhen and office in Hangzhou; and (ii) acquisition of subsidiaries net of cash paid of RMB108.1 million in relation to the acquisition in Shanghai UBJ. The cash outflow was partially offset by the proceeds from disposals of financial assets at fair value through profit or loss of RMB29.1 million.

In FY2021, our net cash used in investing activities of RMB227.1 million primarily reflected (i) payments for purchase of property, plant and equipment of RMB170.5 million for our headquarters in Shenzhen and office in Hangzhou; and (ii) payment for purchase of land use right of RMB67.4 million.

In FY2020, our net cash used in investing activities of RMB189.4 million primarily reflected (i) payments for purchases of financial assets at FVPL of RMB305.0 million; (ii) payments for purchase of property, plant and equipment of RMB141.3 million; and (iii) payments for investment in associates of RMB51.9 million, partially offset by the proceeds from disposals of financial assets at FVPL of RMB301.3 million.

### *Financing activities*

In 4M2023, we had net cash from financing activities of RMB1,074.4 million, which primarily consisted of (i) issuance of ordinary shares of RMB820.0 million; and (ii) proceeds from borrowings of RMB372.6 million.

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In FY2022, we had net cash from financing activities of RMB802.8 million, which primarily consisted of net proceeds from issuance of new shares of RMB861.3 million.

In FY2021, we had net cash generated from financing activities of RMB560.5 million, which primarily consisted of (i) net proceeds from issuance of new shares of RMB500.0 million; (ii) net proceeds from borrowings of RMB184.9 million; and (iii) net restricted cash for bank borrowings released of RMB49.4 million.

In FY2020, we had net cash generated from financing activities of RMB1,028.3 million, which primarily consisted of net proceeds from issuance of new shares of RMB1,400.0 million. The cash inflow was partially offset by the net repayments of borrowings of RMB241.7 million.

### *Measures to improve our cash flow position and cash conversion cycle*

During the Track Record Period, we had net cash used in operating activities of RMB602.6 million, RMB680.7 million, RMB543.5 million and RMB356.8 million in FY2020, FY2021, FY2022 and 4M2023, respectively, as we incurred significant operating expenses, including R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and solutions. Despite our cash outflow from operating activities of RMB356.8 million for 4M2023, we believe we have sufficient financial resources to meet our present and future liquidity requirements in light of the following:

- enhancing our revenue scale by capturing more market share. We believe with the increase in revenue in total scale, we are able to enjoy economies of scales as we expect our revenue growth to gradually exceed the increase in expenses when our business further expands;
- monitoring and controlling our inventory level in order to reduce lag time and shorten the operating cycle; and
- negotiating better terms with our customers and suppliers. To improve and refine our management of working capital and improve our cash conversion cycle, we will continue to leverage our established position to negotiate more attractive contractual terms with our customers and suppliers and implement more stringent credit term review and approval procedures. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as implementing sales and collection policy which includes measures to perform on-going credit evaluation of financial conditions of our customers, assessing the potential customer’s credit quality at the early stage of entering sales contracts, collecting basic information and building customer profiles, and considering the customer’s payment history and any unsettled amount with us at the time.

### **Working Capital**

Taking into consideration the financial resources available to us, including our cash and cash equivalents, banks and other borrowings and financing facilities from banks and other financial institutions available to us and the estimated [REDACTED] from the [REDACTED], our Directors confirm, and the Sole Sponsor concurs with our Directors, that we have sufficient working capital to meet our present requirements for the next 12 months from the date of this document.

## FINANCIAL INFORMATION

### Net Current Assets/(Liabilities)

The table below sets out selected information for our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of June 30,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
<b>Current Assets</b>					
Inventories . . . . .	412,833	426,076	332,666	382,178	376,227
Trade receivables . . . . .	136,659	368,125	662,053	592,992	655,225
Prepayments, deposits and other receivables . . . . .	252,791	353,681	181,065	306,570	261,685
Financial assets at fair value through profit or loss . . . . .	5,076	—	—	—	—
Prepaid income tax . . . .	14,441	1,821	3,330	4,936	4,936
Restricted cash . . . . .	114,189	167,629	48,181	49,784	4,388
Cash and cash equivalents . . . . .	621,754	273,103	145,398	695,821	619,867
	1,557,743	1,590,435	1,372,693	2,032,281	1,922,328
Assets classified as held-for-sale . . . . .	—	—	12,466	—	—
	1,557,743	1,590,435	1,385,159	2,032,281	1,922,328
<b>Current Liabilities</b>					
Borrowings . . . . .	576,216	651,866	326,771	466,201	438,061
Trade payables . . . . .	192,416	362,479	305,406	260,930	189,151
Other payables and accruals . . . . .	371,543	469,344	599,681	530,154	600,564
Contract liabilities . . . . .	91,063	144,151	84,509	116,259	114,477
Current income tax liabilities . . . . .	8,111	4,023	13,267	11,395	11,822
Lease liabilities . . . . .	36,511	41,861	34,861	32,907	28,216
	1,275,860	1,673,724	1,364,495	1,417,846	1,382,291
<b>Net Current Assets/(Liabilities) . .</b>	<b>281,883</b>	<b>(83,289)</b>	<b>20,664</b>	<b>614,435</b>	<b>540,037</b>

Our Group’s net current assets decreased from RMB281.9 million as of December 31, 2020 to net current liabilities of RMB83.3 million as of December 31, 2021. The decrease was primarily due to (i) decrease in cash and cash balances of RMB348.7 million which was mainly used to support daily operation and purchase of property, plant and equipment; (ii) increase in trade payables of RMB170.1 million due to increase in procurement of raw materials and sub-contracting services; (iii) increase in other payables and accruals of RMB97.8 million; and (iv) increase in current portion of borrowings of RMB75.7 million to support our operation. The decrease was partially offset by the (i) increase in trade receivables of RMB231.5 million due to more logistics and education smart robotic products and solutions were completed and delivered in the fourth quarter of the year; and (ii) increase in prepayments, deposits and other receivables of RMB100.9 million mainly resulting from the increase in recoverable VAT and other taxes of RMB61.6 million which was related to the increase in purchase of materials and fixed assets.



## FINANCIAL INFORMATION

We then recorded a net current asset of RMB20.7 million as of December 31, 2022 as compared with net current liabilities as of December 31, 2021. The change was primarily due to the (i) decrease in current portion of borrowings of RMB325.1 million due to repayment of bank loans; (ii) increase in trade receivables of RMB293.9 million; and (iii) decrease in trade payables of RMB57.1 million mainly due to the decrease in payables to Shanghai UBJ which was consolidated to our financials after its acquisition in July 2022. The decrease in net current liabilities as of December 31, 2022 was partially offset by the decrease in prepayment, deposits and other receivables of RMB172.6 million as of December 31, 2022, which was primarily attributable to the decrease in recoverable VAT and other taxes of RMB146.0 million resulting from application of refunds of VAT credits.

Our Group’s net current assets then increased to RMB614.4 million as of April 30, 2023, primarily due to the increase in cash and cash equivalents of RMB550.4 million resulting from the consideration received from the [REDACTED] investments of RMB820.0 million in January 2023.

Our net current assets decreased to RMB540.0 million as of June 30, 2023, primarily due to the (i) decrease in cash and cash equivalents of RMB76.0 million resulting from our operations; and (ii) decrease in restricted cash of RMB44.7 million.

### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property, Plant and Equipment

The following sets forth a breakdown of balances of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Construction in progress . . . . .	67,518	248,451	578,420	715,557
Buildings . . . . .	—	—	87,364	85,908
Machinery . . . . .	90,479	82,933	60,596	56,132
Office and other equipment . . . . .	23,407	18,138	11,181	9,747
Leasehold improvements . . . . .	11,663	14,594	21,619	25,190
Total . . . . .	<u>193,067</u>	<u>364,116</u>	<u>759,180</u>	<u>892,534</u>

Our property, plant and equipment increased from RMB193.1 million as of December 31, 2020 to RMB364.1 million as of December 31, 2021, and further to RMB759.2 million as of December 31, 2022, and further to RMB892.5 million as of April 30, 2023, primarily attributable to the addition of construction in progress of RMB180.9 million, RMB436.7 million and RMB137.1 million in FY2021, FY2022 and 4M2023, respectively, mainly for our headquarters in Shenzhen and office in Hangzhou. In FY2022, RMB87.4 million of construction in progress was transferred to buildings after the completion of construction of building in Hebei. The increase was partially offset by the depreciation of property, plant and equipment of RMB54.8 million, RMB51.0 million and RMB16.2 million charged in FY2021, FY2022 and 4M2023, respectively.



## FINANCIAL INFORMATION

### Right-of-use assets

The following sets forth a breakdown of balances of our right-of-use assets as of the dates indicated:

	As at December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings .....	90,730	79,208	55,208	48,931
Land use rights .....	461,153	492,605	448,199	416,186
	<u>551,883</u>	<u>571,813</u>	<u>503,407</u>	<u>465,117</u>

Our right-of-use assets increased from RMB551.9 million as of December 31, 2020 to RMB571.8 million as of December 31, 2021, primarily due to additions of RMB75.3 million for our land use rights and buildings. The increase was partially offset by the depreciation charge of RMB55.4 million in FY2021.

Our right-of-use assets then decreased to RMB503.4 million as of December 31, 2022, primarily due to (i) the depreciation charge of RMB51.4 million in FY2022; and (ii) disposal of a land use right of RMB28.8 million in Kunming in FY2022. See “Business — Properties — Owned Land” for details. The decrease was partially offset by the additions of RMB32.5 million for our buildings.

Our right-of-use assets then decreased to RMB465.1 million as of April 30, 2023, primarily due to (i) the depreciation charge of RMB13.9 million in 4M2023 and (ii) disposal of a land use rights of RMB35.0 million in Hebei and Hangzhou in 4M2023.

### Intangible assets

During the Track Record Period, our intangible assets, which mainly consisted of goodwill and customer contracts and relationships acquired through acquisition of Shanghai UBJ and Jiangsu Tianhui in FY2022, purchased software and trademarks. The following sets forth a breakdown of balances of our intangible assets as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill .....	—	—	75,587	75,587
Customer contracts and relationships .....	—	—	7,853	6,785
Purchased software .....	4,949	2,063	2,267	1,870
Trademarks .....	1,278	1,131	984	935
	<u>6,227</u>	<u>3,194</u>	<u>86,691</u>	<u>85,177</u>

Our intangible assets decreased from RMB6.2 million as of December 31, 2020 to RMB3.2 million as of December 31, 2021, primarily due to the amortization of purchased software. Our intangible assets increased to RMB86.7 million as of December 31, 2022, primarily due to the goodwill of RMB75.6 million and customer contracts and relationships of RMB7.9 million arising from the acquisition of Shanghai UBJ and Jiangsu Tianhui. Our intangible assets decreased to RMB85.2 million as of April 30, 2023, primarily due to the amortization charged of RMB1.5 million in 4M2023.

## FINANCIAL INFORMATION

### *Goodwill*

We had goodwill of RMB75.6 million as of December 31, 2022 and April 30, 2023, from the acquisition of Shanghai UBJ for its education smart robotic products and solutions business and Jiangsu Tianhui for us to further expand and strengthen the competitiveness of our logistics solutions business.

The following sets forth a breakdown of the carrying amounts of our goodwill as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
Shanghai UBJ .....	–	–	14,622	14,622
Jiangsu Tianhui .....	–	–	60,965	60,965
	–	–	75,587	75,587

### *Impairment test*

Impairment review on the goodwill has been conducted by the management as at December 31, 2022 and April 30, 2023 according to HKAS 36 “Impairment of assets”. We carried out impairment testing on goodwill by comparing the recoverable amounts of each CGU to their carrying amounts. For the purpose of impairment review, the recoverable amount of CGU (or groups of CGUs) is the higher of its fair value less cost of disposal and its value in use. We have engaged an independent external valuer for performing the goodwill impairment assessments as at December 31, 2022 and April 30, 2023. Goodwill is monitored by management at the level of the Group. The management leveraged their extensive experiences in the industries and prepared the forecast based on the past performance and their expectation of future business projection and market developments. According to business projection, Shanghai UBJ would be specially engaged in providing ancillary services of education solutions, and Jiangsu Tianhui would be specially engaging in sales of logistics smart robotic products and solutions to new energy vehicle-related manufacturers. There is an active market for the output generated by Shanghai UBJ and Jiangsu Tianhui respectively, which can generate independent cash flows from external parties. As such, the management of the Company considers that the respective business of Shanghai UBJ and Jiangsu Tianhui are the smallest identifiable group of assets that generate cash inflows that are largely independent from other assets’ cash inflows. The management determined the recoverable amounts of Shanghai UBJ CGU and Jiangsu Tianhui CGU based on value-in-use calculations. Based on the results of the impairment assessments, no impairment loss on the goodwill was recognized as at December 31, 2022 and April 30, 2023. The calculations of recoverable amounts used pre-tax cash flow projections, based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period is extrapolated using estimated terminal growth rates. The key inputs and results of the impairment assessments are as below.

	As at December 31, 2022	As at April 30, 2023
<b>Shanghai UBJ</b>		
Growth rates during the projection period .....	5.8%~31.7%	5.8%~33.4%
Gross margin during the projection period .....	45.6%~45.6%	47.2%~48.6%
Pre-tax discount rates .....	18.05%	18.3%
Terminal growth rate .....	2.0%	2.0%
Recoverable amount (RMB'000) .....	264,572	281,279
Headroom (RMB'000) .....	10,070	30,285

## FINANCIAL INFORMATION

<b>Jiangsu Tianhui</b>	<b>As at December 31, 2022</b>	<b>As at April 30, 2023</b>
Growth rates during the projection period . . . . .	7.0%~171.6%	5.7%~171.6%
Gross margin during the projection period . . . . .	20.9%~22.6%	20.2%~22.3%
Pre-tax discount rates . . . . .	18.24%	17.73%
Terminal growth rate . . . . .	2.0%	2.2%
Recoverable amount (RMB'000) . . . . .	71,922	72,380
Headroom (RMB'000) . . . . .	2,009	3,879

*Impact of possible changes in key assumptions and sensitivity analysis*

Had the estimated revenue growth rates during the forecast period been 100 basis points lower, the recoverable amount of Shanghai UBJ would decrease by RMB5.0 million and RMB5.1 million as of December 31, 2022 and April 30, 2023, respectively, and the recoverable amount of Jiangsu Tianhui would decrease by RMB2.0 million and RMB2.2 million as of December 31, 2022 and April 30, 2023, respectively. For details, see note 18 of the Accountant’s Report.

The headroom was less than 10% of the carrying amount of Shanghai UBJ and Jiangsu Tianhui respectively due to the fact that it has not been one year since they were acquired and the recoverable amount of Shanghai UBJ and Jiangsu Tianhui were close to the fair values acquired at the acquisition date. Please refer to note 18 of Appendix I to this document for further details.

Considering there was still headroom as of December 31, 2022 and April 30, 2023 based on the assessment, our Directors do not believe that any reasonably possible changes in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

**Investments accounted for using the equity method**

Our investments accounted for using the equity method increased from RMB97.2 million as of December 31, 2020 to RMB108.3 million as of December 31, 2021 and decreased to nil as of December 31, 2022 and April 30, 2023. The following sets forth the breakdown and movements of our investments accounted for using the equity method as of the date indicated:

	<b>As at December 31,</b>			<b>As of April 30,</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Investments in a joint venture . . . . .				
– Share of net assets . . . . .	67,507	78,172	–	–
– Goodwill . . . . .	24,668	30,165	–	–
	92,175	108,337	–	–
Investments in associates . . . . .				
– Share of net assets . . . . .	5,004	–	–	–
	97,179	108,337	–	–

## FINANCIAL INFORMATION

### *Investment in a joint venture*

	FY2020	FY2021	FY2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period . . . . .	81,459	92,175	108,337	–
Additions . . . . .	–	8,742	0	–
Share of results . . . . .	10,716	7,420	5,521	–
Deemed disposal . . . . .	–	–	(113,858)	–
At the end of the year/period . . . . .	<u>92,175</u>	<u>108,337</u>	<u>–</u>	<u>–</u>

### *Investments in associates*

	FY2020	FY2021	FY2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period . . . . .	7,348	5,004	–	–
Additions . . . . .	51,911	3,000	–	–
Share of results . . . . .	(54,255)	(8,004)	–	–
At the end of the year/period . . . . .	<u>5,004</u>	<u>–</u>	<u>–</u>	<u>–</u>

Our investments accounted for using the equity method increased from RMB97.2 million as of December 31, 2020 to RMB108.3 million as of December 31, 2021, primarily due to addition of investment to Shanghai UBJ and an associate of RMB8.7 million and RMB3.0 million, respectively; and (ii) share of profit from Shanghai UBJ of RMB7.4 million in FY2021. The increase was partially offset by share of losses of RMB8.0 million from our associates. Our investments accounted for using the equity method decreased to nil as of December 31, 2022, due to the business acquisition of Shanghai UBJ. The investment costs of our associates had been reduced to nil due to share of losses in respective years. For details, see note 20 to the Accountant’s Report. Our investments accounted for using the equity method remained at nil as of April 30, 2023.

Before December 2021, we held 38.08% equity interest in Shanghai UBJ, which accounted for as joint venture. In December 2021, we entered into an agreement with a shareholder of Shanghai UBJ to acquire 1.65% of its equity interest at a cash consideration of RMB8.7 million. Shanghai UBJ was regarded as a joint venture of our Group. For details, see note 20 of the Accountant’s Report.

In July 2022, we acquired additional 47.8% equity interest of Shanghai UBJ. As a result, we obtained control on Shanghai UBJ. The transaction was treated as a business combination of subsidiary. See “History, Development and Corporate Structure — Shanghai UBJ” for details.

### **Financial assets at fair value**

During the Track Record Period, we had investments which are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

## FINANCIAL INFORMATION

### *Financial assets at fair value through profit or loss*

Our financial assets at fair value through profit or loss primarily represent our investments in wealth management products issued by commercial banks in China mainly for the purpose of managing our surplus cash. The following table sets forth a summary and movement of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in wealth management products . . . . .	5,076	—	—	—

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . .	476	5,076	—	—
Additions . . . . .	305,000	—	—	—
Acquisition of subsidiary . . . . .	—	—	28,931	—
Disposal . . . . .	(301,309)	(5,105)	(29,050)	—
Changes in fair value . . . . .	909	29	119	—
At the end of the year . . . . .	5,076	—	—	—

We purchased wealth management products of RMB305.0 million in FY2020, which included mainly 8 structured wealth management products issued by commercial banks in China with the product income linked to SHIBOR. During FY2020, 7 of these products were matured at a total value of RMB301.3 million. The remaining product, at a total value of RMB5.1 million, were matured in FY2021. The underlying portfolios of the structured deposits primarily consist of deposits mainly linked to interest rates.

In FY2022, we did not purchase any wealth management products. Nevertheless, we had addition of RMB28.9 million through the business combination of Shanghai UBJ in FY2022. All of these products were matured and disposed of in FY2022. The returns on all of these wealth management products are not guaranteed, and therefore we designated them as financial assets at fair value through profit or loss. We did not purchase any wealth management products during 4M2023.

Currently, we do not intend to invest in any wealth management products after the [REDACTED]. After the [REDACTED], our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

## FINANCIAL INFORMATION

### *Financial assets at fair value through other comprehensive income*

During the Track Record Period, we invested in three unlisted companies which were classified as the financial assets at fair value through other comprehensive income for the purpose of capitalizing on potential synergies in R&D collaborations. The following tables sets forth movement of investments included in financial assets at fair value through other comprehensive income as of the dates indicated.

	FY2020	FY2021	FY2022	4M2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period . . .	—	4,000	3,973	5,573
Additions . . . . .	4,000	11,000	—	—
Disposals . . . . .	—	(4,000)	—	—
Changes in fair value . . . . .	—	(7,027)	1,600	(183)
At the end of the year/period . . . . .	<u>4,000</u>	<u>3,973</u>	<u>5,573</u>	<u>5,390</u>

During the Track Record Period, we had investment holding in one company as of December 31, 2020 and two companies as of December 31, 2021 and 2022 and as of April 30, 2023, respectively. We invested in these companies in order to capitalize on potential synergies in R&D collaborations. Our financial assets at fair value through other comprehensive income remained stable at RMB4.0 million as of December 31, 2020 and RMB4.0 million as of December 31, 2021, primarily due to the investments in two companies with an aggregate amount of RMB11.0 million during FY2021, partially offset by the (i) decrease in fair value of RMB7.0 million resulting from decrease in business enterprise value for a company engaged in AI education in relation to sports, mainly due to the valuation; and (ii) disposal of the investment in a company with a cost of RMB4.0 million. Our financial assets at fair value through other comprehensive income increased to RMB5.6 million as of December 31, 2022, primarily due to the increase in fair value of RMB1.6 million resulting from the increase in business enterprise value. Our financial assets at fair value through other comprehensive income then remained relatively stable at RMB5.4 million as of April 30, 2023.

### *Valuation of financial assets at fair value*

The fair value of the wealth management products and unlisted equity investments, which are not to be traded in an active market, is determined by using valuation techniques required by the HKFRS to give a rational and unbiased estimate of a hypothetical market value. Valuation for each of the wealth management products was calculated based on the expected return at the end of each reporting periods during the Track Record Period, whilst valuation for each of the equity investments was issued by valuer. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of our Group’s wealth management products is calculated based on the expected rate of return whilst the fair value of our Group’s unlisted equity is calculated based on the business enterprise value/book multiple of comparable companies and the lack of liquidity discount rate. However, changes in the fair value of FVPL will not cause actual cash inflow or outflow for any unrealized gain or loss on FVPL.

### *Investment and treasury policies and internal control measures*

The investment in wealth management products and unlisted equity investment was in line with the internal control measures we have implemented. Before the purchase of wealth management products and investment in unlisted companies, it is required to submit applications which shall set out the details and risks of such products and obtain the approval from our head of finance department and chief financial officer.



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## FINANCIAL INFORMATION

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The purchase of principal-guaranteed wealth management products requires approval from our head of finance department and chief financial officer. The purchase of wealth management products which do not guarantee the repayment of principal requires approval from our head of finance department, chief financial officer and chief executive officer.

A team in the finance department of our Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. Discussions of valuation processes and results are held between the head of finance department and the valuation team at least once year. External valuation experts will be involved when necessary.

At each financial year end the finance department:

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

In relation to the valuation of the financial assets at fair value through other comprehensive income within level 3 of fair value measurement, our Directors, based on the professional advice received, adopted the above procedures where applicable. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the financial assets at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 3.3 to the historical financial information of our Group for the Track Record Period as set out in the Accountant’s Report issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountant’s opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-2 of Appendix I.

In relation to the valuation analysis performed by our Directors and the independent valuer on the financial assets at fair value through other comprehensive income, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant’s Report as contained in Appendix I; (ii) evaluation of the competence, capacities and objectivity of the independent valuer; (iii) review of the valuation working papers and results prepared by the independent valuer; and (iv) discussion with the Reporting Accountant to understand its audit procedures performed for the purpose of reporting on our Group’s historical financial information for the Track Record Period as a whole. Having considered the work done by our Directors and the Reporting Accountant and the relevant due diligence work conducted as stated above, nothing has come to the attention of the Sole Sponsor that would lead the Sole Sponsor to question the valuation analysis performed by our Directors and the independent valuer on the valuation of financial assets at fair value through other comprehensive income within level 3 of fair value measurement.

## FINANCIAL INFORMATION

### Inventories

Our inventories represented raw material for our production, work in progress, finished goods ready to be sold and contract fulfillment cost mainly represented the costs that are directly related to specific contracts. The following table sets forth a breakdown of our inventories as of the date indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	50,774	43,609	49,091	36,106
Work in progress . . . . .	19,877	13,647	28,592	37,968
Finished goods . . . . .	342,182	357,321	200,060	190,599
Contract fulfillment cost . . . . .	–	11,499	54,923	117,505
Total . . . . .	<u>412,833</u>	<u>426,076</u>	<u>332,666</u>	<u>382,178</u>

Our balance of inventories increased from RMB412.8 million as of December 31, 2020 to RMB426.1 million as of December 31, 2021, mainly due to the increase in (i) finished goods of RMB15.1 million for orders which was delivered to our customers subsequent to December 31, 2021; and (ii) contract fulfillment cost of RMB11.5 million mainly for our contracts in relation to the logistics smart robotic products and solutions which were delivered in 2022. The increase in inventories was partially offset by the decrease in raw materials of RMB7.2 million for the production used before December 31, 2021. Our balance of inventories decreased to RMB332.7 million as of December 31, 2022, primarily as a result of the (i) increase in allowance for write-down of inventories from RMB40.1 million as of December 31, 2021 to RMB72.8 million as of December 31, 2022, primarily due to the provision due to decrease in NRV of our humanoid Alpha Mini (non-education); and (ii) decrease in finished goods (before the allowance for write-down of inventories) of RMB124.9 million mainly due to orders which was delivered to our customers before December 31, 2022. The increase was partially offset by the increase in contract fulfillment cost of RMB43.4 million mainly for our contracts in relation to the logistics smart robotic products and solutions to be delivered in 2023. Our balance of inventories increased to RMB382.2 million as of April 30, 2023, primarily as a result of the increase in contract fulfillment costs of RMB62.6 million mainly for our contracts in relation to the logistics smart robotic products and solutions to be delivered later in 2023.

During the Track Record Period, we made impairment on inventories related to raw materials and finished goods due to the plan of sales of the consumer-level robots and other smart hardware devices at reduced selling prices. Our balance of allowance for write-down of inventories amounted to RMB81.5 million, RMB40.1 million, RMB72.8 million and RMB37.3 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The balance of allowance for write-down of inventories was relatively lower as of December 31, 2021, primarily represented the write-off due to scrap of RMB35.7 million. As of December 31, 2020 and 2022, we made provisions mainly to the first edition of Cruzr and the humanoid Alpha Mini (non-education), respectively. Prior to the Track Record Period, we manufactured these products because we believed that the then market demand was high. Nevertheless, the demand for these products was lower amidst the outbreak of COVID-19, which led to a weaker market sentiment on these products. In order to boost their sales and reduce the slow-moving inventories, we adjusted the selling prices of these products downward. Due to the decrease in NRV, our Group made provisions of RMB12.6 million in FY2020, mainly for the first edition of Cruzr and RMB70.6 million in FY2022, mainly for the humanoid Alpha Mini (non-education). Our allowance for write-down of inventories decreased to RMB37.3 million as of April 30, 2023, primarily resulting from the reversal due to sales of RMB35.0 million in 4M2023 which was mainly related to humanoid Alpha mini (non-education).

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Going forward, to minimize the risk of building up inventory, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity. We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the NRV of inventories falls below the cost or any of the inventories is identified as obsolete. We assess the NRV of the inventories as well as the required amount of write-down of inventories at the end of each reporting period, which involves significant judgment on determination of the estimated selling price of our products in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on our current market condition, contract price of products if they are held for particular contracts and the historical experience of distributing and selling products of similar nature. The write-down of inventories is calculated based on the NRV of the inventories, which is affected by multiple factors, including but not limited to the aging of inventories and the estimated demand of the respective product, etc. In particular, the NRV of the inventories decreases along with the aging of inventories and the change in market demand of particular product.

The following table sets forth the average turnover days of our inventories for the periods indicated:

	FY2020	FY2021	FY2022	4M2023
Average inventory turnover days <sup>(Note)</sup> . . . .	407	273	194	422

*Note:* Average inventory turnover days equal to the average of the opening and closing inventories balances of the relevant year divided by the cost of sales of the relevant year/period multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 120 days in 4M2023.

Our average inventory turnover days decreased from 407 days for FY2020 to 273 days for FY2021, primarily due to (i) the relatively higher balance of inventories as of end of 2019 which was ready to be delivered in early 2020; and (ii) significant balance of allowance for write-down of inventories in FY2020, which led to lower opening inventories balance for FY2021. Our average inventory turnover days then decreased to 194 days for FY2022, primarily due to the lower balance as of December 31, 2022 mainly resulting from the increase in allowance for write-down of inventories in FY2022 and decrease in finished goods as of December 31, 2022 as discussed previously. Our average inventory turnover days increased to 422 days in 4M2023 because the annualized cost of sales using the figures from the first four months is usually lower than the actual annual cost of sales due to the seasonality factor as mentioned previously while our inventory balance has taken into the full-year effect.

The following table sets forth the aging analysis of our inventories during the Track Record Period:

	As of December 31, 2020				
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	45,521	11,494	1,535	133	58,683
Work in progress . . . . .	18,749	4,394	1,488	143	24,774
Finished goods . . . . .	141,084	63,131	206,066	561	410,842
Contract fulfillment cost . . .	—	—	—	—	—
	205,354	79,019	209,089	837	494,299
Less: allowance for write-down of inventories . . . . .	(9,060)	(19,228)	(53,065)	(113)	(81,466)
Carrying value . . . . .	<u>196,294</u>	<u>59,791</u>	<u>156,024</u>	<u>724</u>	<u>412,833</u>

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As of December 31, 2021					
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	33,672	6,477	4,813	403	45,365
Work in progress . . . . .	12,873	739	438	92	14,142
Finished goods . . . . .	183,040	11,089	54,437	146,640	395,206
Contract fulfillment cost . . .	11,499	—	—	—	11,499
	<u>241,084</u>	<u>18,305</u>	<u>59,688</u>	<u>147,135</u>	<u>466,212</u>
Less: allowance for write-down of inventories . . . . .	(933)	(990)	(15,973)	(22,240)	(40,136)
Carrying value . . . . .	<u>240,151</u>	<u>17,315</u>	<u>43,715</u>	<u>124,895</u>	<u>426,076</u>
As of December 31, 2022					
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	36,448	11,042	1,572	1,778	50,840
Work in progress . . . . .	28,161	770	197	238	29,366
Finished goods . . . . .	128,901	25,863	3,186	112,358	270,308
Contract fulfillment cost . . .	51,393	3,530	—	—	54,923
	<u>244,903</u>	<u>41,205</u>	<u>4,955</u>	<u>114,374</u>	<u>405,437</u>
Less: allowance for write-down of inventories . . . . .	(746)	(3,502)	(458)	(68,065)	(72,771)
Carrying value . . . . .	<u>244,157</u>	<u>37,703</u>	<u>4,497</u>	<u>46,309</u>	<u>332,666</u>
As of April 30, 2023					
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	34,675	7,544	2,495	1,853	46,567
Work in progress . . . . .	34,787	3,313	253	129	38,482
Finished goods . . . . .	125,046	29,848	4,818	57,214	216,926
Contract fulfillment cost . . .	117,505	—	—	—	117,505
	<u>312,013</u>	<u>40,705</u>	<u>7,566</u>	<u>59,196</u>	<u>419,480</u>
Less: allowance for write-down of inventories . . . . .	(358)	(2,394)	(483)	(34,067)	(37,302)
Carrying value . . . . .	<u>311,655</u>	<u>38,311</u>	<u>7,083</u>	<u>25,129</u>	<u>382,178</u>

During the Track Record Period, majority of our inventories are aged within 1 year, which accounted for 47.5%, 56.4%, 73.4% and 81.5% as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

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Our finished goods aged over one year decreased due to finished goods aged over three years decreased from RMB112.4 million as of December 31, 2022 to RMB57.2 million as of April 30, 2023. Having evaluated the key factors in determining the net realizable value of inventories, including the (i) estimated selling price with reference to the prevailing market price readily available to our Group; (ii) estimated costs of completion of work in progress and contract fulfillment costs; and (iii) estimated costs necessary to make the sale, we concluded that the allowance for write-down of inventories was sufficient during the Track Record Period.

Up to June 30, 2023, RMB93.3 million or 24.4% of our inventories as of April 30, 2023 had been sold or utilized.

### Trade receivables

The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
Trade receivables from contracts				
with customers . . . . .	178,969	397,453	696,398	611,453
Note receivables . . . . .	1,220	21,214	55,284	69,461
Total trade receivables . . . . .	180,189	418,667	751,682	680,914
Less: Allowance for impairment . . . . .	(43,530)	(50,542)	(89,629)	(87,922)
Trade receivables — net . . . . .	<u>136,659</u>	<u>368,125</u>	<u>662,053</u>	<u>592,992</u>

Our net trade receivables increased from RMB136.7 million as of December 31, 2020 to RMB368.1 million as of December 31, 2021 which was mainly due to the increase in revenue from logistics smart robotic products and solutions in the fourth quarter of the year resulting from timing of delivery. Our net trade receivables increased to RMB662.1 million as of December 31, 2022, mainly due to the increase in revenue from logistics smart robotic products and solutions recognised in the fourth quarter in 2022. Our net trade receivables decreased to RMB593.0 million as of April 30, 2023, primarily due to (i) relatively lower revenue generated in the first quarter of a year due to seasonality factor as mentioned previously; (ii) settlement of net trade receivables which had been outstanding for over two years as of December 31, 2022 from our customers during 4M2023.

The table below sets forth a summary of the aging analysis of our net trade receivables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
0 to 6 months . . . . .	73,612	243,858	466,807	423,919
6 to 12 months . . . . .	18,554	89,511	118,439	105,542
1 to 2 years . . . . .	37,993	15,163	54,181	56,789
2 to 3 years . . . . .	6,500	19,593	5,651	806
Over 3 years . . . . .	—	—	16,975	5,936
Trade receivables — net . . . . .	136,659	368,125	662,053	592,992
Allowance for impairment . . . . .	43,530	50,542	89,629	87,922
Total trade receivables . . . . .	<u>180,189</u>	<u>418,667</u>	<u>751,682</u>	<u>680,914</u>

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Our sales to our customers are generally by prepayment or made on credit with a general credit within 12 months. Our Group applied the simplified approach to providing for expected credit losses prescribed by HKFRS 9 on the assessment of impairment of our trade receivables consistently throughout the Track Record Period. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our allowance for impairment of trade receivables amounted to RMB43.5 million, RMB50.5 million, RMB89.6 million and RMB87.9 million, respectively.

As of December 31, 2022, our net trade receivables were mostly aged within one year, which accounted for 88.4% of our total net trade receivables. Our net trade receivables increased from RMB136.7 million as of December 31, 2020 to RMB662.1 million as of December 31, 2022. For our net trade receivables that aged from 0-6 months, the balance increased significantly from RMB73.6 million as of December 31, 2020 to RMB466.8 million as of December 31, 2022, primarily due to the significant increase in revenue from logistics smart robotic products and solutions recognised in the fourth quarter of FY2022 compared to that in FY2020. Since most of the net trade receivables aging from 0-6 months are still within the general credit period, we do not consider there is any recoverability issues among these net trade receivables. For our net trade receivables that aged from 6 to 12 months and 1 to 2 years, the balances increased from RMB18.6 million as of December 31, 2020 to RMB118.4 million as of December 31, 2022, and from RMB38.0 million as of December 31, 2020 to RMB54.2 million as of December 31, 2022, respectively, primarily due to the unsettled amount from our customers in relation to the education smart robotic products and solutions, which we believe was mainly resulting from the budget shrinkage or delay in administrative work for approving budgets.

We had net trade receivables of RMB6.5 million, RMB19.6 million, RMB22.6 million and RMB6.7 million which had been outstanding for more than two years as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The net trade receivables of RMB6.5 million which aged for more than two years as of December 31, 2020 was primarily receivables that was subject to warranty period up to 30 June 2021 of RMB6.0 million. The amount was entirely settled in FY2021. For the net trade receivables of RMB19.6 million, RMB22.6 million and RMB6.7 million which had been outstanding for more than two years as of December 31, 2021 and 2022 and April 30, 2023, respectively, we believe such delay in payments was primarily due to the delay in administrative work for approving budgets for certain customers from their local governments. Up to June 30, 2023, we received subsequent settlement of RMB6.0 million, RMB17.9 million, RMB16.7 million and nil from our customers for the unsettled net trade receivables which aged more than two years as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

We had net trade receivables of RMB17.0 million which was aged over three years as of December 31, 2022. Such amount mainly represented trade receivables from a customer, a PRC government education department located in Guiyang who experienced budget shrinkage during the Track Record Period. Such amount was entirely settled in January 2023. The revenue attributable to such customer accounted for 2.8%, 0.7% and nil in FY2020, FY2021 and FY2022, respectively. The project between our Group and such customer, which has been halted in FY2022 as we believe was due to the COVID-19 pandemic, is expected to commence in late 2023. We also expect to conduct new business with such customer whenever appropriate business opportunities arise, especially when partial payment has been noted for such customer up to May 31, 2023.

As of April 30, 2023, our net trade receivables aged over one year decreased from RMB76.8 million to RMB63.5 million, the percentage to our total net trade receivables decreased from 11.6% to 10.7% as of the same dates. Considering these net trade receivables aged over one year with basis that (i) most of which were resulted from unsettled amount from our customers in relation to the education smart robotic products and solutions due to their budget shrinkage or delay in administrative work for approving budgets; (ii) repayment from certain customers were noted during the Track Record Period; (iii) regular communications were made with those customers for the unsettled amounts; and (iv) subsequent settlement of RMB11.5 million was received between May 1, 2023 and June 30, 2023, sufficient provision has been made for our trade receivables during the Track Record Period.



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In view of the prolonged settlement of our Group’s trade receivables, we do not have any dispute or disagreement with the respective customers and we will continue to communicate with these customers for the unsettled amounts.

### *Impairment Provision*

With respect to the adequacy of our impairment provisions, our accounting team regularly notify the overdue trade receivables to sales team, and make impairment provisions for those which we deem unable to recover. We group long-term and short-term trade receivables based on shared credit risk characteristics and estimate the expected credit loss rate of trade receivables on a collective basis based on historical credit loss experience (with adjustments for forward-looking information). We apply the simplified approach in calculating expected credit losses and use a provision matrix to calculate expected credit losses for trade receivables. Our management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experiences. The expected credit loss rates for trade and note receivables on collective basis were 2.06%, 2.35%, 2.31% and 2.18% for the balances as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

Meanwhile, when one or more of the following events have occurred, we consider the credit risk characteristics on these trade receivables distinguishable from others and make impairment provisions of these trade receivables on an individual basis.

- the trade receivables are past due and we expect that the overdue receivables cannot be collected or we cannot agree to a repayment plan with our customers;
- the customers have significant financial difficulties; or
- legal proceedings against the customers relating to certain sales contracts will arise or have arisen based on our evaluation of the recoverability of the trade receivables.

The expected credit loss rates for trade and note receivables on individual basis were 58.68%, 59.90%, 81.68% and 87.04% for the balances as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The relatively higher expected credit loss rates for trade and note receivables on individual basis as of December 31, 2022 and April 30, 2023 was primarily attributable to the trade receivables from a customer of RMB33.7 million as of both December 31, 2022 and April 30, 2023, who we believed was in financial difficulties. The aforementioned customer is a company principally engaged in manufacture, installation and maintenance of industrial robots, etc., and an Independent Third Party of our Group. The registered place of the aforementioned customers is located in Tai’an Development Zone, Shandong Province, with a registered and paid-in capital of RMB100.0 million. The revenue attributable to such customer accounted for 2.1%, 4.4%, 0.1% and nil of total revenue in FY2020, FY2021, FY2022 and 4M2023, respectively. We did not conduct any business with such customer since September 2022.

We believe that the provisions made for impairment of trade receivables and overdue trade receivables during the Track Record Period was adequate, on the basis that (i) we closely review the balances of trade receivables and any overdue balances on an ongoing basis and assess the collectability of overdue balances; (ii) we estimate the loss allowances for trade receivables by assessing the expected credit losses, which are based on our historical credit loss experience, adjusted for factors that are specific to our customers on a case-by-case basis, and an assessment of both the current and forecast general economic conditions at the end of each reporting period during the Track Record Period; and (iii) we monitor the collections of trade receivables and retrospectively review the accounting estimate of prior periods to identify any material discrepancies. Where the accounting estimate is different from our original estimate, such difference will be reflected in the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is adjusted. We keep assessing the expected credit losses of our trade receivables when they are outstanding.

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The table below sets forth a summary of average trade and note receivable turnover days as of the dates indicated:

	FY2020	FY2021	FY2022	4M2023
Average turnover days of trade and note receivable <sup>(Note)</sup> . . . . .	103	113	186	571

*Note:* Average turnover days of trade and note receivable equals to the average of the opening and closing balances of net trade receivables of the relevant year divided by the revenue of the relevant year/period multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 120 days in 4M2023.

Our average turnover days of trade and note receivable remained relatively stable at 103 days for FY2020 and 113 days for FY2021. Our average trade and note receivable turnover days then increased to 186 days for FY2022, primarily due to the relative higher revenue contribution in the fourth quarter in 2022 which balance remains unsettled and the increase in settlement by notes. Our average turnover days of trade and note receivables then increased to 571 days in 4M2023, because the annualized revenue using the figures from the first four months is usually lower than the actual annual revenue due to the seasonality factor as mentioned previously while our trade receivables balance has taken into the full-year effect.

The following table sets forth the further breakdown of the subsequent settlements of our trade receivables from contracts with customers (net of allowance for impairment) as of April 30, 2023 by respective aging period:

	Balance as of April 30, 2023	Subsequent settlement as of June 30, 2023	Outstanding balance as of June 30, 2023
	RMB'000	RMB'000	RMB'000
0 to 6 months . . . . .	423,919	37,999	385,920
6 to 12 months . . . . .	105,542	2,619	102,923
1 to 2 years . . . . .	56,789	11,545	45,245
2 to 3 years . . . . .	806	—	806
Over 3 years . . . . .	5,936	—	5,936
	<u>592,992</u>	<u>52,163</u>	<u>540,830</u>

Up to the June 30, 2023, RMB52.2 million or 8.8% of our trade receivables from contracts with customers (net of allowance for impairment) outstanding as of April 30, 2023 were settled.

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### Prepayments, deposits and other receivables

The following table sets forth a breakdown of our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Prepayments for:				
— inventories . . . . .	30,798	41,123	29,785	60,212
— operating expenses . . . . .	22,585	30,124	18,075	25,315
— property, plant and equipment . .	25,575	7,668	13,003	11,856
— [REDACTED] . . . . .	—	—	13,385	30,826
	<u>78,958</u>	<u>78,915</u>	<u>74,248</u>	<u>128,029</u>
Deposits paid for:				
— guarantees of product quality . . .	11,856	11,819	15,592	11,382
— property, plant and equipment . .	2,623	2,589	2,589	2,589
— investment in subsidiary . . . . .	—	5,000	—	—
— right-of-use assets . . . . .	6,898	31,160	30,600	30,676
Recoverable VAT and other taxes . . . .	187,660	249,268	104,368	143,937
Receivables related to asset				
disposals . . . . .	—	—	7,000	49,065
Advances to employees . . . . .	1,169	1,007	3,415	3,911
Others . . . . .	3,898	9,815	8,334	7,997
	<u>214,104</u>	<u>310,658</u>	<u>171,898</u>	<u>249,557</u>
Less: Allowance for impairment . . . . .	(10,191)	(10,515)	(17,089)	(17,342)
	<u>203,913</u>	<u>300,143</u>	<u>154,809</u>	<u>232,215</u>
Prepayments, deposits and other				
receivables — net . . . . .	282,871	379,058	229,057	360,424
Less: non-current portion	(30,080)	(25,377)	(47,992)	(53,854)
	<u>252,791</u>	<u>353,681</u>	<u>181,065</u>	<u>306,570</u>

Our prepayment, deposits and other receivables increased from RMB282.9 million as of December 31, 2020 to RMB379.1 million as of December 31, 2021, primarily attributable to increase in (i) recoverable VAT and other taxes of RMB61.6 million which was related to the increase in purchase of materials and fixed assets; and (ii) deposits paid for right-of-use assets of RMB24.3 million mainly for the deposit for the land use right in Huzhou.

Our prepayment, deposits and other receivables decreased to RMB229.1 million as of December 31, 2022, which was primarily attributable to the decrease in recoverable VAT and other taxes of RMB144.9 million resulting from application of refunds of VAT credits of RMB146.0 million in response to the “Announcement on Further Enhancing the Implementation of the End-of-period Value-Added Tax Refund Policy” (Announcement No. 14 [2022] of the Ministry of Finance and the State Administration of Taxation); partially offset by the increase in prepayments for [REDACTED] of RMB13.4 million.

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Our prepayment, deposits and other receivables increased to RMB360.4 million as of April 30, 2023, which was primarily attributable to the increase in (i) receivables related to assets disposals of RMB42.1 million mainly for our land in Hangzhou; (ii) receivable VAT and other taxes of RMB39.6 million resulting from our increase in purchase of materials and fixed assets; (iii) prepayments for inventories of RMB30.4 million for our on-going projects; and (iv) prepayments for [REDACTED] of RMB17.4 million.

Up to June 30, 2023, RMB84.9 million or 23.6% of our prepayment, deposits and other receivables outstanding as of April 30, 2023 were settled.

### Trade payables

Our trade payables primarily consist of balances due to our suppliers for purchases of raw materials and subcontracting services for our production and sales. During the Track Record Period, the normal trade credit terms offered to our Group is within 90 days.

Our trade payables increased from RMB192.4 million as of December 31, 2020 to RMB362.5 million as of December 31, 2021, primarily due to the increase in purchase of raw materials and subcontracting services in order to cater for our increase in sales. Our trade payables decreased to RMB305.4 million as of December 31, 2022, primarily due to the decrease in payables to Shanghai UBJ of RMB170.4 million, which was consolidated to our financials after its acquisition in July 2022. Our trade payables decreased to RMB260.9 million as of April 30, 2023, primarily due to (i) relatively lower cost incurred in the first quarter of a year due to seasonality factor as mentioned previously; and (ii) settlements to our suppliers during 4M2023.

The table below sets forth an aging analysis of our trade and bills payables based on the invoice date, as of the dates indicated:

	As of December 31,			As of
				April 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months . . . . .	122,284	219,629	239,190	217,363
6 to 12 months . . . . .	70,111	103,926	15,288	18,248
1 to 2 years . . . . .	21	38,906	45,909	22,031
2 to 3 years . . . . .	—	18	5,019	3,288
	<u>192,416</u>	<u>362,479</u>	<u>305,406</u>	<u>260,930</u>

The following table sets out the average trade payables turnover days for the Track Record Period:

	FY2020	FY2021	FY2022	4M2023
Average turnover days of trade payables <sup>(Note)</sup> . . .	235	180	171	334

*Note:* Average turnover days of trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by the cost of sales of the relevant year multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 120 days in 4M2023.

Our average turnover days of trade payables were longer than the credit period offered by our suppliers primarily due to our stronger bargaining power over our suppliers from FY2020 to FY2022. Our average turnover days of trade payables then increased to 334 days in 4M2023, because the annualized cost of sales using the figures from the first four months is usually lower than the actual annual cost of sales due to the seasonality factor as mentioned previously while our trade payables balance has taken into the full-year effect.

Up to the June 30, 2023, RMB78.3 million or 30.0% of trade payables outstanding as of April 30, 2023 had been fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

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### Other payables and accruals

The following table sets forth our payable and accruals as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses <sup>(1)</sup> .....	41,193	53,272	27,639	35,040
Other payables <sup>(2)</sup> .....	284,397	349,521	483,779	416,194
Value-added tax and other taxes payables .....	7,707	32,338	54,787	57,156
Provisions of sales return and service warranties .....	28,604	24,111	24,538	12,976
Others .....	9,642	10,102	8,938	8,788
	<u>371,543</u>	<u>469,344</u>	<u>599,681</u>	<u>530,154</u>

*Notes:*

- (1) Accrued expenses mainly represented professional service fees, advertising and promotion expenses.
- (2) Other payables mainly included the government grants received by our Group, which may be refundable due to failure to achieve the performance targets, payables for property, plant and equipment (mainly construction costs and leasehold improvements), acquisition of land use right and for employer benefit expenses.

Our other payables and accruals increased from RMB371.5 million as of December 31, 2020 to RMB469.3 million as of December 31, 2021, primarily attributable to increase in (i) other payables of RMB65.1 million mainly attributable to the (a) payable for property, plant and equipment of RMB29.5 million mainly for our construction in progress; (b) payables for employee benefit expenses of RMB20.4 million as a result of increase in number of staff; (ii) VAT and other taxes payables of RMB24.6 million resulting from our operations; and (iii) accrued expenses of RMB12.1 million mainly for professional services such as accrued audit fee and advertising and promotion expenses. Our other payables and accruals increased to RMB599.7 million as of December 31, 2022, which was primarily attributable to the increase in (i) payables for property, plant and equipment of RMB123.4 million for the construction in progress of our Shenzhen headquarters; (ii) payables for employee benefit expenses of RMB48.0 million due to provision of bonus to our staff; and (iii) VAT and other taxes payables of RMB22.4 million. Our other payables then decreased to RMB530.2 million as of April 30, 2023, primarily attributable to the decrease in payables for property, plant and equipment of RMB42.2 million resulting from settlement of the payables for property, plant and equipment for our Shenzhen headquarters to our property, plant and equipment in 4M2023.

### Contract liabilities

Contract liabilities represented receipt in advance for our products. Our contract liabilities increased from RMB91.1 million as of December 31, 2020 to RMB144.2 million as of December 31, 2021 primarily due to the receipts in advance from certain large education projects for Customer F and Customer A which were yet to be completed as of December 31, 2021. Our contract liabilities decreased to RMB84.5 million as of December 31, 2022 primarily due to the completion of certain large education projects before the year end. Our contract liabilities increased to RMB116.3 million as of April 30, 2023 primarily due to increase in the receipts in advance from certain education projects and logistics projects which were yet to be completed as of April 30, 2023.

Up to June 30, 2023, RMB11.8 million or 10.1% of our contract liabilities outstanding as of April 30, 2023 was recognised as our revenue.

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## FINANCIAL INFORMATION

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### Deferred Income

Deferred income represents government grants which we received from local government authorities primarily relating to our R&D costs and investments in fixed assets, such as testing and production equipment. Our deferred income was relatively stable at RMB78.8 million and RMB81.9 million as of December 31, 2020 and 2021, respectively. Deferred income decreased to RMB41.2 million as of December 31, 2022 primarily due to cancelation of R&D projects in FY2022. In 2022, due to the impact of COVID-19 and the change of market demands, we canceled a research and industrialization project, which led to returns of government grants of RMB31.5 million. Our deferred income then decreased to RMB34.5 million as of April 30, 2023, primarily due to RMB6.7 million recognized as income during the period.

### BUSINESS COMBINATION

During the Track Record Period, we have acquisition of Shanghai UBJ and Jiangsu Tianhui. We confirmed that these acquisitions did not constitute major transactions or very substantial acquisitions under the Listing Rules and no disclosures on the pre-acquisition financial informations of Shanghai UBJ and Jiangsu Tianhui are required pursuant to Rule 4.05A of the Listing Rules.

We considered that we have complied with the requirements in relation to the acquisition under Rule 4.05A of the Listing Rule.

### Shanghai UBJ

During the Track Record Period, our Group acquired additional equity shares in Shanghai UBJ, which was a former associate of our Group, and accounted for our subsidiary in July 2022. We acquired the additional equity shares in order to capture the expected synergies from combining the operations of our Group and Shanghai UBJ. Arising from the acquisition, we recorded goodwill of RMB14.6 million in FY2022. See “Description of Certain Items of Consolidated Statements of Financial Position — Intangible assets — Goodwill” in this section for details.

The acquired business contributed total revenue of RMB60.0 million and net profit of RMB21.2 million to our Group for the period from the acquisition date to December 31, 2022. Had the acquisitions been completed on 1 January 2022, revenue of our Group for FY2022 would be RMB1,042.9 million and net loss of our Group for FY2022 would be RMB963.6 million.

### Jiangsu Tianhui

In December 2022, Wuxi Uqi, our subsidiary, acquired 100% equity interest in Jiangsu Tianhui from shareholders of Jiangsu Tianhui by issuance of 7.82% of capital of Wuxi Uqi. Jiangsu Tianhui became a wholly owned subsidiary of Wuxi Uqi after the acquisition. The transaction was treated as business combination of the Group. Arising from the acquisition, we recorded goodwill of RMB61.0 million in FY2022. See “Description of Certain Items of Consolidated Statements of Financial Position — Intangible assets — Goodwill” in this section for details.

The acquired business did not contribute any revenue nor net profit to our Group since the acquisition date, December 31, 2022. Had the acquisitions been completed on January 1, 2022, revenue of our Group for FY2022 would be RMB1,035.9 million and net loss of our Group for FY2022 would be RMB984.5 million.

Jiangsu Tianhui is principally engaged in intelligent information system design, development, operation and maintenance. Our Directors believe the Jiangsu Tianhui Acquisition could (i) further expand and strengthen the competitiveness of our logistics solutions business given its existing business relationships with certain new energy vehicle-related manufacturers in the PRC, skilled professional team and business on hand and (ii) lower down our reliance on MAE Group.



## FINANCIAL INFORMATION

As a result, it is expected that the Jiangsu Tianhui Acquisition will enable us to achieve greater income source in the future through enhancing our competitiveness in project tendering for certain new energy vehicle-related manufacturers which Jiangsu Tianhui has already had strong business relationship with. Based on the synergies it will bring in the future, we expect the revenue of Jiangsu Tianhui to increase in the year ending December 31, 2023 and the goodwill generated from the Jiangsu Tianhui Acquisition was considered reasonable.

### INDEBTEDNESS

The following table sets forth the breakdown of our total indebtedness as of the dates indicated:

	As of December 31,			As of April 30,	As of June 30,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank borrowings . . .	576,216	758,404	622,662	915,032	934,416
Lease liabilities . . . .	97,810	86,930	66,134	62,120	58,981
Total . . . . .	674,026	845,334	688,796	977,152	993,397

### Borrowings

Our borrowings primarily consist of bank borrowings. The following table sets forth a breakdown of our borrowings as of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023 (being the latest practicable date for the purpose of determining our indebtedness):

	As of December 31,			As of April 30,	As of June 30,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans					
— Secured . . . . .	—	90,514	30,028	—	—
— Secured and guaranteed . . . .	413,143	366,902	356,194	615,634	636,924
— Unsecured and guaranteed . . . .	163,073	300,988	236,440	299,398	297,492
	576,216	758,404	622,662	915,032	934,416
Less: Non-current portion . . . . .	—	(106,538)	(295,891)	(448,831)	(496,355)
Current portion . .	576,216	651,866	326,771	466,201	438,061

Our bank loans increased as of December 31, 2021 due to our business expansion and increased need for capital expenditure for our Shenzhen headquarters. Our bank borrowings decreased as of December 31, 2022 due to our repayment of bank loans. Our bank borrowing increased as of February 28, 2023. As of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, 2023, our Group’s bank borrowings of nil, RMB306.9 million, RMB298.2 million, RMB557.6 million and RMB601.9 million, respectively, were guaranteed by Mr. Zhou Jian. We have received confirmation from China CITIC Bank, Shenzhen branch that the aforementioned guarantees provided by Mr. Zhou Jian will be released upon [REDACTED]. See “Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — (iii) Financial independence” for details.

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Fixed-rate bank loans amounting to RMB475.5 million, RMB651.9 million, RMB324.5 million, RMB457.5 million and RMB432.6 million carried interest ranging from 2.45% to 5.96%, 2.00% to 8.00%, 2.95% to 5.66%, 2.95% to 5.96% and 4.15% to 5.96% per annum as of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, respectively. The remaining borrowings amounting to RMB100.7 million, RMB106.5 million, RMB298.2 million, RMB457.5 million and RMB501.8 million are carried at variable rates with effective interest rates ranging from 2.25% to 6.74%, 6.84%, 6.84%, 6.84% and 6.84% per annum as of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, respectively.

As of June 30, 2023, we had unutilized banking facilities of RMB1,473.2 million, all of which are committed and unrestricted. Our Directors confirm that there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

### Pledge of assets

The following table sets forth the assets that were pledged to secure certain note payables, bank borrowings and facilities granted to our Group as of the date indicated:

	As of December 31,			As of April 30,	As of June 30,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Restricted cash . . . . .	114,189	167,629	48,181	47,859	4,388
Right-of-use assets . . . . .	327,625	341,649	303,791	287,912	285,929
	441,814	509,278	351,972	335,771	290,317

As of December 31, 2020, 2021 and 2022 and April 30, 2023, 100% equity interest of Shenzhen UBTECH Technology Industrial Co., Ltd., a subsidiary of our Group, has been pledged to secure bank loans of our Group mainly for our construction of property, plant and equipment.

### Lease liabilities

Our Group has adopted HKFRS 16 consistently throughout the Track Record Period. As such, leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group’s consolidated statements of financial position. Our lease liabilities decreased from RMB97.8 million as of December 31, 2020 to RMB86.9 million as of December 31, 2021 and further decreased to RMB66.1 million as of December 31, 2022, mainly due to repayments of lease liabilities partially offset by the addition of new leases. Our lease liabilities then remained relatively stable at RMB62.1 million as of April 30, 2023.

Except as disclosed above, as of June 30, 2023, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, or guarantees.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURES

Our capital expenditures primarily include expenditures on acquisitions of property, plant and equipment and right-of-use assets for our operations. Our Group incurred capital expenditures of RMB239.6 million, RMB309.2 million, RMB501.5 million and RMB161.3 million in FY2020, FY2021, FY2022 and 4M2023, respectively. Between May 1, 2023 and the Latest Practicable Date, we had capital expenditures of RMB159.1 million primarily for the construction of our headquarters in Shenzhen.

For the year ending December 31, 2023, we estimate that the capital expenditures will amount to approximately RMB1,141.2 million primarily for the construction of our headquarters in Shenzhen.

Our Group’s projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See “Future Plans and [REDACTED]” in this document for further information.

We expect to fund our contractual commitments and capital expenditures principally through the [REDACTED] we receive from the [REDACTED] and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

### CONTRACTUAL COMMITMENTS

#### Capital commitments

The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
	RMB’000	RMB’000	RMB’000	2023
Property, plant and equipment . . . . .	<u>763,957</u>	<u>767,733</u>	<u>577,214</u>	<u>478,014</u>

### CONTINGENT LIABILITIES

Our Group had no material contingent liabilities outstanding as of December 31, 2020, 2021 and 2022 and April 30, 2023.

Our Directors have confirmed that there has no material contingent liabilities since May 1, 2023 up to the Latest Practicable Date.

## FINANCIAL INFORMATION

### PROPERTY VALUATION

International Valuation Limited, an independent property valuer, has valued our property interests as of June 30, 2023 and is of the opinion that the total market value in existing state as of such date was RMB222.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document. A reconciliation of the net book value of our properties as of April 30, 2023 as set out in the “Accountant’s Report” in Appendix I to this document to their fair value as of June 30, 2023 as stated in the property valuation report set out in “Property Valuation Report” in Appendix III to this document is set out below:

	<b>RMB’000</b> <b>(Unaudited)</b>
Land and buildings and leasehold improvement as of April 30, 2023 . . . . .	1,217,324
Add: Additions during the period from May 1, 2023 to June 30, 2023 . . . . .	54,850
Less: Depreciation during the period from May 1, 2023 to June 30, 2023 . . . . .	(3,440)
Net book value as of June 30, 2023 . . . . .	1,268,734
Less: net book value of properties without commercial value . . . . .	(1,056,503)
Net valuation surplus . . . . .	9,789
Valuation of properties owned by our Group as of June 30, 2023 as set out in the property valuation report in Appendix III to this document . . . . .	222,020

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of each of the dates indicated:

	As of or for the year ended December 31,			As of or for the period ended April 30,
	2020	2021	2022	2023
	Gross profit margin <sup>(1)</sup> (%) . . . . .	44.7	31.3	29.2
Current ratio <sup>(2)</sup> (times) . . . . .	1.2	1.0	1.0	1.4
Quick ratio <sup>(3)</sup> (times) . . . . .	0.9	0.7	0.8	1.2
Gearing ratio <sup>(4)</sup> (%) . . . . .	65.8	111.2	65.4	61.0

*Notes:*

- (1) Calculated by dividing gross profit by revenue for the year multiplied by 100%. See “Review of Historical Results of Operation” in this section for more details on our gross profit margins.
- (2) Calculated by dividing total current assets by total current liabilities as of the end of the year.
- (3) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year.
- (4) Calculated by dividing total interest-bearing borrowings and lease liabilities divided by total equity as of the end of the year/period multiplied by 100%.

#### **Gross profit margin before net write-down of inventories and gross profit margin**

See “Review of Historical Results of Operation” in this section for details on our gross profit margins.

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## FINANCIAL INFORMATION

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### Current ratio and quick ratio

Our current ratio and quick ratio decreased from 1.2 times and 0.9 times as of December 31, 2020, respectively, to 1.0 times and 0.7 times as of December 31, 2021, respectively, mainly due to the (i) decrease in cash and cash balances of RMB348.7 million which was mainly used to support daily operation and purchase of property, plant and equipment; (ii) increase in trade payables of RMB170.1 million due to increase in procurement of raw materials and sub-contracting services; (iii) increase in other payables and accruals of RMB97.8 million; and (iv) increase in current portion of borrowings of RMB75.7 million. The decrease was partially offset by the (i) increase in trade receivables of RMB231.5 million due to the more logistics smart robotic products and solutions were completed and delivered in the fourth quarter of the year; and (ii) increase in prepayments, deposits and other receivables of RMB100.9 million mainly resulting from the increase in recoverable VAT and other taxes of RMB61.6 million which was related to the increase in purchase of materials and fixed assets. Our current ratio and quick ratio then remained relatively stable at 1.0 times and 0.8 times as of December 31, 2022, respectively. Our current ratio and quick ratio then increased to 1.4 times and 1.2 times as of April 30, 2023, primarily due to the increase in cash and cash equivalents of RMB550.4 million resulting from the consideration received from the [REDACTED] investments of RMB820.0 million in January 2023.

### Gearing ratio

Our gearing ratio increased from 65.8% as of December 31, 2020 to 111.2% as of December 31, 2021, primarily attributable to the increase in bank borrowings and decrease in equity due to losses from our operation. Our gearing ratio decreased to 65.4% as of December 31, 2022, mainly due to decrease in bank borrowings. Despite the increase in borrowings from RMB622.7 million as of December 31, 2022 to RMB915.0 million as of April 30, 2023, our gearing ratio decreased to 61.0% as of April 30, 2023 primarily due to the increase in total equity mainly resulting from the issuance of shares for Pre-[REDACTED] investments of RMB820.0 million in January 2023.

### TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountant’s Report to this document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favorable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to (i) market risk (including foreign exchange risk and cash flow and fair value interest rate risk); (ii) credit risk; and (iii) liquidity risk.

Details of the risk to which we are exposed to are set out in note 3 to Accountant’s Report.

### OFF-BALANCE SHEET ARRANGEMENT

As of the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

### DISTRIBUTABLE RESERVES

As of April 30, 2023, we did not have any distributable reserves.

We had negative reserves attributable to owner of the Company as of January 1, 2020 primarily due to the accumulated losses of RMB1,804.3 million derived from net losses of our Group prior to the Track Record Period.

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## FINANCIAL INFORMATION

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### DIVIDEND POLICY

During the Track Record Period, no dividend has been paid or declared by our Company. In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion and any dividend will be subject to Shareholder’s approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. As of the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios. As advised by our PRC Legal Adviser, (i) when distributing each year’s after-tax profits, the Company shall set aside 10% of its after-tax profits for the Company’s statutory common reserve (except where such reserve has reached 50% of the Company’s registered capital); (ii) if the Company’s statutory common reserve is not enough to make up for its accumulated losses for the previous year, the current year’s profits shall first be used for making up the accumulated losses before the statutory common reserve is set aside according to the method mentioned hereof; and (iii) after the Company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the Company may make an allocation to a discretionary common reserve from the after-tax profits.

### [REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are [REDACTED], representing [REDACTED]% of the gross [REDACTED] from the [REDACTED] (based on the mid-point of the [REDACTED] range of [REDACTED] per shares and assuming no [REDACTED] will be exercised), among which (i) [REDACTED], including [REDACTED] commission and other expenses fees, are expected to be approximately [REDACTED], and (ii) other non-[REDACTED] expenses are expected to be approximately [REDACTED], comprising (a) fees and expenses of legal advisers and Reporting Accountant of approximately [REDACTED] and (b) other fees and expenses of approximately [REDACTED].

During the Track Record Period, [REDACTED] of [REDACTED] and [REDACTED] were charged to our consolidated income statements in FY2022 and 4M2023, respectively. We expect to incur [REDACTED] commissions and other additional [REDACTED] expenses of [REDACTED] after April 30, 2023 (assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] stated in this document), of which [REDACTED] will be charged to the consolidated income statements after April 30, 2023, and [REDACTED] will be deducted from equity upon completion of the [REDACTED]. The [REDACTED] above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

### UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS PER SHARE

Please see the section “Unaudited [REDACTED] Financial Information” in Appendix II for our unaudited [REDACTED] adjusted consolidated net tangible assets per Share.

### SUBSEQUENT EVENTS

There is certain subsequent event happened after April 30, 2023. For details, see note 43 of the Accountant’s Report.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Please see the section headed “Summary and Highlights — Recent Developments” of this document for details.