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 an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research development (R&D) of smart service robotic products and services. Our offerings, ranging from consumer-level robots and appliances, enterprise-level smart service robotic products and services tailored for education, logistics and other sectors, are equipped to different extent with smart features that sense, interact, analyze and process human instructions and external environment such as mapping, temperature measurement and facial recognition. According to Frost & Sullivan, we are the No. 3 in the smart service robotic products and services 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 services (in terms of revenue) in 2022 with a market share of 22.5%.

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our total revenue was RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million, respectively. We incurred a net loss of RMB707.0 million, RMB917.5 million, RMB987.4 million, RMB515.2 million and RMB547.9 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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".

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 products and services industry

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

The smart service robotic products and services 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 products and services 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 products and services 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 products and services industry and in particular, the growth of our revenue from provision of smart service robotic products and services. 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 services 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 services to various industries, in particular the education and logistics industries. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, the aggregate revenue from the education and logistics industries accounted for 84.4%, 79.8%, 77.3%, 77.3% and 58.4% 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.

According to Frost & Sullivan, at the present stage, the programme writing education 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, education smart 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 services 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 services, which in turns affect our results of operation.

According to Frost & Sullivan, robotic automation products and services 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 services 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 services 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 services. 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 smart service 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 hardware devices is susceptible to the purchasing power of consumers and market sentiment.

Leveraging our self-developed technology capabilities, we intend to further expand our product and service 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**]".

Our ability to design and develop new smart service robotic products and services 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-related services 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 services and to introduce new products and services 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 services, create new products and services 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 7,660 units of humanoid Alpha Mini (non-education), which amounted to RMB16.1 million, remained in our inventories as of June 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 total write-down of inventories of RMB14.6 million, in relation to this product as of June 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, 6M2022 and 6M2023, our R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB205.0 million and RMB224.3 million, respectively. Such R&D cost represented approximately 57.9%, 63.3%, 42.3%, 72.3% and 85.9% of our total revenue in the same years/periods, respectively. Our failure to improve our products and services, offer new products and services 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.

Revenue mix

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

	FY2020				FY2021				FY2022				6M2022				6M2023			
	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	% (Unaudited)	RMB'000	%	RMB'000	%	RMB'000	%
Education smart robotic products and services	612,249	82.7	309,865	50.6	461,843	56.5	207,045	44.8	516,688	51.2	290,079	56.1	177,984	62.8	87,125	49.0	75,668	29.0	26,632	35.2
Logistics smart robotic products and services	12,690	1.7	1,885	14.9	190,786	23.3	26,919	14.1	263,437	26.1	20,843	7.9	41,129	14.5	4,461	10.8	76,801	29.4	9,547	12.4
Other sector-tailored smart robotic products and services	38,598	5.2	17,720	45.9	90,245	11.0	40,365	44.7	82,418	8.2	55,039	66.8	9,279	3.3	(3,239)	(34.9)	22,246	8.5	8,142	36.6
Consumer-level robots and other hardware devices	62,016	8.4	19,164	30.9	67,795	8.3	(17,869)	(26.4)	132,448	13.1	(2,955)	(2.2)	46,765	16.5	(12,596)	(26.9)	85,028	32.6	13,871	16.3
Others[(Note)]	14,673	2.0	(5,316)	(36.2)	6,561	0.9	696	10.6	13,281	1.4	1,657	12.5	8,366	3.0	1,936	23.1	1,396	0.5	(3,556)	(254.7)
Sub-total	740,226	100.0	343,318	46.4	817,230	100.0	257,156	31.5	1,008,272	100.0	364,663	36.2	283,523	100.0	77,687	27.4	261,139	100.0	54,636	20.9
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	(38,862)		N/A	N/A	(1,999)	
Total	740,226	100.0	330,738	44.7	817,230	100.0	255,953	31.3	1,008,272	100.0	294,045	29.2	283,523	100.0	38,825	13.7	261,139	100.0	52,637	20.2

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 services segment, as well as the fluctuation of gross profit margins among different revenue stream. If we fail to evaluate and adjust our portfolio of robotic products and services offerings from time to time to focus on items with higher gross profit margins, our profitability may be materially and adversely affected.

Competition and pricing

We face competition in the smart service robotic products and services 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 services in late 2020, as a late joiner, we decided to use low-pricing strategy to capture market share in logistics smart robotic products and services 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 and mobile smart robotic products and services industry 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 smart service robotic products during the Track Record Period. The following table hypothesizes the impact of increase or decrease in the average selling price of our smart service 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	Hypothetical (decrease)/ increase loss before taxation for FY2021	Hypothetical (decrease)/ increase loss before taxation for FY2022	Hypothetical (decrease)/ increase loss before taxation for 6M2022	Hypothetical (decrease)/ increase loss before taxation for 6M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Hypothetical increase/(decrease) of 5%	(24,969)/24,969	(20,326)/20,326	(22,117)/22,117	(7,773)/7,773	(5,854)/5,854
Hypothetical increase/(decrease) of 10%	(49,937)/49,937	(40,652)/40,652	(44,234)/44,234	(15,546)/15,546	(11,709)/11,709
Hypothetical increase/(decrease) of 15%	(74,906)/74,906	(60,978)/60,978	(66,351)/66,351	(23,320)/23,320	(17,563)/17,563

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	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
1st quarter	82,753	170,383	57,903	57,903	99,649
2nd quarter	327,380	178,592	225,620	225,620	161,490
3rd quarter	128,514	154,748	245,670	N/A	N/A
4th quarter	201,579	313,507	479,079	N/A	N/A
	740,226	817,230	1,008,272	283,523	261,139

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 services 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%, 54.6% and 61.0% of our total cost of sales for FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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, 6M2022 and 6M2023, our subcontracting fee amounted to RMB80.3 million, RMB105.8 million, RMB63.8 million, RMB37.6 million and RMB6.9 million, respectively, accounted for 19.6%, 18.8%, 8.9%, 15.4% and 3.3% 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.

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 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 6M2022	Hypothetical increase/ (decrease) in loss before taxation for 6M2023
	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)	8,558/(8,558)	6,702/(6,702)
Hypothetical increase/(decrease) of 10%	29,772/(29,772)	45,713/(45,713)	52,270/(52,270)	17,115/(17,115)	13,404/(13,404)
Hypothetical increase/(decrease) of 15%	44,658/(44,658)	68,570/(68,570)	78,405/(78,405)	25,673/(25,673)	20,106/(20,106)

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are material to the preparation of our Group's consolidated 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 "Critical Accounting Estimates and Judgments" 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 material accounting policies, critical accounting 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.

Material 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.

(b) Revenue from provision of ancillary 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 provision of ancillary services. 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 initial public offering 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 listing of our Company's share and the number of grantees that will remain in employment with our Group by 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 expenditures 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 reporting period in which they are incurred.

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 of estimated useful lives and remaining lease terms 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 assets of similar value to the right-of-use assets 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 assets' 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 assets' 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. Gain and loss 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.

(b) Trademarks, customer contracts and relationships

Separately acquired trademarks are shown at historical cost. Customer contracts and 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 at 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 losses.

(d) Amortization method and period

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

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

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. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by our Group.

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.

(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.

Critical Accounting Estimates and Judgments

Revenue from customer 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 judgments 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, estimated 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 its 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 discount rate and growth rate to use in the calculation of the present value of the estimated future 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.

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, estimated 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 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 ECL

The measurement of 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 judgments are 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 initial public offering 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 listing of the Company's share and the number of grantees that will remain in employment with our Group by 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.

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	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	740,226	817,230	1,008,272	283,523	261,139
Cost of sales	(409,488)	(561,277)	(714,227)	(244,698)	(208,502)
Gross profit	330,738	255,953	294,045	38,825	52,637
Selling and marketing expenses	(313,298)	(357,607)	(361,023)	(171,563)	(189,848)
General and administrative expenses	(212,061)	(325,899)	(398,083)	(162,461)	(177,550)
Research and development expenses	(428,766)	(517,072)	(428,280)	(204,995)	(224,337)
Net impairment (losses)/reversal of impairment on financial assets	(40,067)	(7,358)	(46,386)	(9,852)	(8,653)

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income and expenses, net	85,720	76,013	9,467	(7,406)	13,091
Other losses and gains, net	(17,833)	(6,555)	(23,014)	14,147	(7,506)
Operating loss	(595,567)	(882,525)	(953,274)	(503,305)	(542,166)
Finance income	12,715	12,703	3,628	2,525	3,369
Finance costs	(49,104)	(30,555)	(26,734)	(17,734)	(8,828)
Finance costs, net	(36,389)	(17,852)	(23,106)	(15,209)	(5,459)
Share of results of investments accounted for using the equity method	(43,539)	(584)	5,521	3,776	—
Loss before income tax	(675,495)	(900,961)	(970,859)	(514,738)	(547,625)
Income tax expense	(31,504)	(16,558)	(16,509)	(420)	(292)
Loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Losses attributable to:					
Owners of the Company	(706,990)	(920,180)	(974,809)	(509,903)	(532,793)
Non-controlling interests	(9)	2,661	(12,559)	(5,255)	(15,124)
	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)

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	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of net loss and "adjusted net loss (non-HKFRS measures)" and "adjusted EBITDA (non-HKFRS measures)"					
Net loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Add:					
Share-based compensation	64,490	156,396	204,387	114,916	179,466
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss for the year/period (Non-HKFRS measure)	(642,509)	(761,123)	(782,037)	(400,242)	(366,903)
Add:					
Interest expenses(Note)	54,414	32,222	24,435	15,438	8,823
— Interest expenses on lease liabilities	*3,969*	*4,245*	*3,185*	*1,580*	*1,405*
— Interest expenses on borrowings	*49,853*	*29,811*	*38,688*	*21,894*	*25,311*
— Interest expenses on advances from ultimate controlling shareholder	*592*	—	—	—	—
— Interest expenses capitalised	—	*(1,834)*	*(17,438)*	*(8,036)*	*(17,893)*
Income tax expense	31,504	16,558	16,509	420	292
Depreciation of right-of-use assets	31,055	41,355	36,693	20,505	18,452
Depreciation of property, plant and equipment	46,183	54,754	51,018	26,534	22,136
Amortization of intangible assets	1,886	3,596	2,332	790	2,334
Less:					
Finance income	12,715	12,703	3,628	(2,525)	(3,369)
Adjusted EBITDA (Non-HKFRS measure)	(490,182)	(625,341)	(654,678)	(339,080)	(318,235)

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

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 services and consumer-level robots and other 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 RMB339.1 million in 6M2022 to negative RMB318.2 million in 6M2023, primarily due to the increased gross profit resulting from improved gross profit margin for other sector-tailored smart robotic products and services and consumer-level robots and other hardware devices segments, decreased net write-down of inventories in 6M2023 and increased share-based compensation in 6M2023. 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 services, (ii) logistics smart robotic products and services, (iii) other sector-tailored smart robotic products and services and (iv) consumer-level robots and other hardware devices. In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our total revenue was RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million, respectively. The following table sets out our revenue by products and services during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Education smart robotic products and services	612,249	82.7	461,843	56.5	516,688	51.2	177,984	62.8	75,668	29.0
Logistics smart robotic products and services	12,690	1.7	190,786	23.3	263,437	26.1	41,129	14.5	76,801	29.4
Other sector-tailored smart robotic products and services	38,598	5.2	90,245	11.0	82,418	8.2	9,279	3.3	22,246	8.5
Consumer-level robots and other hardware devices	62,016	8.4	67,795	8.3	132,448	13.1	46,765	16.5	85,028	32.6
Others*(Note)*	14,673	2.0	6,561	0.9	13,281	1.4	8,366	2.9	1,396	0.5
Total	740,226	100.0	817,230	100.0	1,008,272	100.0	283,523	100.0	261,139	100.0

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.

By products and services

(i) Education smart robotic products and services

Our education smart robotic products and services are adopted in various schools at different levels and training centres. The major customers mainly include government educational bureaus and enterprises who purchase our education smart robotic products and services 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 services included (i) education hardware products and services, and software and (ii) ancillary services.

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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 (Unaudited)	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
– Education hardware products and services, and software	403,702	128	3,150	254,654	68	3,740	279,874	60	4,702	100,601	22	4,646	16,504	13	1,312
– Others[(1)]	103,583	N/A	N/A	95,752	N/A	N/A	139,320	N/A	N/A	26,308	N/A	N/A	22,895	N/A	N/A
Subtotal of education hardware products and services, and software	507,285			350,406			419,194			126,909			39,399		
Ancillary services[(2)]	104,964	N/A	N/A	111,437	N/A	N/A	97,494	N/A	N/A	51,075	N/A	N/A	36,269	N/A	N/A
Total of education smart robotic products and services	612,249			461,843			516,688			177,984			75,668		

Notes:

(1) "Others" under our education smart robotic products and services 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 education smart 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 education smart robotic products. We generally sell them in conjunction with our education hardware products, services 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 Services — At Enterprise level — Education Smart Robotic Products and Services" 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 products and services 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 services segment mainly included (i) providing professional team support for teacher training and operation and utilization of our products and services; and (ii) designing project services, themed activities and competitions. We generally sell them in conjunction with our education hardware products, services and software to schools and educational institutions which wish to further customize our products and services to suit their educational objectives and/or provide training for teachers on how to use our products and services as well as to help develop their proficiency in A.I. education. Please refer to the section headed "Business — Our Products and Services — At Enterprise level — Education Smart Robotic Products and Services" of this document for further details of such ancillary services.

Education hardware products and services, and software

From FY2020 to FY2022, majority of our revenue from education smart robotic products and services were generated from sales of education hardware products and services, 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 services during the respective years. Our sales of education hardware products and services, and software, amounted to RMB100.6 million and RMB16.5 million in 6M2022 and 6M2023, respectively, accounting for 56.5% and 21.8% of our total revenue from education smart robotic products and services during the respective periods. Thus, our revenue from education smart robotic products and services is susceptible to (i) fluctuations in the revenue from the sales of education hardware products and services, 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 services, and software was mainly derived from the sales of our education smart 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, RMB96.1 million and RMB13.7 million from the sales of these education smart robots in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, represented 64.5%, 52.7%, 52.4%, 54.0% and 18.1% of the total sales of education smart robotic products and services in the corresponding years/periods, whilst the sales volume of these education smart robots represented 96.8%, 97.5%, 97.4%, 98.0% and 96.6% of our total sales volume of education hardware products and services, and software in the respective years/period.

Our revenue from education smart robotic products and services 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 services, 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 services, 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 services in them.

Our sales of education hardware products and services, and software decreased by RMB84.1 million in 6M2023, primarily due to a large sales order to a customer in Shaoyang of RMB66.8 million for promoting the use of STEAM products in schools in Shaoyang, represented total of 12,010 units, which did not recur in 6M2023, which led to the decrease in sales volume of education hardware products and services, and software from 21,650 units in 6M2022 to 12,580 units in 6M2023. The average selling price of education hardware products and services, and software decreased from RMB4,650 per unit in 6M2022 to RMB1,310 per unit in 6M2023 primarily due to the decrease in average selling price of uKit and Jimu from RMB3,990 per unit in 6M2022 to RMB900 per unit in 6M2023 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 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 education smart robotic products, expansion packs and ancillary hardware, which complement our education smart robots. Such sales represented 16.9%, 20.7%, 27.0%, 14.8% and 30.3% of our revenue from education smart robotic products and services in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. In FY2022, the revenue was relatively higher because it included sales of a tailor-made products and services for simulating production line for vocational education purpose, of RMB27.0 million, to Customer F. Our revenue from sales of others decreased by RMB3.4 million from 6M2022 to 6M2023 primarily due to the decrease in sales of ancillary accessories of Alpha Mini (education) of RMB4.1 million following the decrease in sales of Alpha Mini (education) in 6M2023.

Ancillary services

During the Track Record Period, our ancillary services offering mainly included (i) providing professional team support for teacher training and operation, and utilization of our products and services, and (ii) designing project services, 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, RMB51.1 million and RMB36.3 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, which accounted for 17.1%, 24.1%, 18.9%, 28.7% and 47.9% of our revenue from education smart robotic products and services in the respective years/periods. We had 11, 22, 18, 17 and 10 revenue-generating projects in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

(ii) Logistics smart robotic products and services

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

FY2020			FY2021			FY2022			6M2022			6M2023		
Revenue	Number of project	Average revenue per project(Note)	Revenue	Number of project	Average revenue per project(Note)	Revenue	Number of project	Average revenue per project(Note)	Revenue	Number of project	Average revenue per project(Note)	Revenue	Number of project	Average revenue per project(Note)
RMB'000	Projects	RMB'000/ project	RMB'000	Projects	RMB'000/ project	RMB'000	Projects	RMB'000/ project	RMB'000 (Unaudited)	Projects	RMB'000/ project	RMB'000	Projects	RMB'000/ project
12,690	2	6,345	190,786	43	4,437	263,437	22	11,974	41,129	9	4,570	76,801	24	3,200

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.

We generated revenue of RMB12.7 million, RMB190.8 million, RMB263.4 million, RMB41.1 million and RMB76.8 million from our logistics smart robotic products and services from two, 43, 22, nine and 24 completed projects in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Since we launched these products and services 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 seven customers in 6M2022 to nine customers in 6M2023. The overall increase in our revenue from this products and services 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 services 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 services were derived through MAE Group, our connected person. Revenue contributed by MAE Group amounted to RMB12.4 million, RMB175.0 million, RMB251.2 million, RMB29.2 million and RMB71.4 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, accounted for 97.6%, 91.7%, 95.4%, 70.9% and 93.0% of the revenue from our logistics smart robotic products and services. 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 services

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

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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 (Unaudited)	Unit	RMB/unit	RMB'000	Unit	RMB/unit
Other sector-tailored smart robotic products and services															
— General service smart robotic products and services[(1)] ...	36,297	420	86,422	77,440	572	135,385	30,569	1,046	29,224	9,021	79	114,186	15,003	248	60,497
— Walker series and others[(2)]	2,301	N/A	N/A	12,805	N/A	N/A	51,849	N/A	N/A	258	N/A	N/A	7,243	N/A	N/A
	38,598			90,245			82,418			9,279			22,246		

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 AIMBOT and 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 decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 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 and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

(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.

We recognized revenue from general service smart robotic products and services of RMB36.3 million, RMB77.4 million, RMB30.6 million, RMB9.0 million and RMB15.0 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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 smart 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 services increased significantly in FY2021.

Our revenue from other sector-tailored smart robotic products and services 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 services increased from RMB9.3 million in 6M2022 to RMB22.2 million in 6M2023 primarily due to the sales of a tailor-made wellness and elderly care smart robotic products and services for customers in Shenzhen and Beijing of aggregate revenue of RMB8.1 million, which include wellness and elderly care smart robotic products, such as walking assistance smart robot, wheelchair smart robot and companion smart 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 RMB7.2 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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 6M2022 to RMB7.2 million in 6M2023, primarily due to (i) the sales of a Walker 2 humanoid robot in 6M2023 for educational purposes; and (ii) the increase in provision of ancillary services to our customers following the sales Walker series robots and wellness and elderly care smart robotic products.

Our average selling price for 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 (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 services 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 services 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 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 decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 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 and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. We implemented price reductions on the ADIBOT series in order to clear out the existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors since our U.S. subsidiary has disbanded its direct sales team due to non-performance and our Directors are of the view that the financial impact of the costs associated with keeping the relevant direct sales team of the aforementioned product (including, but not limited to, (i) salary of the direct sales team, (ii) storage fees of inventories, (iii) marketing expenses, etc.) exceeded the one-off price reduction in relation to the aforementioned product. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

(iv) Consumer-level robots and other hardware devices

During the Track Record Period, our consumer-level robots and other 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 household devices that aim at bringing convenience to household users by saving their time and increasing efficiency when doing household chores, such as AiRROBO vacuum cleaner.

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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 (Unaudited)	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
Consumer-level robots and other hardware devices															
— Consumer-level robots and other hardware devices	59,372	63	940	65,575	99	664	131,900	206	639	45,847	72	639	83,185	126	658
— Others[(Note)]	2,644	N/A	N/A	2,220	N/A	N/A	548	N/A	N/A	918	N/A	N/A	1,843	N/A	N/A
	62,016			67,795			132,448			46,765			85,028		

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.

From FY2020 to FY2022, our sales of consumer-level robots and other 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 AiRROBO vacuum cleaner, 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 AiRROBO vacuum cleaner 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 hardware devices increased from 6M2022 to 6M2023, primarily due to the increase in sales of humidifiers and AiRROBO cat litter box launched in FY2022, which led to a further increase in sales volume of over 37,000 units and contributed to an increase in revenue of RMB19.7 million in 6M2023 compared to that of 6M2022. In addition, the sales volume of AiRROBO vacuum cleaner also increased by over 21,000 units from 6M2022 to 6M2023, which led to an increase in revenue of RMB18.5 million from the sales of AiRROBO vacuum cleaner in 6M2023. The revenue of our AiRROBO vacuum cleaner accounted for over 45% of our total revenue of consumer-level robots and other hardware devices in FY2022, 6M2022 and 6M2023.

Nevertheless, we experienced a downward trend in our average selling price of consumer-level robots and other 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 6M2023.

By sales channel

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Direct sales	649,792	87.8	697,304	85.3	866,251	85.9	234,720	82.8	164,209	62.9
Distributors and others										
— *Traditional distributors*[(1)]	87,048	11.8	97,958	12.0	55,653	5.5	29,293	10.3	25,947	9.9
— *Online/Offline hybrid distributors*[(2)]	698	0.1	6,957	0.9	6,705	0.7	1,238	0.4	11,720	4.5
Self operated online stores	2,688	0.3	15,011	1.8	79,663	7.9	18,272	6.4	59,263	22.7
Total	**740,226**	**100.0**	**817,230**	**100.0**	**1,008,272**	**100.0**	**283,523**	**100.0**	**261,139**	**100.0**

Notes:

(1) Revenue generated from traditional distributors also included an insignificant sales from consignees and retailers which accounted for not more than 4.0% 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).

During the Track Record Period, majority of our products and services were sold through direct sales to customers, such as government educational bureaus, manufacturer of electronic components and intelligent vehicle equipment. These customers generally procure education and logistics smart robotic products and services from us and sales to these customers are in line with the fluctuation of our revenue from education and logistics smart robotic products and services. Our revenue through direct sales accounted for 87.8%, 85.3%, 85.9%, 82.8% and 62.9% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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%, 10.7% and 14.4% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our distributors mainly procured education smart robotic products and services, consumer-level robots and other 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%, 82.9% and 73.3% of our total revenue in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our overseas sales mainly included the sales to United States, Japan, Belgium and Thailand, which accounted for 7.8%, 7.8%, 13.0%, 17.1% and 26.7% in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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 services.
- 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.

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Raw materials and consumable goods used	217,418	53.1	351,333	62.6	458,890	64.2	133,553	54.6	127,094	61.0
Subcontracting fee	80,301	19.6	105,798	18.8	63,811	8.9	37,600	15.4	6,943	3.3
Overhead expenses	54,703	13.4	74,839	13.3	68,747	9.7	25,412	10.4	40,023	19.2
Direct labor costs	25,507	6.2	17,855	3.2	40,120	5.6	8,721	3.6	28,340	13.6
Installation costs	18,979	4.6	10,249	1.9	12,041	1.7	550	0.1	4,103	1.9
Sub-total	396,908	96.9	560,074	99.8	643,609	90.1	205,836	84.1	206,503	99.0
Net write-down of inventories	12,580	3.1	1,203	0.2	70,618	9.9	38,862	15.9	1,999	1.0
Total	409,488	100.0	561,277	100.0	714,227	100.0	244,698	100.0	208,502	100.0

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our cost of sales was RMB409.5 million, RMB561.3 million, RMB714.2 million, RMB244.7 million and RMB208.5 million, respectively, accounting for 55.3%, 68.7%, 70.8%, 86.3% and 79.8% of our total revenue for the same years/periods, respectively.

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Education smart robotic products and services	302,384	73.8	254,798	45.4	226,609	31.7	90,859	37.1	49,036	23.5
Logistics smart robotic products and services	10,805	2.6	163,867	29.2	242,594	34.0	36,668	15.0	67,254	32.3
Other sector-tailored smart robotic products and services	20,878	5.1	49,880	8.9	27,379	3.8	12,518	5.1	14,104	6.8
Consumer-level robots and applications	42,852	10.5	85,664	15.3	135,403	19.0	59,361	24.3	71,157	34.0
Others *(Note)*	19,989	4.9	5,865	1.0	11,624	1.6	6,430	2.6	4,952	2.4
Sub-total	396,908	96.9	560,074	99.8	643,609	90.1	205,836	84.1	206,503	99.0
Net write-down of inventories	12,580	3.1	1,203	0.2	70,618	9.9	38,862	15.9	1,999	1.0
Total	409,488	100.0	561,277	100.0	714,227	100.0	244,698	100.0	208,502	100.0

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.

(i) Education smart robotic products and services

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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 (Unaudited)	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
— Education hardware products and services, and software	137,409	128	1,072	96,400	68	1,416	102,273	60	1,718	37,904	22	1,751	17,598	13	1,399
— Others[(Note)]	90,516	N/A	N/A	69,049	N/A	N/A	68,523	N/A	N/A	16,270	N/A	N/A	18,358	N/A	N/A
Subtotal of education hardware products and services, and software	227,925			165,449			170,796			54,174			35,956		
Ancillary services	74,459	N/A	N/A	89,349	N/A	N/A	55,813	N/A	N/A	36,685	N/A	N/A	13,080	N/A	N/A
Total of education smart robotic products and services	302,384			254,798			226,609			90,859			49,036		

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 education smart 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 services was generally in line with the fluctuation in its revenue. The average cost per unit sold for our education hardware products and services, 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 services 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 6M2022 to 6M2023, primarily due to the change of product mix because we sold more uKit and Jimu (education) Series in 6M2023, which had a relatively lower average cost per unit of RMB1,170 per unit in 6M2023. The sales volume of our uKit and Jimu (education) Series accounted for 92.5% of our total sales volume of education hardware products and services, and software in 6M2023, while the same accounted for 83.8% in 6M2022.

(ii) Logistics smart robotic products and services

We recorded costs of sales of our logistics smart robotic products and services of RMB10.8 million, RMB163.9 million, RMB242.6 million, RMB36.7 million and RMB67.3 million. Such fluctuation was generally in line with the fluctuation in its revenue except for FY2022. See "Gross profit and Gross profit margin" below.

(iii) Other sector-tailored smart robotic products and services

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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	RMB/unit	RMB'000	Unit	RMB/unit	RMB'000	Unit	RMB/unit	RMB'000 (Unaudited)	Unit	RMB/unit	RMB'000	Unit	RMB/unit
Other sector-tailored smart robotic products and services															
— General service smart robotic products and services	18,722	420	44,576	41,583	572	72,697	15,142	1,046	14,476	9,009	79	114,037	10,570	248	42,621
— Walker series and others*(Note)*	2,156	N/A	N/A	8,297	N/A	N/A	12,237	N/A	N/A	3,509	N/A	N/A	3,534	N/A	N/A
	20,878			49,880			27,379			12,518			14,104		

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 services 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 services 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 services 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 6M2022 to 6M2023 primarily due to the (i) change in product mix because we sold more products of ADIBOT with lower average cost per unit among other sector-tailored smart robotic products and services; and (ii) decrease in cost per unit of our Cruzr series resulting from decrease in scrap in 6M2023.

(iv) Consumer-level robots and other hardware devices

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

	FY2020			FY2021			FY2022			6M2022			6M2023		
	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 (Unaudited)	Unit'000	RMB/unit	RMB'000	Unit'000	RMB/unit
Consumer-level robots and other hardware devices															
— Consumer-level robots and other hardware devices	41,196	63	652	79,974	99	809	132,976	206	644	58,789	72	820	70,497	126	558
— Others[(Note)]	1,656	N/A	N/A	5,690	N/A	N/A	2,427	N/A	N/A	572	N/A	N/A	660	N/A	N/A
	42,852			85,664			135,403			59,361			71,157		

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 hardware devices was generally in line with the fluctuation in its revenue. The average cost per unit for our consumer-level robots and other 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 AiRROBO vacuum cleaner in FY2022, which had relatively lower cost per unit. Our average cost per unit then further decreased in 6M2023, primarily due to change of our product mix because we sold more AiRROBO vacuum cleaner, humidifiers and AiRROBO cat litter box in 6M2023, 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, RMB38.9 million and RMB2.0 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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.

Gross Profit and Gross Profit Margin

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Education smart robotic products and services	309,865	50.6	207,045	44.8	290,079	56.1	87,125	49.0	26,632	35.2
Logistics smart robotic products and services	1,885	14.9	26,919	14.1	20,843	7.9	4,461	10.8	9,547	12.4
Other sector-tailored smart robotic products and services	17,720	45.9	40,365	44.7	55,039	66.8	(3,239)	(34.9)	8,142	36.6
Consumer-level robots and other hardware devices	19,164	30.9	(17,869)	(26.4)	(2,955)	(2.2)	(12,596)	(26.9)	13,871	16.3
Others(Note)	(5,316)	(36.2)	696	10.6	1,657	12.5	1,936	23.1	(3,556)	(254.7)
Sub-total	343,318	46.4	257,156	31.5	364,663	36.2	77,687	27.4	54,636	20.9
Net write-down of inventories	(12,580)		(1,203)		(70,618)		(38,862)		(1,999)	
Total	330,738	44.7	255,953	31.3	294,045	29.2	38,825	13.7	52,637	20.2

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 6M2023 was primarily due to the scrap of certain raw materials in 6M2023.

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our gross profit before net write-down of inventories were RMB343.3 million, RMB257.2 million, RMB364.7 million, RMB77.7 million and RMB54.6 million, respectively, and the respective gross profit margins were 46.4%, 31.5%, 36.2%, 27.4% and 20.9% 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 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 services and consumer-level robots and other hardware devices in 6M2022.

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, we recorded net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB38.9 million and RMB2.0 million, respectively. See "Cost of sales — Net write-down of inventories" above.

As a result, our overall gross profits were RMB330.7 million, RMB256.0 million, RMB294.0 million, RMB38.8 million and RMB52.6 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, and the respective gross profit margins were 44.7%, 31.3%, 29.2%, 13.7% and 20.2% in the respective years/period.

(i) Education smart robotic products and services

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
— Education hardware products and services, and software	266,293	66.0	158,254	62.1	177,601	63.5	62,697	62.3	(1,094)	(6.6)
— Others[(1)]	13,067	12.6	26,703	27.9	70,797	50.8	10,038	38.2	4,537	19.8
Subtotal of education hardware products and services, and software	279,360	55.1	184,957	52.8	248,398	59.3	72,735	57.3	3,443	8.7
Ancillary services[(2)]	30,505	29.1	22,088	19.8	41,681	42.8	14,390	28.2	23,189	63.9
	309,865	50.6	207,045	44.8	290,079	56.1	87,125	49.0	26,632	35.2

Notes:

(1) "Others" under our education smart robotic products and services 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 education smart 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 education smart robotic products. We generally sell them in conjunction with our education hardware products, services 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 Services — At Enterprise level — Education Smart Robotic Products and Services" 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 products and services 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 services segment mainly included (i) providing professional team support for teacher training and operation and utilization of our products and services; and (ii) designing project services, themed activities and competitions. We generally sell them in conjunction with our education hardware products, services and software to schools and educational institutions which wish to further customize our products and services to suit their educational objectives and/or provide training for teachers on how to use our products and services as well as to help develop their proficiency in A.I. education. Please refer to the section headed "Business — Our Products and Services — At Enterprise level — Education Smart Robotic Products and Services" of this document for further details of such ancillary services.

Our education smart robotic products and services 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 services, 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 Customer A among the education smart robotic products and services accounted for 40.7% of our total revenue from education smart robotic products and services 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 services 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 products and services 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 services decreased from 6M2022 to 6M2023, primarily due to the decrease in (i) gross profit margin from education hardware products and services, and software - from a gross profit margin of 62.3% in 6M2022 to a gross loss margin of 6.6% in 6M2023, as a result of the (a) 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, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023. Such sales comprised of approximately 6,000 units of our uKit and Jimu (education) Series which generated approximately RMB1.3 million of revenue at a cost of sale of approximately RMB6.6 million, amounting to gross loss margin of approximately 427.6%. However, we believe that the gross loss margin of our education hardware products and services, and software in 6M2023 will be turned around to a gross profit margin due to the one-off nature of such price reductions and the average selling price of education smart robotic products and services projects with large contract value that we have secured after June 30, 2023 is not affected by such price reductions; and (b) relatively high gross profit margin of 69.4% attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from such customer among the education smart robotic products and services accounted for 66.4% of our total revenue from education smart robotic products and services in 6M2022, which did not recur in 6M2023; and (ii) gross profit margin from others from 38.2% in 6M2022 to 19.8% in 6M2023, primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) of RMB4.1 million and RMB2.1 million, respectively, which had a relatively higher gross profit margin of over 50% in 6M2022. The decrease in gross profit margin was partially offset by the increase in gross profit margin from our ancillary services from 28.2% in 6M2022 to 63.9% in 6M2023, 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 services

Our gross profit margin from sales of logistics smart robotic products and services were 14.9%, 14.1%, 7.9%, 10.8% and 12.4% in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. The logistics smart robotic products and services attained relatively lower gross profit margin compared to other types of products and services 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 6M2022 to 6M2023, primarily due to the relatively higher gross profit of over 20% from a project completed in 6M2023 which contributed revenue of RMB18.1 million.

(iii) Other sector-tailored smart robotic products and services

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin	Gross profit/(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Other sector-tailored smart robotic products and services										
— General service smart robotic products and services	17,575	48.4	35,857	46.3	15,427	50.5	12	0.1	4,433	29.5
— Walker series and others*(Note)*	145	6.3	4,508	35.2	39,612	76.4	(3,251)	(1,260.1)	3,709	51.2
	17,720	45.9	40,365	44.7	55,039	66.8	(3,239)	(34.9)	8,142	36.6

Note: Walker series and others mainly represented the sales of Walker series and accessories. The gross loss attained from Walkers and others in 6M2022 was primarily due to the scrap of accessories of Atris series of RMB3.4 million.

Our gross profit margin from sales of other sector-tailored smart robotic products and services 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 other sector-tailored smart robotic products and services in 6M2022 primarily due to the scrap of Cruzr series which constituted gross loss of RMB1.7 million and gross loss margin of 68.8%, and gross loss attained from Walkers and others in 6M2023, which was primarily due to the scrap of accessories of Atris series of RMB3.4 million in 6M2022.

Our gross loss from sales of other sector-tailored smart robotic products and services in 6M2022 turned to a gross profit in 6M2023, primarily due to the decrease in scrap of Cruzr series and Atris series in 6M2023 and the increase in gross profit from the sale of Walker series and others in 6M2023 and tailor-made wellness and elderly care smart robotic products and services for two customers in Shenzhen and Beijing with aggregate revenue of RMB8.1 million and gross profit margin of over 75%, which include wellness and elderly care smart robotic products, such as walking assistance smart robot and wheelchair smart robot which were of higher average selling price, tailor-made software platform and related services.

(iv) Consumer-level robots and other hardware devices

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Consumer-level robots and other hardware devices										
— Consumer-level robots and other hardware devices	18,176	30.6	(14,399)	(22.0)	(1,076)	(0.8)	(12,942)	(28.2)	12,688	15.3
— Others[(Note)]	988	37.4	(3,470)	(156.3)	(1,879)	(343.4)	346	37.7	1,183	64.2
	19,164	30.9	(17,869)	(26.4)	(2,955)	(2.2)	(12,596)	(26.9)	13,871	16.3

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 hardware devices attained relatively lower gross profit margin compared to other types of products and services, which was mainly because we sold products and hardware devices instead of providing products and services 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-level robots and other hardware devices decreased in FY2022 primarily due to the increase in sales of AiRROBO vacuum cleaner, 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 loss from consumer-level robots and other hardware devices of RMB12.6 million for 6M2022 turned to a gross profit of RMB13.9 million for 6M2023. We had a gross loss for consumer-level robots and other hardware devices in 6M2022 primarily due to 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. The gross loss margin turned to gross profit margin of 16.3% for 6M2023 primarily due to (i) gross profit margin of 5% attained by our Alpha Mini (non-education) in 6M2023 compared to a gross loss margin in 6M2022 resulting from decrease in scrap in 6M2023; (ii) change in product mix because of the increase in sales of AiRROBO vacuum cleaner and humidifiers which contributed over 50% of the total revenue of consumer-level robots and other hardware devices, and attained gross profit margin of 18.0% and 49.1% in 6M2023, respectively; and (iii) introduction of cleaning pool robots which attained gross profit of RMB2.1 million and gross profit margin of around 40% in 6M2023.

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		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	180,434	57.6	226,291	63.3	235,932	65.4	119,627	69.7	115,787	61.0
Advertising and promotion	78,705	25.1	63,435	17.7	50,784	14.1	21,374	12.5	28,202	14.9
Marketing, conference and traveling expenses	23,775	7.6	33,921	9.5	31,950	8.8	12,016	7.0	15,491	8.2
Depreciation and amortization	12,325	3.9	15,553	4.3	16,136	4.5	8,772	5.1	9,358	4.9
Others(Note)	18,059	5.8	18,407	5.2	26,221	7.2	9,774	5.7	21,010	11.1
Total	313,298	100.0	357,607	100.0	361,023	100.0	171,563	100.0	189,848	100.0

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, RMB171.6 million and RMB189.8 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our selling and marketing expenses accounted for 42.3%, 43.8%, 35.8%, 60.5% and 72.7% during the respective years/periods.

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 share-based payments to facilitate 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		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	144,186	68.0	224,496	68.9	233,379	58.6	128,946	79.4	141,946	79.9
Depreciation and amortization	26,258	12.4	34,055	10.4	31,405	7.9	17,375	10.7	15,907	9.0
Business development, conference and traveling expenses	11,057	5.2	9,547	2.9	10,793	2.7	3,475	2.1	5,425	3.1
Office expenses	10,502	5.0	14,578	4.5	10,884	2.7	4,465	2.7	4,982	2.8

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Professional service fees	7,057	3.3	30,877	9.5	5,197	1.3	4,044	2.5	3,424	1.9
Share-based payments to facilitate acquisition of a subsidiary	—	—	—	—	91,999	23.1	—	—	—	—
Others[(Note)]	13,001	6.1	12,346	3.8	14,426	3.7	4,156	2.6	5,866	3.3
Total	212,061	100.0	325,899	100.0	398,083	100.0	162,461	100.0	177,550	100.0

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, RMB162.5 million and RMB177.6 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our general and administrative expenses accounted for 28.6%, 39.9%, 39.5%, 57.3% and 68.0% 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 listing attempts, which included expenses for legal and accounting services and financial advisory service.

In FY2022, we had share-based payments to facilitate 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 Track Record Period" and note 30(b) of the Accountant's Report contained in Appendix I to the Document.

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		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	349,492	81.5	415,387	80.3	358,662	83.7	171,975	83.9	189,464	84.5
Software tools and consumables	19,104	4.5	27,948	5.4	16,913	3.9	7,509	3.7	7,693	3.4
Raw material and consumables used	18,951	4.4	23,056	4.5	18,867	4.4	9,458	4.6	10,067	4.5
Depreciation and amortization	18,555	4.3	21,795	4.2	16,601	3.9	9,002	4.4	7,678	3.4
Others(Note)	22,664	5.3	28,886	5.6	17,237	4.1	7,051	3.4	9,435	4.2
Total	428,766	100.0	517,072	100.0	428,280	100.0	204,995	100.0	224,337	100.0

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, RMB205.0 million and RMB224.3 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our R&D expenses accounted for 57.9%, 63.3%, 42.5%, 72.3% and 85.9% 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, RMB9.9 million and RMB8.7 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. See "Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables" in this section for details.

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 RMB13.1 million in FY2020, FY2021, FY2022 and 6M2023, respectively. We had other expenses of RMB7.4 million in 6M2022. The following table sets forth a breakdown of our other income and expenses, net during the Track Record Period:

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants	66,218	59,511	26,584	16,779	11,247
VAT and other tax refunds	19,270	16,298	7,052	—	1,684
Return of VAT refunded	—	—	(24,196)	(24,196)	—
Others*(Note)*	232	204	27	11	160
Total	85,720	76,013	9,467	(7,406)	13,091

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 6M2023, 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 in Relation to Taxation — Value-Added Tax" and Note 8 of the Accountant's Report.

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 RMB3.7 million, in FY2020, FY2021, FY2022 and 6M2023, respectively, while we had other net gains of RMB13.2 million in 6M2022. The following table sets forth a breakdown of our other net gains or losses during the Track Record Period:

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net foreign exchange losses/(gains)	18,091	6,308	(22,835)	(12,641)	(8,016)
Loss on deemed disposal of investment in a joint venture	—	—	28,131	—	—
Loss/(gain) on disposal of right-of-use assets	—	—	14,753	—	(2,136)
Loss related to disposal of assets classified as held-for-sale[(1)]	—	—	—	—	14,560
Others[(2)]	(258)	247	2,965	(1,506)	3,098
	17,833	6,555	23,014	(14,147)	7,506

Notes:

(1) Loss on disposal of assets classified as held-for-sale of RMB14.6 million represented damage losses claimed by the construction company for (i) the suspension of construction work up to February 28, 2023 of RMB2.9 million; (ii) the termination of the construction contract of RMB11.7 million. See "Business — Legal Proceedings" for details.

(2) Others mainly included net loss on disposals of property, plant and equipment and gain 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 昆明博優科技有限公司, 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. The buyer is a company which engaged in business activities including software development, technology services and investment activities. 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.

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.

To the best of our knowledge, 昆明博優科技有限公司, an Independent Third Party which 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 borrowings and lease liabilities. The following table sets forth a breakdown of our net finance costs during the Track Record Period:

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income:					
— Interest income from bank deposits	(12,715)	(12,703)	(3,628)	(2,525)	(3,369)
Finance costs					
— Interest expenses on lease liabilities	3,969	4,245	3,185	1,580	1,405
— Interest expenses on borrowings	49,853	29,811	38,688	21,894	25,311
Others[(1)]	(4,718)	(1,667)	2,299	2,296	5
	49,104	32,389	44,172	25,770	26,721
Less: amount capitalized[(2)]	—	(1,834)	(17,438)	(8,036)	(17,893)
	36,389	17,852	23,106	15,209	5,459

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.

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 gains of RMB3.8 million and nil in 6M2022 and 6M2023, 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, 6M2022 and 6M2023, we recorded income tax expenses of RMB31.5 million, RMB16.6 million, RMB16.5 million, RMB0.4 million and RMB0.3 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 income tax assets; and (ii) expenses not deductible for tax purposes. During the Track Record Period, deferred income 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 non-charitable donations and marketing expenses which were not deducted, due to the fact that the full amount of non-charitable donations is not allowed for deduction for income tax purpose and the maximum amount of marketing expenses allowable for deduction for income tax purpose is limited to certain percentage of sale or chargeable profits 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 Stated 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 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

Summary of historical financial information during the Track Record Period

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 services of RMB178.1 million since we only launched our logistics smart robotic products and services in late FY2020 with the increase in projects which contributed revenue from two projects in FY2020 to 43 projects in FY2021; and (ii) other sector-tailored smart robotic products and services of RMB51.6 million primarily due to the increase in both sales volume of newly launched products and average selling price of general service smart robotic products and services. Moreover, we generated revenue from our Walker Series of RMB8.8 million in FY2021. The increase in revenue was partially offset by the decrease in revenue from education smart robotic products and services of RMB150.4 million primarily due to the decrease in sales volume of education hardware products and services, and software 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 due to the temporary suspension of schools in certain provinces in China amidst the outbreak of COVID-19 in FY2021.

Our revenue increased by RMB191.1 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 (i) education smart robotic products and services mainly attributable to the increase in sales of education hardware products and services and software, of RMB25.2 million mainly because we sold more products including uKit and Jimu (education) Series and upgraded humanoid Yanshee with more functions and value-added services which entailed higher average selling price in FY2022. Our revenue from sales of other accessories increased by RMB43.6 million primarily due to sales of a tailor-made products and services for simulating production line for vocational education purpose to Customer F of RMB27.0 million in FY2022; (ii) logistics smart robotic products and services of RMB72.7 million mainly attributable to the completion of certain projects of higher revenue during the year for an end-user in automobile industry despite the decrease in number of projects completed, from 43 projects in FY2021 to 22 projects in FY2022; and (iii) consumer-level robots and other hardware devices of RMB64.7 million mainly attributable to the (a) increase in demand for our AiRROBO vacuum cleaner; and (b) launch of four new products in FY2022, such as, humidifiers, air purifiers, AiRROBO cat litter box and sensory drum kit.

Our revenue decreased by RMB22.4 million, representing a decrease of 7.9%, from RMB283.5 million for 6M2022 to RMB261.1 million for 6M2023. The decrease was primarily due to the decrease in revenue from education smart robotic products and services of RMB102.3 million resulting from a large sales order to a customer in Shaoyang of RMB66.8 million for promoting the use of STEAM products in schools in Shaoyang, represented total of 12,010 units, which did not recur in 6M2023. The decrease was partially offset by the increase in revenue from (i) consumer-level robots and other hardware devices of RMB38.3 million from increase in sales of AiRROBO vacuum cleaner, humidifiers and AiRROBO cat litter box; and (ii) logistics smart robotic products and services of RMB35.7 million resulting from the increase in revenue-generating projects from nine in 6M2022 to 24 in 6M2023.

Gross profit and gross profit margin

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our gross profit before net write-down of inventories were RMB343.3 million, RMB257.2 million, RMB364.7 million, RMB77.7 million and RMB54.6 million, respectively, and the respective gross profit margins were 46.4%, 31.5%, 36.2%, 27.4% and 20.9%, in the respective years/periods. Our gross profit after net write-down of inventories were RMB330.7 million, RMB256.0 million, RMB294.0 million, RMB38.8 million and RMB52.6 million, respectively, and the respective gross profit (loss) margins were 44.7%, 31.3%, 29.2%, 13.7% and 20.2%, respectively. Our gross profit before net write-down of inventories fluctuated during the Track Record Period mainly due to the (i) sales of products with different gross profit margin; (ii) gross losses attained from the sales of consumer-level robots and other hardware devices in FY2021 and FY2022; and (iii) gross loss incurred from other sector-tailored smart robotic products and services and consumer-level robots and other hardware devices in 6M2022.

Our gross profit margin from education smart robotic products and services 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 services in FY2020 with gross profit margin of 69.5% for education hardware products and services, and software; (ii) increase in average cost per unit in FY2021 resulting from the decrease in sales volume of humanoid Yanshee; and (iii) the decrease in gross profit margin of ancillary services, 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. The decrease in gross profit margin from education smart robotic products and services was partially offset by the increase in gross profit margin from others, from 12.6% in FY2020 to 27.9% in FY2021, primarily due to the change in product mix as we sold more teaching and learning resources in FY2021, which attained higher gross profit margin of over 60%, to certain customers. While in FY2020, we sold more ancillary hardware to our customers, which attained a lower gross profit margin compared to teaching and learning resources.

Our gross profit margin from sales of education smart robotic products and services 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 products and services for simulating production line for vocational education for education and production purposes 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 from 19.8% in FY2021 to 42.8% in FY2022 mainly resulting from the decrease in subcontracting fees for our education smart robotic products and services due to the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

Our gross profit from education smart robotic products and services decreased from RMB87.1 million for 6M2022 to RMB26.6 million for 6M2023, primarily due to the decrease in revenue from uKit and Jimu (education) Series and ancillary services. Our gross profit margin decreased from 49.0% for 6M2022 to 35.2% for 6M2023, primarily due to the decrease in gross profit margin from our education hardware products and services, and software from a gross profit margin of 62.3% for 6M2022 to a gross loss margin of 6.6% for 6M2023 resulting from (a) 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, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023; and (b) relatively higher gross profit margin of 69.4% attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from such customer among the education smart robotic products and services accounted for 66.4% of our total revenue from education smart robotic products and services in 6M2022. Our gross profit margin from others decreased from 38.2% in 6M2022 to 19.8% in 6M2023, primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) of RMB4.1 million and RMB2.1 million, respectively, which had a relatively higher gross profit margin of over 50% in 6M2022. Our gross profit margin from ancillary services increased from 28.2% in 6M2022 to 63.9% in 6M2023, mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

Our gross profit margin from provision of logistics smart robotic products and services decreased from 14.9% for FY2020 and 14.1% for FY2021 to 7.9% for FY2022 mainly due to 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. Our gross profit margin from provision of logistics smart robotic products and services increased from 10.8% for 6M2022 to 12.4% for 6M2023 mainly due to the relatively higher gross profit of over 20% from a project completed in 6M2023 which contributed revenue of RMB18.1 million.

Our gross loss from provision of other sector-tailored smart robotic products and services of RMB3.2 million for 6M2022 turned to a gross profit of RMB8.1 million for 6M2023. We had a gross loss for our other sector-tailored smart robotic products and services in 6M2022 primarily due to the scrap of Cruzr series which constituted gross loss of RMB1.7 million and gross loss margin of 68.8%, and gross loss attained from Walkers and others in 6M2023 , which was primarily due to the scrap of accessories of Atris series of RMB3.4 million in 6M2022. Our gross loss from sales of other sector-tailored smart robotic products and services in 6M2022 turned to a gross profit in 6M2023, primarily due to the decrease in scrap of Cruzr series and Atris series in 6M2023 and the increase in gross profit from the sale of Walker series and others in 6M2023 and tailor-made wellness and elderly care smart robotic products and services for two customers in Shenzhen and Beijing with aggregate revenue of RMB8.1 million and gross profit margin of over 75%, which include wellness and elderly care smart robotic products, such as walking assistance smart robot and wheelchair smart robot which were of higher average selling price, tailor-made software platform and related services.

Our gross profit from consumer-level robots and other hardware devices decreased from FY2020 to a gross loss in FY2021 primarily due to (i) 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 (ii) the disposal of scrap. We have improved our gross loss position in FY2022 mainly attributable to the increase in revenue contribution from AiRROBO vacuum cleaner of RMB60.8 million which attained a gross profit of over 20% in FY2022.

Our gross loss from consumer-level robots and other hardware devices of RMB12.6 million for 6M2022 turned to a gross profit of RMB13.9 million for 6M2023. We had a gross loss for consumer-level robots and other hardware devices in 6M2022 primarily due to 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. The gross loss margin turned to gross profit margin of 16.3%for 6M2023 primarily due to (i) gross profit margin of 5% attained by our Alpha Mini (non-education) in 6M2023 compared to a gross loss margin in 6M2022 resulting from decrease in scrap in 6M2023; (ii) change in product mix because of the increase in sales of AiRROBO vacuum cleaner and humidifiers which contributed over 50% of the total revenue of consumer-level robots and other hardware devices, and attained gross profit margin of 18.0% and 49.1% in 6M2023, respectively; and (iii) introduction of cleaning pool robots which attained gross profit of RMB2.1 million and gross profit margin of around 40% in 6M2023.

We had net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB38.9 million and RMB2.0 million, in FY2020, FY2021, FY2022, 6M2022 and 6M2023, 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.

As a result, our overall gross profits were RMB330.7 million, RMB256.0 million, RMB294.0 million, RMB38.8 million and RMB52.6 million, in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, and the respective gross profit margins were 44.7%, 31.3%, 29.2%, 13.7% and 20.2%, in the respective years/periods. See "Financial Information – Description of Selected Items in Consolidated Income Statements – Gross Profit and Gross Profit Margin" for details.

Operating loss, adjusted net losses (Non-HKFRS measure) and net loss

Our loss for the year increased from RMB707.0 million in FY2020 to RMB917.5 million in FY2021 primarily due to the (i) decrease in gross profit from RMB330.7 million to RMB256.0 million; (ii) increase in general and administrative expenses, research and development expenses and selling and marketing expenses from RMB212.1 million to RMB325.9 million, from RMB428.8 million to RMB517 million, and from RMB313.3 million to RMB357.6 million, respectively, for our operations.

Our loss for the year further increased from RMB917.5 million in FY2021 to RMB987.4 million in FY2022, primarily due to (i) increase in general and administrative expenses from RMB326.0 million to RMB398.1 million due to expense of RMB92.0 million arising from the acquisition of Shanghai UBJ, which was one-off in nature; (ii) increase in net write-down of inventories from RMB1.2 million to RMB70.6 million; and (iii) increase in net impairment losses on financial assets from RMB7.4 million to RMB46.4 million.

Our loss for the period was relatively stable of RMB515.2 million and RMB547.9 million in 6M2022 and 6M2023, respectively.

6M2023 compared to 6M2022

Revenue

Our revenue decreased by RMB22.4 million, representing a decrease of 7.9%, from RMB283.5 million for 6M2022 to RMB261.1 million for 6M2023. The decrease was primarily due to the decrease in revenue from education smart robotic products and services of RMB102.3 million, partially offset by the increase in revenue from consumer-level robots and other hardware devices of RMB38.3 million and logistics smart robotic products and services of RMB35.7 million.

Education smart robotic products and services

Our revenue from education smart robotic products and services decreased from RMB178.0 million for 6M2022 to RMB75.7 million for 6M2023 primarily due to the decrease in the (i) sales of education hardware products and services, and software of RMB84.1 million; and (ii) ancillary services of RMB14.8 million.

Our sales of education hardware products and services, and software decreased by RMB84.1 million in 6M2023, primarily due to a large sales order to a customer in Shaoyang of RMB66.8 million for promoting the use of STEAM products in schools in Shaoyang, represented total of 12,010 units, which did not recur in 6M2023, which led to the decrease in sales volume of education hardware products and services, and software from 21,650 units in 6M2022 to 12,580 units in 6M2023. The average selling price of education hardware products and services, and software decreased from RMB4,650 per unit in 6M2022 to RMB1,310 per unit in 6M2023 primarily due to the decrease in average selling price of uKit and Jimu from RMB3,990 per unit in 6M2022 to RMB900 per unit in 6M2023 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 revenue from sales of others decreased by RMB3.4 million primarily due to the decrease in sales of ancillary accessories of Alpha Mini (education) of RMB4.1 million following the decrease in sales of Alpha Mini (education) in 6M2023.

Our revenue from ancillary services decreased from RMB51.1 million in 6M2022 to RMB36.3 million in 6M2023, primarily due to the decrease in number of projects which contributed to our revenue, from 17 projects in 6M2022 to 10 projects in 6M2023.

Logistics smart robotic products and services

Our revenue from logistics smart robotic products and services increased from RMB41.1 million for 6M2022 to RMB76.8 million in 6M2023, primarily due to the increase in revenue-generating projects from nine in 6M2022 to 24 in 6M2023.

Other sector-tailored smart robotic products and services

Our revenue from other sector-tailored smart robotic products and services increased from RMB9.3 million for 6M2022 to RMB22.2 million for 6M2023 primarily due to the sales of tailor-made wellness and elderly care smart robotic products and services for two customers in Shenzhen and Beijing of aggregate revenue of RMB8.1 million, which include wellness and elderly care smart robotic products, such as walking assistance smart robot, wheelchair smart robot and companion smart 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 6M2022 to RMB7.2 million in 6M2023, primarily due to (i) the sales of a Walker 2 in 6M2023; and (ii) increase in sales of others of RMB4.6 million mainly resulting from provision of ancillary services to our customers following the sales Walker series robots and the wellness and elderly products and services.

Consumer-level robots and other hardware devices

Our revenue from consumer-level robots and other hardware devices increased from RMB46.8 million for 6M2022 to RMB85.0 million for 6M2023 primarily due to the increase in sales volume from 71,730 units sold in 6M2022 to 126,350 units sold in 6M2023. The increase was mainly due to the increase in sales volume of our (i) AiRROBO vacuum cleaner by over 21,000 units, which contributed increase in revenue of RMB18.5 million; and (ii) humidifiers and AiRROBO cat litter box of 37,450 units, which were launched in FY2022 and contributed an increase in revenue of RMB19.7 million in 6M2023. Our average selling price of consumer-level robots and other hardware devices remained relatively stable at RMB639 per unit in 6M2022 and RMB658 per unit in 6M2023.

Cost of sales

Our cost of sales decreased by RMB36.2 million, representing a decrease of 14.8%, from RMB244.7 million for 6M2022 to RMB208.5 million for 6M2023. The decrease was mainly due to the (i) net write-down of inventories of RMB38.9 million in 6M2022, mainly arising from the price adjustment made for humanoid Alpha Mini (non-education) in 6M2022; and (ii) decrease in subcontracting fee of RMB30.7 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 services. Our decrease in cost of sales was partially offset by the increase in the direct labor costs and overheads expenses of RMB19.6 million and RMB14.6 million in 6M2023, 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 profit increased from RMB38.8 million in 6M2022 to RMB52.6 million in 6M2023, primarily due to the decrease in net write-down of inventories of RMB36.9 million in 6M2023, which was mainly arising from our Alpha Mini (non-education) in 6M2022 as mentioned previously, and the increase in gross profit margin from all products and services segments except education smart robotic products and services. Consequently, our gross profit margin increased from 13.7% in 6M2022 to 20.2% in 6M2023.

Education smart robotic products and services

Our gross profit from education smart robotic products and services decreased from RMB87.1 million for 6M2022 to RMB26.6 million for 6M2023, primarily due to the decrease in revenue from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang which did not recur in 6M2023 as mentioned above. Our gross profit margin decreased from 49.0% for 6M2022 to 35.2% for 6M2023, primarily due to the decrease in gross profit margin from our education hardware products and services, and software from a gross profit margin of 62.3% for 6M2022 to a gross loss margin of 6.6% for 6M2023 resulting from (a) 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, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023; and (b) relatively higher gross profit margin of 69.4% attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from such customer among the education smart robotic products and services accounted for 66.4% of ourtotal revenue from education smart robotic products and services in 6M2022. Our gross profit margin from others from 38.2% in 6M2022 to 19.8% in 6M2023, primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) of RMB4.1 million and RMB2.1 million, respectively, which had a relatively higher gross profit margin of over 50% in 6M2022. Our gross profit margin from ancillary services increased from 28.2% in 6M2022 to 63.9% in 6M2023, 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 services

Our gross profit from provision of logistics smart robotic products and services increased from RMB4.5 million for 6M2022 to RMB9.5 million for 6M2023 mainly due to the relatively higher gross profit of around 20% from a project completed in 6M2023 which contributed revenue of RMB18.1 million. Consequently, our gross profit margin from logistics smart robotic products and services increased from 10.8% in 6M2022 to 12.4% in 6M2023.

Other sector-tailored smart robotic products and services

Our gross loss from provision of other sector-tailored smart robotic products and services of RMB3.2 million for 6M2022 turned to a gross profit of RMB8.1 million for 6M2023. We had a gross loss for our other sector-tailored smart robotic products and services in 6M2022 primarily due to the scrap of Cruzr series which constituted gross loss of RMB1.7 million and gross loss margin of 68.8%, and gross loss attained from Walkers and others in 6M2022, which was primarily due to the scrap of accessories of Atris series of RMB3.4 million in 6M2022. Our gross loss from sales of other sector-tailored smart robotic products and services in 6M2022 turned to a gross profit in 6M2023, primarily due to the decrease in scrap of Cruzr series and Atris series in 6M2023 and the increase in gross profit from the sale of Walker series and others in 6M2023 and tailor-made wellness and elderly care smart robotic products and services for two customers in Shenzhen and Beijing with aggregate revenue of RMB8.1 million and gross profit margin of over 75%, which include wellness and elderly care smart robotic products, such as walking assistance smart robot and wheelchair smart robot which were of higher average selling price, tailor-made software platform and related services.

Consumer-level robots and other hardware devices

Our gross loss from consumer-level robots and other hardware devices of RMB12.6 million for 6M2022 turned to a gross profit of RMB13.9 million for 6M2023. We had a gross loss for consumer-level robots and other hardware devices in 6M2022 primarily due to 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. The gross loss margin turned to gross profit margin of 16.3% for 6M2023 primarily due to (i) gross profit margin of 5% attained by our Alpha Mini (non-education) in 6M2023 compared to a gross loss margin in 6M2022 resulting from decrease in scrap in 6M2023; (ii) change in product mix because of the increase in sales of AiRROBO vacuum cleaner and humidifiers which contributed over 50% of the total revenue of consumer-level robots and other hardware devices, and attained gross profit margin of 18.0% and 49.1% in 6M2023, respectively; and (iii) introduction of cleaning pool robots which attained gross profit of RMB2.1 million and gross profit margin of around 40% in 6M2023.

Selling and marketing expenses

Selling and marketing expenses increased by RMB18.3 million, representing an increase of 10.7%, from RMB171.6 million for 6M2022 to RMB189.8 million for 6M2023. The increase was primarily due to the increase in (i) advertising and promotion expenses of RMB6.8 million for our online e-commerce platforms; (ii) travelling and entertainment expenses of RMB3.5 million resulting from more business trips arranged in 6M2023 when the pandemic started to subside; and (iii) others of RMB11.2 million mainly resulting from the increase in commission expenses of RMB6.0 million which was paid to our online e-commerce platforms resulting from the increase in sales through them and outsourcing expenses of RMB3.7 million for increased use of outsourced labor.

General and administrative expenses

General and administrative expenses increased by RMB15.1 million, representing an increase of 9.3%, from RMB162.5 million for 6M2022 to RMB177.6 million for 6M2023. The increase was primarily due to the increase in employee benefit expenses of RMB13.0 million mainly resulting from the increase in share-based compensation of RMB22.2 million partially offset by the decrease in salaries, wages and bonuses of RMB5.6 million resulting from the decrease in headcounts.

R&D expenses

R&D expenses increased by RMB19.3 million, representing an increase of 9.4%, from RMB205.0 million for 6M2022 to RMB224.3 million for 6M2023. The increase was primarily due to the increase in employee benefit expenses of RMB17.5 million mainly resulting from the increase in share-based compensation of RMB33.2 million partially offset by the decrease in salaries of RMB13.9 million resulting from the decrease in headcounts.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased from RMB9.9 million for 6M2022 to RMB8.7 million for 6M2023 mainly due to the decrease in expected loss rates for individual basis as of June 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 RMB7.4 million for 6M2022 and a net other income of RMB13.1 million for 6M2023. Such change was mainly due to (i) the return of VAT and other tax returns of RMB24.2 million in 6M2022 which was non-recurring; and (ii) the decrease in government grants of RMB5.5 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.

Other losses and gains, net

We had net other gains of RMB14.1 million for 6M2022 and net other losses of RMB7.5 million for 6M2023. We had net other gains of RMB14.1 million for 6M2022, primarily due to the net foreign exchange gains of RMB12.6 million arising from the appreciation of USD against RMB during 6M2022. The net other losses in 6M2023 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. We also had net foreign exchange gains of RMB8.0 million arising from the appreciation of USD against RMB during 6M2023.

Finance cost, net

Our net finance cost decreased from RMB15.2 million for 6M2022 to RMB5.5 million for 6M2023, primarily due to the increase in amount capitalized of RMB9.9 million for our construction in progress.

Share of results of investments accounted for using the equity method

Our share of gains from investments accounted for using the equity method decreased from RMB3.8 million for 6M2022 to nil for 6M2023 mainly due to decrease in share of gains 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 6M2022 and RMB0.3 million for 6M2023.

Loss for the period

As a result of the foregoing, we had loss for the period of RMB515.2 million and RMB547.9 million in 6M2022 and 6M2023, 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 services of RMB54.8 million, logistics smart robotic products and services of RMB72.7 million and consumer-level robots and other hardware devices of RMB64.7 million partially offset by the decrease in revenue from other sector-tailored smart robotic products and services of RMB7.8 million.

Education smart robotic products and services

Our revenue from education smart robotic products and services 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 services, 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 services, and software, increased by RMB25.2 million in FY2022, mainly because we sold more products with more functions and value-added services 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 services, 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 products and services for simulating production line for vocational education purpose to Customer F of RMB27.0 million in FY2022.

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 services

Our revenue from logistics smart robotic products and services 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 services

Our revenue from other sector-tailored smart robotic products and services 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 services 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 hardware devices

Our revenue from consumer-level robots and other 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 AiRROBO vacuum cleaner 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 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 services.

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 and decrease in gross profit margin from logistics smart robotic products and services, partially offset by the increase in gross profit margin in education smart robotic products and services, other sector-tailored smart robotic products and services and consumer-level robots and other hardware devices.

Education smart robotic products and services

Our gross profit from education smart robotic products and services 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 services 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 products and services 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 services

Our gross profit from provision of logistics smart robotic products and services 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 services

Our gross profit from provision of other sector-tailored smart robotic products and services 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 hardware devices

Our gross loss from consumer-level robots and other 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 AiRROBO vacuum cleaner 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.

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 share-based payments to facilitate 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 borrowings of RMB8.9 million resulting from increase in average 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.

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 services of RMB178.1 million; and (ii) other sector-tailored smart robotic products and services of RMB51.6 million, partially offset by the decrease in revenue from education smart robotic products and services of RMB150.4 million.

Education smart robotic products and services

Our revenue from education smart robotic products and services 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 services, 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 services 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 services

Our revenue from logistics smart robotic products and services 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 services

Our revenue from other sector-tailored smart robotic products and services 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 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 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.

Consumer-level robots and other hardware devices

Our revenue from consumer-level robots and other 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, AiRROBO vacuum cleaner, which accounted for 18.1% of the total sales volume of consumer-level robots and other 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 AiRROBO vacuum cleaner, 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 services 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 services; and (ii) increase in revenue contribution from logistics smart robotic products and services which attained relatively lower gross profit margin in FY2021.

Education smart robotic products and services

Our gross profit from education smart robotic products and services 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 services 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 services in FY2020 with gross profit margin of 69.5% for education hardware products and services, 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 services

Our gross profit from logistics smart robotic products and services 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 services

Our gross profit from other sector-tailored smart robotic products and services 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.

Consumer-level robots and other hardware devices

Our gross profit from provision of consumer-level robots and other 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.

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 borrowings of RMB20.0 million resulting from decrease in average 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 June 30, 2023, we had cash and cash equivalents of RMB621.8 million, RMB273.1 million, RMB145.4 million and RMB619.1 million, respectively.

Cash Flows

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	(675,495)	(900,961)	(970,859)	(514,738)	(547,625)
— Adjustments for non-cash item	252,645	268,925	459,945	158,983	235,669
— Changes in working capital	(142,608)	(40,634)	(22,018)	242,020	(205,443)
Cash used in operations	(565,458)	(672,670)	(532,932)	(113,735)	(517,399)
Income taxes refunded	1,123	12,803	1,222	234	3
Income taxes paid	(38,312)	(20,829)	(11,778)	(1,613)	(9,152)
Net cash flows used in operating activities	(602,647)	(680,696)	(543,488)	(115,114)	(526,548)
Net cash flows used in investing activities	(189,392)	(227,062)	(389,526)	(106,565)	(218,769)
Net cash flows generated from financing activities	1,028,326	560,470	802,797	697,393	1,218,281
Net increase/(decrease) in cash and cash equivalents	236,287	(347,288)	(130,217)	475,714	472,964
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	1,159	786
Cash and cash equivalents at end of year/period	621,754	273,103	145,398	749,976	619,148

Operating activities

During the Track Record Period, we had net cash used in operating activities of RMB602.6 million, RMB680.7 million, RMB543.5 million and RMB526.5 million in FY2020, FY2021, FY2022 and 6M2023, 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 services. As such, we expect to continue to have net cash outflows from operating activities in the near future.

In 6M2023, we had net cash used in operating activities of RMB526.5 million, primarily attributable to our loss before income tax of RMB547.6 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB179.5 million; (ii) depreciation of property, plant and equipment of RMB22.1 million; (iii) depreciation of right-of-use assets of RMB18.5 million; and (iv) net impairment losses on financial assets of RMB8.7 million. The amount was further adjusted by changes in working capital of RMB205.4 million and net income tax paid of RMB3.4 million. The changes in working capital primarily included (i) decrease in other payables and accruals of RMB105.6 million; (ii) increase in inventories of RMB83.8 million; and (iii) increase in prepayments, deposits and other receivables of RMB69.7 million, partially offset by the decrease in restricted cash of RMB42.6 million.

We had significant amount of cash flows used in operating activities in 6M2023, mainly due to the seasonality factor which we have relative lower income base in 6M2023, while certain recurring monthly expenses incurred, such as, salaries and other employee benefits. Despite being subject to similar seasonality factor, our net cash flows used in operating activities increased from 6M2022 to 6M2023, primarily due to the (i) higher settlement from customers for 6M2022 amounted to RMB412.4 million as a result of two project settlement of aggregate amount of RMB208.9 million from two customers in 6M2022; (ii) proceeds from recoverable VAT credits refund of RMB171.6 million because FY2022 was the first year for us to apply for the refund while the refund decreased to RMB2.7 million in 6M2023; (iii) increase in settlement for the larger amount of purchase of raw materials mainly for our logistics segment to fulfill sales orders for 2023 of RMB30.2 million; and (iv) proceeds from release of restricted cash for our bills of RMB107.3 million in 6M2022 due to the timing of utilization of bills compared to RMB43.5 million in 6M2023. Given the nature of our industry, we have been and intend to continue investing heavily on our R&D efforts which we believe are critical to our long-term success.

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) share-based payments to facilitate 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 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 6M2023, our net cash used in investing activities of RMB218.8 million primarily reflected the purchases of property, plant and equipment of RMB237.7 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 6M2023, we had net cash from financing activities of RMB1,218.3 million, which primarily consisted of (i) issuance of ordinary shares of RMB820.0 million; and (ii) proceeds from borrowings of RMB310.9 million.

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 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 RMB526.5 million in FY2020, FY2021, FY2022 and 6M2023, 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 services. Despite our cash outflow from operating activities of RMB526.5 million for 6M2023, 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.

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 June 30,	As of October 31
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current Assets					
Inventories	412,833	426,076	332,666	416,481	414,465
Trade receivables	136,659	368,125	662,053	662,310	897,336
Prepayments, deposits and other receivables	252,791	353,681	181,065	299,062	260,885
Financial assets at fair value through profit or loss	5,076	—	—	—	—
Prepaid income tax	14,441	1,821	3,330	4,748	5,432
Restricted cash	114,189	167,629	48,181	4,388	55,743
Cash and cash equivalents	621,754	273,103	145,398	619,148	548,754
	1,557,743	1,590,435	1,372,693	2,006,137	2,182,615
Assets classified as held-for-sale	—	—	12,466	—	—
	1,557,743	1,590,435	1,385,159	2,006,137	2,182,615

	As of December 31,			As of June 30,	As of October 31
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current Liabilities					
Borrowings	576,216	651,866	326,771	438,051	624,278
Trade payables	192,416	362,479	305,406	324,765	297,306
Other payables and accruals	371,543	469,344	599,681	521,049	509,570
Contract liabilities	91,063	144,151	84,509	127,085	115,944
Current income tax liabilities	8,111	4,023	13,267	5,828	31,391
Lease liabilities	36,511	41,861	34,861	32,325	33,421
	1,275,860	1,673,724	1,364,495	1,449,103	1,611,910
Net Current Assets/(Liabilities)	281,883	(83,289)	20,664	557,034	570,705

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 services 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.

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 net current assets then increased to RMB557.0 million as of June 30, 2023, primarily due to the increase in cash and cash equivalents of RMB473.8 million resulting from the consideration received from the [**REDACTED**] investments of RMB820.0 million in January 2023.

Our net current assets remained relatively stable at RMB570.7 million as of October 31, 2023.

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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Construction in progress	67,518	248,451	578,420	805,836
Buildings	—	—	87,364	85,180
Machinery	90,479	82,933	60,596	53,634
Office and other equipment	23,407	18,138	11,181	8,789
Leasehold improvements	11,663	14,594	21,619	21,550
Total	193,067	364,116	759,180	974,989

Our property, plant and equipment increased from RMB193.1 million as of December 31, 2020 to RMB364.1 million as of December 31, 2021, to RMB759.2 million as of December 31, 2022, and further to RMB975.0 million as of June 30, 2023, primarily attributable to the addition of construction in progress of RMB180.9 million, RMB436.7 million and RMB227.4 million in FY2021, FY2022 and 6M2023, 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 RMB22.1 million charged in FY2021, FY2022 and 6M2023, respectively.

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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	90,730	79,208	55,208	57,070
Land use rights	461,153	492,605	448,199	413,791
	551,883	571,813	503,407	470,861

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 RMB470.9 million as of June 30, 2023, primarily due to (i) the depreciation charge of RMB22.7 million in 6M2023 and (ii) disposal of a land use rights of RMB35.0 million in Hebei and Hangzhou in 6M2023.

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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill	—	—	75,587	75,587
Customer contracts and relationships	—	—	7,853	6,147
Purchased software	4,949	2,063	2,267	1,713
Trademarks	1,278	1,131	984	910
	6,227	3,194	86,691	84,357

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 RMB84.4 million as of June 30, 2023, primarily due to the amortization charged of RMB2.3 million in 6M2023.

Goodwill

We had goodwill of RMB75.6 million as of December 31, 2022 and June 30, 2023, from the acquisition of Shanghai UBJ for its education smart robotic products and services business and Jiangsu Tianhui for us to further expand and strengthen the competitiveness of our logistics smart robotic products and services 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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
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 June 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

June 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 smart robotic products and services, and Jiangsu Tianhui would be specially engaging in sales of logistics smart robotic products and services 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 June 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.

Shanghai UBJ	**As at December 31, 2022**	**As at June 30, 2023**
Growth rates during the projection period	5.8%~31.7%	5.1%~36.9%
Gross margin during the projection period	45.6%	48.3%
Pre-tax discount rates	18.05%	18.04%
Terminal growth rate	2.0%	2.2%
Recoverable amount (RMB'000)	264,572	262,266
Headroom (RMB'000)	10,070	9,890

Jiangsu Tianhui	**As at December 31, 2022**	**As at June 30, 2023**
Growth rates during the projection period	7.0%~171.6%	5.7%~171.6%
Gross margin during the projection period	20.9%~22.6%	20.9%~22.6%
Pre-tax discount rates	21.76%	22.26%
Terminal growth rate	2.0%	2.2%
Recoverable amount (RMB'000)	71,922	73,783
Headroom (RMB'000)	2,009	5,529

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 RMB3.2 million as of December 31, 2022 and June 30, 2023, respectively, and the recoverable amount of Jiangsu Tianhui would decrease by RMB2.0 million and RMB2.1 million as of December 31, 2022 and June 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 value 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 June 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 June 30, 2023. The following sets forth the breakdown and movements of our investments accounted for using the equity method as of the date indicated:

	As at December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
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	–	–

Investment in a joint venture

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	81,459	92,175	108,337	–
Additions	–	8,742	–	–
Share of results	10,716	7,420	5,521	–
Deemed disposal	–	–	(113,858)	–
At the end of the year/period	92,175	108,337	–	–

Investments in associates

	FY2020	FY2021	FY2022	6M2023
	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	5,004	–	–	–

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 June 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 — Material Acquisitions during the Track Record Period — Acquisition of Additional 47.80% Equity Interest in 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 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 June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Investments in wealth management products	5,076	—	—	—

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**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 6M2023.

Currently, we do not intend to invest in any wealth management products after the [**REDACTED**].

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	6M2023
	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	(132)
At the end of the year/period	4,000	3,973	5,573	5,441

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 June 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 June 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 marketability 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.

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 value. 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 confirmed that they have adopted the following procedures: (i) engaged an independent qualified independent valuer to appraise the fair value of unlisted equity securities; (ii) discussed with finance department and valuer the financial and operating data, as well as the development and the business plans of the investees; (iii) reviewed and agreed on the valuation approaches adopted and key assumptions and inputs used, including equity value/revenue ratio and discount rate for lack of marketability etc.; and (iv) reviewed the valuation working papers and results prepared by the independent valuer. 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.

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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	50,774	43,609	49,091	68,458
Work in progress	19,877	13,647	28,592	50,038
Finished goods	342,182	357,321	200,060	182,743
Contract fulfillment cost	–	11,499	54,923	115,242
Total	412,833	426,076	332,666	416,481

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 services 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 services to be delivered in 2023. Our balance of inventories increased to RMB416.5 million as of June 30, 2023, primarily as a result of the increase in contract fulfillment costs of RMB60.3 million mainly for our contracts in relation to the logistics smart robotic products and services 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 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 RMB28.7 million as of December 31, 2020, 2021 and 2022 and June 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 RMB28.7 million as of June 30, 2023, primarily resulting from the reversal due to sales of RMB42.9 million in 6M2023 which was mainly related to humanoid Alpha mini (non-education).

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	6M2022	6M2023
				(Unaudited)	
Average inventory turnover days*(Note)*	407	273	194	297	324

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 181 days in 6M2022 and 6M2023.

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 324 days in 6M2023 because the annualized cost of sales using the figures from the first six 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 average inventory turnover days in 6M2023 was generally in line with the relatively higher turnover days in 6M2022, which was 297 days, and no material fluctuation from 6M2022 to 6M2023 was noted.

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	196,294	59,791	156,024	724	412,833

	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
	241,084	18,305	59,688	147,135	466,212
Less: allowance for write-down of inventories	(933)	(990)	(15,973)	(22,240)	(40,136)
Carrying value	240,151	17,315	43,715	124,895	426,076

	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
	244,903	41,205	4,955	114,374	405,437
Less: allowance for write-down of inventories	(746)	(3,502)	(458)	(68,065)	(72,771)
Carrying value	244,157	37,703	4,497	46,309	332,666

	As of June 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	39,938	6,767	2,377	1,971	51,053
Work in progress	26,589	4,803	296	126	31,814
Finished goods	174,589	37,155	6,444	28,916	247,104
Contract fulfillment cost	101,530	13,712	—	—	115,242
	342,646	62,437	9,117	31,013	445,213
Less: allowance for write-down of inventories	(367)	(1,303)	(1,413)	(25,649)	(28,732)
Carrying value	342,279	61,134	7,704	5,364	416,481

During the Track Record Period, majority of our inventories are aged within 1 year, which accounted for 47.5%, 56.4%, 73.4% and 82.2% as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

Our inventories aged over one year decreased from RMB160.5 million as of December 31, 2022 to RMB102.6 million as of June 30, 2023 mainly due to the decrease in finished goods aged over three years from RMB112.4 million as of December 31, 2022 to RMB28.9 million as of June 30, 2023. Having considered the (i) net realisable value of our inventories, which is the expected selling price with reference to the prevailing market price readily available to our Group; (ii) demand and ongoing sales noted for our inventories; and (iii) RMB38.7 million or 36.1% of the inventories aged over one year were sold or utilized between June 1, 2023 and September 30, 2023, we concluded that the allowance for write-down of inventories by our management was sufficient during the Track Record Period.

Up to September 30, 2023, RMB135.6 million or 32.6% of our inventories as of June 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 June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables from contracts with customers	178,969	397,453	696,398	659,932
Note receivables	1,220	21,214	55,284	99,986
Total trade receivables	180,189	418,667	751,682	759,918
Less: Allowance for impairment	(43,530)	(50,542)	(89,629)	(97,608)
Trade receivables — net	136,659	368,125	662,053	662,310

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 services 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 services recognised in the fourth quarter in 2022. Our net trade receivables remained relatively stable at RMB662.3 million as of June 30, 2023 primarily due to the relatively higher trade receivables generated from the sales in June 30, 2023 despite the relatively low revenue generated in the first half of a year due to seasonality factor as mentioned previously, partially offset by the settlement of RMB187.7 million from our customers during 1 January 2023 to 30 June 2023.

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

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Government-related	79,882	163,255	364,742	359,412
Non-government-related	56,777	204,870	297,311	302,898
	136,659	368,125	662,053	662,310

The trade receivables of our government-related customers (comprising SOEs, government educational bureaus and schools) amounted to RMB79.9 million, RMB163.3 million, RMB364.7 million and RMB359.4 million (after allowance for impairment) as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

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

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
0 to 6 months	75,147	249,790	481,680	253,012
6 to 12 months	23,826	90,011	119,912	293,026
1 to 2 years	72,777	22,365	89,978	133,598
2 to 3 years	8,427	52,063	11,916	43,308
Over 3 years	12	4,438	48,196	36,974
Total trade receivables	180,189	418,667	751,682	759,918
Less: Allowance for impairment	(43,530)	(50,542)	(89,629)	(97,608)
Trade receivables — net	136,659	368,125	662,053	662,310

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 June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
0 to 6 months	73,612	243,858	466,807	251,015
6 to 12 months	18,554	89,511	118,439	278,753
1 to 2 years	37,993	15,163	54,181	123,378
2 to 3 years	6,500	19,593	5,651	3,500
Over 3 years	–	–	16,975	5,664
Trade receivables — net	136,659	368,125	662,053	662,310

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

Government-related

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
0 to 6 months	45,673	81,102	197,125	37,518
6 to 12 months	15,104	49,190	105,389	193,897
1 to 2 years	19,105	14,358	39,898	119,268
2 to 3 years	—	18,605	5,651	3,360
Over 3 years	—	—	16,679	5,369
	79,882	163,255	364,742	359,412

Non-government-related

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months	27,939	162,756	269,682	213,497
6 to 12 months	3,450	40,321	13,050	84,856
1 to 2 years	18,888	805	14,283	4,110
2 to 3 years	6,500	988	—	140
Over 3 years	—	—	296	295
	56,777	204,870	297,311	302,898

The Group confirms that there has been no material default of trade receivables during the Track Record Period, in particular in relation to trade receivables due from government-related customers.

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 June 30, 2023, our allowance for impairment of trade receivables amounted to RMB43.5 million, RMB50.5 million, RMB89.6 million and RMB97.6 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 services 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 services, 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 RMB9.2 million which had been outstanding for more than two years as of December 31, 2020, 2021 and 2022 and June 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 RMB9.2 million which had been outstanding for more than two years as of December 31, 2021 and 2022 and June 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 September 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 June 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 September 30, 2023.

As of June 30, 2023, our net trade receivables aged over one year increased from RMB76.8 million as of December 31, 2022 to RMB132.5 million, primarily due to the increase in trade receivables aged 1 to 2 years brought forward from 6 months to 12 months as of December 31, 2022. Considering these net trade receivables aged over one year with basis that (i) repayment from certain customers with balance aged over one year was noted and most of which were resulted from unsettled amount from our customers in relation to the education smart robotic products and services due to their budget shrinkage or delay in administrative work for approving budgets, which we believe the amount will be settled in the future; (ii) regular communications were made with those customers for the unsettled amounts; and (iii) subsequent settlement of RMB3.3 million or 2.5% of the net trade receivable balances aged over one year as of June 30, 2023 was received between July 1, 2023 and September 30, 2023, sufficient provision has been made for our trade receivables during the Track Record Period.

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 2.34% for the balances as of December 31, 2020, 2021 and 2022 and June 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 72.35% for the balances as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The relatively higher expected credit loss rates for trade and note receivables on individual basis as of December 31, 2022 and June 30, 2023 was primarily attributable to the trade receivables from a customer of RMB33.7 million as of both December 31, 2022 and June 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 6M2023, 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.

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

	FY2020	FY2021	FY2022	6M2022	6M2023
				(Unaudited)	
Average turnover days of trade and note receivable*(Note 1)*	103	113	186	222	459
Government-related	87	95	173	200	1,035*(Note 2)*
Non-government-related	150	137	203	256	275

Notes:

(1) 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 181 days in 6M2022 and 6M2023.

(2) Our Directors are of the view that the average turnover days of government-related trade and note receivable of 1,035 days in 6M2023 may not reflect our actual performance. This is because our government-related contracts are generally obtained through tendering on a case-by-case or project-by-project basis and we had low revenue from government-related customers in 6M2023.

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 459 days in 6M2023, because the annualized revenue using the figures from the first six 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 average turnover days of trade and note receivables was generally in line with the relatively higher turnover days in 6M2022, which was 222 days. The average turnover days of trade and note receivables was higher in 6M2023 compared to that in 6M2022, primarily due to the (i) increased opening balance of trade and note receivables of 6M2023 (being December 31, 2022) as compared to 6M2022 (being December 31, 2021), resulting from increased revenue of RMB165.5 million for the fourth quarter of 2022 as compared to the same period in FY2021; (ii) higher settlement from customers for 6M2022 amounted to RMB412.4 million as a result of two project settlement of aggregate amount of RMB208.9 million from two customers in 6M2022; and (iii) increased aging of government related trade receivables.

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 June 30, 2023 by respective aging period:

	Balance as of June 30, 2023	Subsequent settlement as of September 30, 2023	Outstanding balance as of September 30, 2023
	RMB'000	RMB'000	RMB'000
0 to 6 months	251,015	16,735	234,280
6 to 12 months	278,753	62,724	216,029
1 to 2 years	123,378	3,275	120,103
2 to 3 years	3,500	—	3,500
Over 3 years	5,664	—	5,664
	662,310	82,734	579,576

Government-related

	Balance as of June 30, 2023	Subsequent settlement as of September 30, 2023	Outstanding balance as of September 30, 2023
	RMB'000	RMB'000	RMB'000
0 to 6 months	37,518	2,710	34,808
6 to 12 months	193,897	4	193,893
1 to 2 years	119,268	3,019	116,249
2 to 3 years	3,360	—	3,360
Over 3 years	5,369	—	5,369
	359,412	5,733	353,679

Non-government-related

	Balance as of June 30, 2023	Subsequent settlement as of September 30, 2023	Outstanding balance as of September 30, 2023
	RMB'000	RMB'000	RMB'000
0 to 6 months	213,497	14,025	199,472
6 to 12 months	84,856	62,720	22,136
1 to 2 years	4,110	256	3,854
2 to 3 years	140	—	140
Over 3 years	295	—	295
	302,898	77,001	225,897

Up to the September 30, 2023, RMB82.7 million or 12.5% of our trade receivables from contracts with customers (net of allowance for impairment) outstanding as of June 30, 2023 were settled.

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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for:				
— inventories	30,798	41,123	29,785	72,659
— operating expenses	22,585	30,124	18,075	19,474
— property, plant and equipment	25,575	7,668	13,003	13,482
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— acquisitions of land use rights	—	—	—	17,100
	78,958	78,915	74,248	157,152
Deposits paid for:				
— guarantees of product quality	11,856	11,819	15,592	11,353
— property, plant and equipment	2,623	2,589	2,589	2,595
— investment in a subsidiary	—	5,000	—	—
— right-of-use assets	6,898	31,160	30,600	30,334
Recoverable VAT and other taxes	187,660	249,268	104,368	128,719
Receivables related to asset disposals *(Note)*	—	—	7,000	49,065
Advances to employees	1,169	1,007	3,415	4,372
Others	3,898	9,815	8,334	10,289
Deposits and other receivables	214,104	310,658	171,898	236,727
Less: Allowance for impairment	(10,191)	(10,515)	(17,089)	(17,763)
	203,913	300,143	154,809	218,964
Prepayments, deposits and other receivables — net	282,871	379,058	229,057	376,116
Less: non-current portion	(30,080)	(25,377)	(47,992)	(77,054)
	252,791	353,681	181,065	299,062

Note: The RMB49.1 million of receivables related to asset disposals as of June 30, 2023 represent (i) the receivables of RMB42.1 million for the disposal of the land use right of a property in Hangzhou to the relevant local governmental authority in December 2022; and (ii) the receivables of RMB7.0 million for the disposal of the land use right of the Kunming Owned Property 2 to an Independent Third Party in June 2022.

The receivable amount of RMB42.1 million related to the disposal of the land use right of the Hangzhou property has been settled in October 2023. The receivable amount of RMB7.0 million related to the disposal of the land use right of the Kunming Owned Property 2 is expected to be settled by around the end of 2023 based on the best information and knowledge of our Directors after the relevant conditions for payment provided under the relevant transfer agreement have been met or exempted, further details of which are set out in "Financial Information — Description of Selected Items in Consolidated Income Statements — Other Losses and Gains, Net" of this document.

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.

Our prepayment, deposits and other receivables increased to RMB376.1 million as of June 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 RMB24.4 million resulting from our increase in purchase of materials and fixed assets; (iii) prepayments for inventories of RMB42.9 million for our on-going projects; and (iv) prepayments for [**REDACTED**] of RMB21.1 million.

Up to September 30, 2023, RMB146.2 million or 38.9% of our prepayment, deposits and other receivables outstanding as of June 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 remained relatively stable at RMB324.8 million as of June 30, 2023.

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 June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
0 to 6 months	122,284	219,629	239,190	275,513
6 to 12 months	70,111	103,926	15,288	11,684
1 to 2 years	21	38,906	45,909	31,517
2 to 3 years	—	18	5,019	6,051
	192,416	362,479	305,406	324,765

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

	FY2020	**FY2021**	**FY2022**	**6M2023**
Average turnover days of trade payables *(Note)*	235	180	171	274

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 181 days in 6M2022 and 6M2023.

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 274 days in 6M2023, because the annualized cost of sales using the figures from the first six 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 September 30, 2023, RMB139.2 million or 42.8% of trade payables outstanding as of June 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.

Other payables and accruals

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses[1]	41,193	53,272	27,639	42,108
Other payables[2]	284,397	349,521	483,779	419,551
Value-added tax and other taxes payables	7,707	32,338	54,787	37,002
Provisions of sales return and service warranties	28,604	24,111	24,538	13,313
Others	9,642	10,102	8,938	9,075
	371,543	469,344	599,681	521,049

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 RMB521.0 million as of June 30, 2023, primarily attributable to the decrease in other payables of RMB64.2 million mainly attributable to the (a) payroll and welfare payables of RMB48.3 million resulting from decrease in headcounts; (b) VAT and other taxes payables of RMB17.8 million resulting from our operations; and (c) payables for property, plant and equipment of RMB15.9 million resulting from settlement of the payables for property, plant and equipment for our Shenzhen headquarters to our property, plant and equipment in 6M2023.

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 RMB127.1 million as of June 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 June 30, 2023.

Up to September 30, 2023, RMB33.7 million or 26.5% of our contract liabilities outstanding as of June 30, 2023 was recognised as our revenue.

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 RMB32.9 million as of June 30, 2023, primarily due to RMB8.3 million recognized as other 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 registered 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 smart robotic products and services 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.

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 June 30,	As of October 31,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Borrowings	576,216	758,404	622,662	934,406	1,257,120
Lease liabilities	97,810	86,930	66,134	67,123	64,670
Total	674,026	845,334	688,796	1,001,529	1,321,790

Borrowings

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

	As of December 31,			As of June 30,	As of October 31,
	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	601,914	749,912
— Unsecured	163,073	300,988	236,440	332,492	507,208
	576,216	758,404	622,662	934,406	1,257,120
Less: Non-current portion	—	(106,538)	(295,891)	(496,355)	(632,842)
Current portion	576,216	651,866	326,771	438,051	624,278

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 loans decreased as of December 31, 2022 due to our repayment of bank loans. Our bank loans increased as of February 28, 2023. As of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, our Group's bank loans of nil, RMB306.9 million, RMB298.2 million, RMB601.9 million and RMB749.9 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.

Fixed-rate bank loans amounting to RMB475.5 million, RMB651.9 million, RMB324.5 million, RMB432.6 million and RMB607.8 million carried interest ranging from 2.45% to 5.96%, 2.00% to 8.00%, 2.95% to 5.66%, 4.15% to 5.96% and 2.60% to 5.96% per annum as of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, respectively. The remaining borrowings amounting to RMB100.7 million, RMB106.5 million, RMB298.2 million, RMB501.8 million and RMB649.3 million are carried at variable rates with effective interest rates ranging from 2.25% to 6.74%, at 6.84%, at 6.84%, at 6.84% and at 6.84% per annum as of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, respectively.

As of October 31, 2023, we had unutilized banking facilities of RMB1,374.6 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 loans and loan facilities granted to our Group as of the date indicated:

	As of December 31,			As of June 30,	As of October 31,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**
Restricted cash	114,189	167,629	48,181	4,388	55,743
Right-of-use assets	327,625	341,649	303,791	285,929	281,953
	441,814	509,278	351,972	290,317	337,696

As of December 31, 2020, 2021 and 2022 and June 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 RMB67.1 million as of June 30, 2023.

Except as disclosed above, as of October 31, 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. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

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 RMB269.5 million in FY2020, FY2021, FY2022 and 6M2023, respectively. Between July 1, 2023 and the Latest Practicable Date, we had capital expenditures of RMB166.8 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 June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Property, plant and equipment	763,957	767,733	577,214	424,787

CONTINGENT LIABILITIES

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

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

PROPERTY VALUATION

International Valuation Limited, an independent property valuer, has valued our property interests as of September 30, 2023 and is of the opinion that the total market value in existing state as of such date was RMB98.0 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 June 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:

	RMB'000 (Unaudited)
Land and buildings and leasehold improvement as of June 30, 2023	1,304,480
Add: Additions during the period from July 1, 2023 to September 30, 2023 . . .	120,280
Less: Depreciation during the period from July 1, 2023 to September 30, 2023	(5,260)
Net book value as of September 30, 2023	1,419,500
Less: net book value of properties without commercial value	(1,325,606)
Net valuation surplus	4,106
Valuation of properties owned by our Group as of September 30, 2023 as set out in the property valuation report in Appendix III to this document	98,000

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 June 30,**
	2020	**2021**	**2022**	**2023**
Gross profit margin[(1)] (%)	44.7	31.3	29.2	20.2
Current ratio[(2)] (times)	1.2	1.0	1.0	1.4
Quick ratio[(3)] (times)	0.9	0.7	0.8	1.1
Gearing ratio[(4)] (%)	65.8	111.2	65.4	62.4

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

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

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 services 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 1.1 times as of June 30, 2023, primarily due to the increase in cash and cash equivalents of RMB473.8 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 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 borrowings. Despite the increase in borrowings from RMB622.7 million as of December 31, 2022 to RMB934.4 million as of June 30, 2023, our gearing ratio decreased to 62.4% as of June 30, 2023 primarily due to the increase in total equity mainly resulting from the issuance of shares for [**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 June 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.

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**] 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 RMB[**REDACTED**].

During the Track Record Period, total [**REDACTED**] of [**REDACTED**] were incurred, among which (i) [**REDACTED**] and [**REDACTED**] were charged to our consolidated income statements in FY2022 and 6M2023, respectively, and (ii) expenses directly attributable to the issuance of [**REDACTED**] of [**REDACTED**] were recognized as prepayment for [**REDACTED**] in the consolidated statements of financial position as at June 30, 2023, which will be deducted from equity upon [**REDACTED**]. We expect to incur [**REDACTED**] commissions and other additional [**REDACTED**] of [**REDACTED**] after June 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 June 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 June 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.