

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-2 received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[Draft]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-89, which comprises the consolidated statements of financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, the company statements of financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-89 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

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I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
		(Unaudited)				
Revenue	6	740,226	817,230	1,008,272	283,523	261,139
Cost of sales	7	(409,488)	(561,277)	(714,227)	(244,698)	(208,502)
Gross profit		<u>330,738</u>	<u>255,953</u>	<u>294,045</u>	<u>38,825</u>	<u>52,637</u>
Selling and marketing expenses	7	(313,298)	(357,607)	(361,023)	(171,563)	(189,848)
General and administrative expenses	7	(212,061)	(325,899)	(398,083)	(162,461)	(177,550)
Research and development expenses	7	(428,766)	(517,072)	(428,280)	(204,995)	(224,337)
Net impairment losses on financial assets	3.1(b)	(40,067)	(7,358)	(46,386)	(9,852)	(8,653)
Other income and expenses, net	8	85,720	76,013	9,467	(7,406)	13,091
Other losses and gains, net ...	9	(17,833)	(6,555)	(23,014)	14,147	(7,506)
Operating loss		<u>(595,567)</u>	<u>(882,525)</u>	<u>(953,274)</u>	<u>(503,305)</u>	<u>(542,166)</u>
Finance income	11	12,715	12,703	3,628	2,525	3,369
Finance costs	11	(49,104)	(30,555)	(26,734)	(17,734)	(8,828)
Finance costs, net	11	(36,389)	(17,852)	(23,106)	(15,209)	(5,459)
Share of results of investments accounted for using the equity method	20	(43,539)	(584)	5,521	3,776	—
Loss before income tax		<u>(675,495)</u>	<u>(900,961)</u>	<u>(970,859)</u>	<u>(514,738)</u>	<u>(547,625)</u>
Income tax expense	12	(31,504)	(16,558)	(16,509)	(420)	(292)
Loss for the year/period		<u><u>(706,999)</u></u>	<u><u>(917,519)</u></u>	<u><u>(987,368)</u></u>	<u><u>(515,158)</u></u>	<u><u>(547,917)</u></u>
Loss is 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)
		<u><u>(706,999)</u></u>	<u><u>(917,519)</u></u>	<u><u>(987,368)</u></u>	<u><u>(515,158)</u></u>	<u><u>(547,917)</u></u>
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)						
Basic and diluted	13	<u><u>(1.90)</u></u>	<u><u>(2.41)</u></u>	<u><u>(2.50)</u></u>	<u><u>(1.33)</u></u>	<u><u>(1.32)</u></u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Unaudited)				
Loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Other comprehensive income/(loss), net of tax					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences arising on translation of foreign operations	12,006	3,912	(16,739)	(10,884)	(4,003)
<i>Items that will not be reclassified to profit or loss</i>					
Changes in fair value of the financial assets at fair value through other comprehensive income	—	(7,027)	1,600	491	(132)
Other comprehensive income/(loss) for the year/period, net of tax	<u>12,006</u>	<u>(3,115)</u>	<u>(15,139)</u>	<u>(10,393)</u>	<u>(4,135)</u>
Total comprehensive loss for the year/period	<u>(694,993)</u>	<u>(920,634)</u>	<u>(1,002,507)</u>	<u>(525,551)</u>	<u>(552,052)</u>
Total comprehensive loss for the year/period is attributable to:					
Owners of the Company	(694,984)	(923,295)	(989,948)	(520,296)	(536,928)
Non-controlling interests	(9)	2,661	(12,559)	(5,255)	(15,124)
	<u>(694,993)</u>	<u>(920,634)</u>	<u>(1,002,507)</u>	<u>(525,551)</u>	<u>(552,052)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at
	<i>Note</i>	2020	2021	2022	June 30,
		RMB’000	RMB’000	RMB’000	2023
					RMB’000
ASSETS					
Non-current assets					
Property, plant and equipment	16	193,067	364,116	759,180	974,989
Right-of-use assets	17	551,883	571,813	503,407	470,861
Intangible assets	18	6,227	3,194	86,691	84,357
Investments accounted for using the equity method	20	97,179	108,337	—	—
Financial assets at fair value through other comprehensive income	23	4,000	3,973	5,573	5,441
Prepayments, deposits and other receivables	26	30,080	25,377	47,992	77,054
Total non-current assets		<u>882,436</u>	<u>1,076,810</u>	<u>1,402,843</u>	<u>1,612,702</u>
Current assets					
Inventories	24	412,833	426,076	332,666	416,481
Trade receivables	25	136,659	368,125	662,053	662,310
Prepayments, deposits and other receivables	26	252,791	353,681	181,065	299,062
Financial assets at fair value through profit or loss	22	5,076	—	—	—
Prepaid income tax		14,441	1,821	3,330	4,748
Restricted cash	27	114,189	167,629	48,181	4,388
Cash and cash equivalents	27	621,754	273,103	145,398	619,148
		<u>1,557,743</u>	<u>1,590,435</u>	<u>1,372,693</u>	<u>2,006,137</u>
Assets classified as held for sale		—	—	12,466	—
Total current assets		<u>1,557,743</u>	<u>1,590,435</u>	<u>1,385,159</u>	<u>2,006,137</u>
TOTAL ASSETS		<u><u>2,440,179</u></u>	<u><u>2,667,245</u></u>	<u><u>2,788,002</u></u>	<u><u>3,618,839</u></u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at December 31,			As at
	<i>Note</i>	2020	2021	2022	June 30,
		RMB’000	RMB’000	RMB’000	2023
					RMB’000
EQUITY					
Share capital	28	377,749	384,088	396,173	406,569
Reserves	29	641,596	368,358	565,106	1,056,435
Equity attributable to owners of the Company		1,019,345	752,446	961,279	1,463,004
Non-controlling interests		4,891	7,552	92,645	141,434
TOTAL EQUITY		<u>1,024,236</u>	<u>759,998</u>	<u>1,053,924</u>	<u>1,604,438</u>
LIABILITIES					
Non-current liabilities					
Borrowings	35	—	106,538	295,891	496,355
Lease liabilities	17	61,299	45,069	31,273	34,798
Deferred income	34	78,784	81,916	41,164	32,890
Deferred income tax liabilities		—	—	1,255	1,255
Total non-current liabilities		<u>140,083</u>	<u>233,523</u>	<u>369,583</u>	<u>565,298</u>
Current liabilities					
Borrowings	35	576,216	651,866	326,771	438,051
Trade payables	32	192,416	362,479	305,406	324,765
Other payables and accruals	33	371,543	469,344	599,681	521,049
Contract liabilities	6	91,063	144,151	84,509	127,085
Current income tax liabilities		8,111	4,023	13,267	5,828
Lease liabilities	17	36,511	41,861	34,861	32,325
Total current liabilities		<u>1,275,860</u>	<u>1,673,724</u>	<u>1,364,495</u>	<u>1,449,103</u>
TOTAL LIABILITIES		<u>1,415,943</u>	<u>1,907,247</u>	<u>1,734,078</u>	<u>2,014,401</u>
TOTAL EQUITY AND LIABILITIES		<u>2,440,179</u>	<u>2,667,245</u>	<u>2,788,002</u>	<u>3,618,839</u>

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COMPANY STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at
	<i>Note</i>	2020	2021	2022	June 30,
		RMB’000	RMB’000	RMB’000	2023
					RMB’000
ASSETS					
Non-current assets					
Property, plant and equipment	16	96,280	92,665	60,333	43,697
Right-of-use assets	17	21,601	12,560	13,239	20,219
Intangible assets		5,209	2,811	1,668	1,258
Investments accounted for using the equity method	20	97,179	108,337	—	—
Investments in subsidiaries	19	916,934	1,407,923	2,087,276	2,671,115
Financial assets at fair value through other comprehensive income		4,000	973	1,202	1,070
Prepayments, deposits and other receivables		19,569	1,282	809	2,631
Total non-current assets		<u>1,160,772</u>	<u>1,626,551</u>	<u>2,164,527</u>	<u>2,739,990</u>
Current assets					
Inventories	24	402,554	322,437	186,079	166,425
Trade receivables	25	591,421	697,684	323,952	263,700
Prepayments, deposits and other receivables	26	1,002,648	970,821	943,834	969,918
Financial assets at fair value through profit or loss	22	5,076	—	—	—
Restricted cash	27	114,189	167,629	45,056	—
Cash and cash equivalents	27	551,624	174,335	53,093	131,094
Total current assets		<u>2,667,512</u>	<u>2,332,906</u>	<u>1,552,014</u>	<u>1,531,137</u>
TOTAL ASSETS		<u>3,828,284</u>	<u>3,959,457</u>	<u>3,716,541</u>	<u>4,271,127</u>

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COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at December 31,			As at
	<i>Note</i>	2020	2021	2022	June 30,
		RMB’000	RMB’000	RMB’000	2023
					RMB’000
EQUITY					
Share capital	28	377,749	384,088	396,173	406,569
Reserves	29	1,034,783	659,736	704,312	1,109,940
TOTAL EQUITY		<u>1,412,532</u>	<u>1,043,824</u>	<u>1,100,485</u>	<u>1,516,509</u>
LIABILITIES					
Non-current liabilities					
Other payables and accruals	33	—	—	—	1,213,278
Lease liabilities	17	9,282	3,176	8,048	12,782
Deferred income		78,784	81,916	40,164	31,890
Total non-current liabilities		<u>88,066</u>	<u>85,092</u>	<u>48,212</u>	<u>1,257,950</u>
Current liabilities					
Borrowings	35	322,290	461,277	233,462	339,289
Trade payables	32	530,674	627,932	598,300	501,270
Other payables and accruals	33	1,265,417	1,513,317	1,534,666	456,939
Contract liabilities		196,761	219,345	196,287	191,423
Lease liabilities	17	12,544	8,670	5,129	7,747
Total current liabilities		<u>2,327,686</u>	<u>2,830,541</u>	<u>2,567,844</u>	<u>1,496,668</u>
TOTAL LIABILITIES		<u>2,415,752</u>	<u>2,915,633</u>	<u>2,616,056</u>	<u>2,754,618</u>
TOTAL EQUITY AND LIABILITIES		<u>3,828,284</u>	<u>3,959,457</u>	<u>3,716,541</u>	<u>4,271,127</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owners of the Company			Non- controlling interests	Total equity
		Share capital	Reserves	Total		
		RMB’000 (Note 28)	RMB’000 (Note 29)	RMB’000		
As at January 1, 2020		360,000	(110,157)	249,843	2,196	252,039
Loss for the year		—	(706,990)	(706,990)	(9)	(706,999)
Other comprehensive income		—	12,006	12,006	—	12,006
Total comprehensive loss for the year		—	(694,984)	(694,984)	(9)	(694,993)
Transactions with owners of the Company						
Issuance of ordinary shares . .	28	17,749	1,382,251	1,400,000	—	1,400,000
Transactions with non- controlling interests	40	—	(4)	(4)	2,704	2,700
Equity incentive schemes — value of services		—	64,490	64,490	—	64,490
		17,749	1,446,737	1,464,486	2,704	1,467,190
As at December 31, 2020 . . .		<u>377,749</u>	<u>641,596</u>	<u>1,019,345</u>	<u>4,891</u>	<u>1,024,236</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	<i>Note</i>	Attributable to owners of the Company			Non- controlling interests	Total equity
		Share capital	Reserves	Total		
		RMB’000 (Note 28)	RMB’000 (Note 29)	RMB’000		
As at January 1, 2021		377,749	641,596	1,019,345	4,891	1,024,236
(Loss)/profit for the year		—	(920,180)	(920,180)	2,661	(917,519)
Other comprehensive loss		—	(3,115)	(3,115)	—	(3,115)
Total comprehensive loss for the year		—	(923,295)	(923,295)	2,661	(920,634)
Transactions with owners of the Company						
Issuance of ordinary shares	28	6,339	493,661	500,000	—	500,000
Equity incentive schemes — value of services		—	156,396	156,396	—	156,396
		6,339	650,057	656,396	—	656,396
As at December 31, 2021		<u>384,088</u>	<u>368,358</u>	<u>752,446</u>	<u>7,552</u>	<u>759,998</u>
As at January 1, 2022		384,088	368,358	752,446	7,552	759,998
Loss for the year		—	(974,809)	(974,809)	(12,559)	(987,368)
Other comprehensive loss		—	(15,139)	(15,139)	—	(15,139)
Total comprehensive loss for the year		—	(989,948)	(989,948)	(12,559)	(1,002,507)
Transactions with owners of the Company						
Issuance of ordinary shares	28	10,919	850,411	861,330	—	861,330
Transactions with non- controlling interests	40	—	41,065	41,065	70,748	111,813
Equity incentive schemes — value of services		—	204,387	204,387	—	204,387
Issuance of ordinary shares in connection with acquisition of a subsidiary	30(b)	1,166	90,833	91,999	—	91,999
Acquisition of subsidiaries	36	—	—	—	26,904	26,904
		12,085	1,186,696	1,198,781	97,652	1,296,433
As at December 31, 2022		<u>396,173</u>	<u>565,106</u>	<u>961,279</u>	<u>92,645</u>	<u>1,053,924</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	<i>Note</i>	Attributable to owners of the Company			Non- controlling interests	Total equity
		Share capital	Reserves	Total		
		RMB’000 (Note 28)	RMB’000 (Note 29)	RMB’000		
As at January 1, 2023		396,173	565,106	961,279	92,645	1,053,924
Loss for the period		—	(532,793)	(532,793)	(15,124)	(547,917)
Other comprehensive loss		—	(4,135)	(4,135)	—	(4,135)
Total comprehensive loss for the period		—	(536,928)	(536,928)	(15,124)	(552,052)
Transactions with owners of the Company						
Issuance of ordinary shares	28	10,396	809,604	820,000	—	820,000
Transactions with non- controlling interests	40	—	40,433	40,433	62,667	103,100
Equity incentive schemes — value of services		—	178,220	178,220	1,246	179,466
		10,396	1,028,257	1,038,653	63,913	1,102,566
As at June 30, 2023		<u>406,569</u>	<u>1,056,435</u>	<u>1,463,004</u>	<u>141,434</u>	<u>1,604,438</u>
(Unaudited)						
As at January 1, 2022		384,088	368,358	752,446	7,552	759,998
Loss for the period		—	(509,903)	(509,903)	(5,255)	(515,158)
Other comprehensive loss		—	(10,393)	(10,393)	—	(10,393)
Total comprehensive loss for the period		—	(520,296)	(520,296)	(5,255)	(525,551)
Transactions with owners of the Company						
Issuance of ordinary shares		8,874	691,126	700,000	—	700,000
Transactions with non- controlling interests	40(a)	—	13,908	13,908	22,992	36,900
Equity incentive schemes — value of services		—	114,916	114,916	—	114,916
		8,874	819,950	828,824	22,992	851,816
As at June 30, 2022		<u>392,962</u>	<u>668,012</u>	<u>1,060,974</u>	<u>25,289</u>	<u>1,086,263</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
Cash flows from operating activities						
Cash used in operations	37(a)	(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 used in operating activities		(602,647)	(680,696)	(543,488)	(115,114)	(526,548)
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash acquired	36	—	(5,000)	(108,108)	—	—
Acquisition of investments accounted for using the equity method	20	(51,911)	(3,000)	(8,742)	—	—
Disposals of property, plant and equipment	37(b)	9,639	7,776	5,696	2,246	1,136
Purchases of property, plant and equipment		(141,260)	(170,482)	(318,747)	(112,033)	(237,705)
Purchases of financial assets at fair value through profit or loss	3.3	(305,000)	—	—	—	—
Disposals of financial assets at fair value through profit or loss	3.3	301,309	5,105	29,050	—	—
Purchases of intangible assets	18	(3,660)	(563)	—	—	—
Purchases of right-of-use assets		(13,897)	(67,426)	(466)	(466)	(7,229)
Disposals of right-of-use assets	37(c)	—	—	7,000	—	21,660
Purchases of financial assets at fair value through other comprehensive income	3.3	(4,000)	(11,000)	—	—	—
Government grants received		6,673	4,825	1,163	1,163	—
Interest received		12,715	12,703	3,628	2,525	3,369
Net cash used in investing activities		(189,392)	(227,062)	(389,526)	(106,565)	(218,769)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
Cash flows from financing activities						
Issuance of ordinary shares . . .	28	1,400,000	500,000	861,330	700,000	820,000
Restricted cash for borrowings deposited		(50,194)	(147,690)	—	(19,668)	(4,389)
Restricted cash for borrowings released		47,725	98,289	118,690	118,089	48,182
Proceeds from borrowings . . .		894,501	850,312	908,928	541,944	523,687
Repayments of borrowings . . .		(1,136,151)	(665,365)	(1,046,633)	(638,833)	(212,797)
Repayments to ultimate controlling shareholder . . .		(45,550)	—	—	—	—
Payments of lease liabilities (including interests)		(33,106)	(44,178)	(33,582)	(19,035)	(16,993)
Transactions with non-controlling interests	40	2,700	—	41,900	36,900	103,100
[REDACTED] paid		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest paid		(51,599)	(30,898)	(39,011)	(22,004)	(24,457)
Net cash generated from financing activities		<u>1,028,326</u>	<u>560,470</u>	<u>802,797</u>	<u>697,393</u>	<u>1,218,281</u>
Net increase/(decrease) in cash and cash equivalents .		<u>236,287</u>	<u>(347,288)</u>	<u>(130,217)</u>	<u>475,714</u>	<u>472,964</u>
Cash and cash equivalents at beginning of the year/period		388,839	621,754	273,103	273,103	145,398
Effects of exchange rate changes on cash and cash equivalents		(3,372)	(1,363)	2,512	1,159	786
Cash and cash equivalents at the end of the year/period	27	<u><u>621,754</u></u>	<u><u>273,103</u></u>	<u><u>145,398</u></u>	<u><u>749,976</u></u>	<u><u>619,148</u></u>

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (the “Company”, formerly known as Shenzhen UBTECH Technology Co., Ltd. (深圳市優必選科技有限公司)), was incorporated in the People’s Republic of China (the “PRC”) as a limited liability company on March 31, 2012 and converted into a joint stock company with limited liability on March 29, 2019. The address of the Company’s registered office is Room 2201, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC.

The Company and its subsidiaries (collectively the “Group”) are primarily engaged in the research and development, design, production and sales of robotic products and provision of ancillary service. The Company’s major shareholder is Mr. Zhou Jian, who directly held 27.42%, 26.97% and 26.15% and 25.48% as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Considering that Mr. Zhou Jian held the controlling interests of certain partnership shareholders of the Company, and he has entered into agreements with certain shareholders of the Company who agreed to entrust or follow Mr. Zhou Jian’s decision when exercising their voting rights, Mr. Zhou Jian in effect controlled approximately 56.61%, 55.67% and 53.98% and 52.59% of the voting rights of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Mr. Zhou Jian is thus regarded as the ultimate controlling shareholder of the Group.

2 Material accounting policy information

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The 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, and assets classified as held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, the Group has 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.

The following new standards, amendments to existing standards and interpretation to existing standards have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKFRS 7 and HKAS 7	Disclosures of supplier finance arrangements	1 January 2024
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The management is in the process of assessing the impact of these new and amended standards and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.2(f)).

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 the 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) Joint arrangements

Under HKFRS 11 *Joint Arrangements*, the investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, after initially being recognized at cost in the consolidated statements of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s 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 the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group’s 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 the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

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(f) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(g) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company and its primary subsidiaries were incorporated in PRC and considered RMB as their functional currencies. The functional currencies of certain subsidiaries of the Group incorporated in United States and Hong Kong are United States dollars (“USD”). As the major operations of the Group are within Mainland China, the Group has determined RMB as its presentation currency and presented its Historical Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statements, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statements within “other losses and gains, net”.

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(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each income statements and statements of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include 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 the Group 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognized in "other losses and gains, net" in the consolidated income statements.

Construction in progress are stated at costs less accumulated impairment losses. Costs includes all attributable costs of bringing the assets to working condition for their intended use. This includes direct costs of construction, as well as interest expenses capitalized during the period of construction and installation. Capitalization of these costs will cease and the construction in progress are transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.6 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2(f). 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.

(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.

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(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

The Group amortizes intangible assets with a finite 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

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposals and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or “CGU”). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments that are not held for trading, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the financial assets at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other losses and gains, net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (“OCI”), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from

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equity to profit or loss and recognized in “other losses and gains, net”. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in “other losses and gains, net” and impairment expenses are presented as separate line item in the consolidated income statements.

- **FVPL:** Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other losses and gains, net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as “other income and expenses, net” when the Group’s right to receive payments is established.

Changes in fair value

Changes in fair value of the financial assets at FVPL are recognized in “other losses and gains, net” in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for further details.

Impairment on other financial assets at amortized cost are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value (“NRV”). Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises direct materials, direct labor, other direct costs and related production overheads expenditures allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting discounts. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. For Group’s accounting of contract fulfillment costs, see Note 2.14 for further details.

2.11 Trade receivables

Trade receivables are amounts due from customers for the sales of products and provision of services. They are generally due for settlement within a year of recognition or less (or in the normal operating cycle of the business) and therefore classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 25 for further information about the Group’s accounting for trade receivables and Note 3.1(b) for a description of the Group’s impairment policies.

2.12 Other receivables

Other receivables are recognized initially at fair value. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 26 for further information about the Group’s accounting for other receivables and Note 3.1(b) for a description of the Group’s impairment policies.

2.13 Contract assets and contract liabilities

Upon entering into a contract with customer, the Group obtains the right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. When either party of the contract has performed their performance obligations, the Group shall account for the contract in the consolidated statements of financial position as a contract asset or contract liability, depending on the relationship between the entity’s performance and the customer’s payments. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group shall present the contract as a contract asset, excluding any amounts presented as a receivable. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional before the Group transfers a good or provides service to the customer, the Group shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

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2.14 Contract fulfillment costs

The Group recognizes costs to fulfill their obligations under a contract as contract fulfillment costs once it is obtained, but before transferring goods or provision of services to the customer. Contract fulfillment costs should be capitalized if all of the following criteria are met:

- the costs relate directly to a contract or an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying or continuing to satisfy performance obligations in the future; and
- the costs are expected to be recovered.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

These amounts represent liabilities for products and services provided to the Group prior to the end of each reporting period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the loan facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Post-employment obligations

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Other than the monthly contributions, the Group has no further obligation for the payment of this pension obligations. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year and has no further obligation for these post-retirement benefits. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which it receives services from employees as consideration for restricted shares units (“RSU”) of the Company. Information relating to the RSU scheme is set out in Note 30.

The fair value of RSU granted to employees under the RSU scheme is recognized as an expense over the vesting period, being the period over which all of the vesting conditions are satisfied. The fair value is determined at the grant date. At the end of each reporting period, the Group revises its estimates of the number of RSU that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share-based compensation reserve which represents deemed capital contributed by a shareholder for the RSU scheme.

Where RSU are forfeited due to a failure of employee to satisfy the vesting conditions, any expenses previously recognized in relation to such RSU are reversed on the date of the forfeiture.

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

Provision is made for estimated warranty claims in respect of products sold or service provided to customers, which are still under warranty at the end of the reporting period.

2.23 Revenue from contracts with customers

The Group principally derives revenue from the sale of products and provision of ancillary services to customers.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes ("VAT"). Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment (Note 2.13).

The Group applies the practical expedient to not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

(a) Revenue from sale of products

Revenue from sales of products is recognized when the Group has transferred the control over products to customers, which is upon the acceptance of the products by the customers.

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 contracts, customers are 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 are recognized for the products expected to be returned. Accumulated experience is used to estimate the likelihood and provision for sales returns for the goods sold at the time of sale.

(b) Revenue from provision of ancillary services

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

(c) Multiple performance obligations in contracts with customers

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

2.24 Leases

The Group is a lessee

The 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. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 the 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance costs. The finance costs are 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 measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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 the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful life as follows.

	Useful lives
• Buildings	1-8 years
• Land use rights	30-50 years

2.25 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.

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2.26 *Government grants*

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to income are recognized in profit or loss over the period necessary to match them with the costs and expenses that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income and expenses, net.

2.28 *Losses per share*

(a) *Basic losses per share*

Basic losses per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted losses per share*

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 **Financial risk management**

The Group’s major financial instruments include financial assets at FVPL, financial assets at FVOCI, trade receivables, deposits and other receivables, cash and cash equivalents, restricted cash, trade and other payables, borrowings and lease liabilities. The risks associated with the Group’s financial instruments include market risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to mitigate these risks are set out below.

3.1 *Financial risk factors*

(a) *Market risk*

(i) *Foreign exchange risk*

Foreign exchange risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group is exposed to foreign exchange risk, primarily the USD. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities denominated in a currency that is not the functional currency of the relevant group entities. The Group’s monetary assets and liabilities dominated in a currency that is not the functional currency of the relevant group entities mainly consist of trade receivables, deposits and other receivables, restricted cash, cash and cash equivalents, trade and other payables and accruals, borrowings and lease liabilities. The Group may experience gains or losses as a result of any foreign currency exchange rate fluctuations in connection with monetary assets and liabilities.

The impact of exchange fluctuations of foreign currencies were not significant as at December 31, 2020, 2021 and 2022 and June 30, 2023. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

(ii) *Cash flow and fair value interest rate risk*

The Group’s interest rate risk primarily arose from borrowings with floating and fixed interest rates.

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The exposure of the Group’s borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period were as follows:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Floating rate borrowings	100,740	106,538	298,193	501,765
Fixed rate borrowings — repricing or maturity dates:				
Less than 1 year	475,476	651,866	324,469	432,641
	576,216	758,404	622,662	934,406

If the interest rate of borrowings with floating rate had been 5% higher/lower, the loss before income tax for the Track Record Period would have been RMB486,000, RMB145,000 and RMB714,000 and RMB741,000 higher/lower respectively.

The cash flow and fair value interest rate risk arises from other interest-bearing financial assets and liabilities is not significant for the Group.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its bank balances (represently cash in financial institutions included in restricted cash, cash and cash equivalents), trade receivables, deposits and other receivables. The carrying amounts of these financial assets represent the Group’s maximum exposure to credit risk in relation to these financial assets.

(i) Credit risk management

Credit risk is managed on a group basis.

To manage risk arising from bank balances, the Group mainly transacts with state-owned or reputable financial institutions in Mainland China and reputable oversea financial institutions. There has been no recent history of default in relation to those financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to debtors is usually no more than 12 months and the credit quality of these debtors is assessed by taking into account their financial positions, past experience and forward-looking factors.

For deposits and other receivables, management makes periodic collective assessment on the recoverability based on historical settlement records and past experiences, as well as forward-looking factors.

(ii) Impairment policies

The Group formulates the credit losses of financial assets using expected credit loss models according to HKFRS 9 requirements. Net impairment losses on financial assets are presented within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Bank balances

Bank balances are subject to the impairment requirements of HKFRS 9, the identified impairment losses were immaterial as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure ECL, which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on their shared credit risk characteristics and the days past due.

The historical loss rates are determined by reference to the credit rating analysis of respective debtors and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods.

Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables with known insolvencies are assessed individually for impairment allowances while those without known insolvencies are assessed on a collective basis based on shared credit risk characteristics. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery due to insolvencies.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the gross domestic product, consumer price index, producer price index of the countries in which it sells its goods and services and the money supply growth rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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Deposits and other receivables

3-stages general approach ECL model has been applied for deposits and other receivables. The Group assesses whether their credit risk has increased significantly since their initial recognition and applies a 3-stages impairment model to calculate their impairment allowance and recognize their ECL. A summary of the assumptions underpinning the Group’s ECL model is as follows:

Internal credit rating	Group’s definition of internal credit rating	Basis for recognition of ECL provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	Lifetime expected losses
Non-performing	Either interest and/or principal repayments are over 365 days past due and it becomes probable a debtor will enter bankruptcy	Lifetime expected losses
Write-off	Interest and/or principal repayments are over 365 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments without or with significant increase in credit risk, 12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of exposure at default, probabilities of default and loss given default and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables.

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group set quantitative and qualitative criteria to assess whether there has been a significant increase in credit risk (“SICR”) after initial recognition. The judgement criteria mainly includes the probabilities of default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc..

To assess whether there is a significant increase in credit risk, the Group also compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party debtor’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the gross domestic product, consumer price index, producer price index of the countries in which it sells its goods and services and the money supply growth rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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(iii) Impairment assessment

The net impairment losses on financial assets of the Group were as follow:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Trade receivables	30,154	7,012	39,803	5,861	7,979
Deposits and other receivables					
– Performing	(53)	346	59	(9)	72
– Non-performing	9,966	—	6,524	4,000	602
	<u>40,067</u>	<u>7,358</u>	<u>46,386</u>	<u>9,852</u>	<u>8,653</u>

The loss allowance was determined as follows for trade receivables:

The Group

	Collective basis	Individual basis	Total
As at December 31, 2020			
Expected loss rates	2.06%	58.68%	24.16%
Gross carrying amount (RMB’000)	109,868	70,321	180,189
Loss allowance (RMB’000)	2,268	41,262	43,530
As at December 31, 2021			
Expected loss rates	2.35%	59.90%	12.07%
Gross carrying amount (RMB’000)	347,937	70,730	418,667
Loss allowance (RMB’000)	8,175	42,367	50,542
As at December 31, 2022			
Expected loss rates	2.31%	81.68%	11.92%
Gross carrying amount (RMB’000)	660,614	91,068	751,682
Loss allowance (RMB’000)	15,241	74,388	89,629
As at June 30, 2023			
Expected loss rates	2.34%	72.35%	12.84%
Gross carrying amount (RMB’000)	645,942	113,976	759,918
Loss allowance (RMB’000)	15,142	82,466	97,608

The Company

	Collective basis	Individual basis	Total
As at December 31, 2020			
Expected loss rate	1.95%	74.78%	4.48%
Gross carrying amount (RMB’000)	597,693	21,453	619,146
Loss allowance (RMB’000)	11,683	16,042	27,725
As at December 31, 2021			
Expected loss rate	2.40%	100.00%	4.55%
Gross carrying amount (RMB’000)	714,848	16,073	730,921
Loss allowance (RMB’000)	17,164	16,073	33,237
As at December 31, 2022			
Expected loss rate	2.11%	100.00%	14.92%
Gross carrying amount (RMB’000)	330,937	49,820	380,757
Loss allowance (RMB’000)	6,985	49,820	56,805

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	Collective basis	Individual basis	Total
As at June 30, 2023			
Expected loss rates	3.09%	86.92%	18.27%
Gross carrying amount (RMB'000)	264,232	58,415	322,647
Loss allowance (RMB'000)	8,172	50,775	58,947

The movements of loss allowance for trade receivables were as follows:

The Group

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/ period	16,137	43,530	50,542	50,542	89,629
Loss allowance recognized	30,154	7,012	39,803	5,861	7,979
Write-offs	(2,761)	—	(716)	—	—
At the end of the year/period	<u>43,530</u>	<u>50,542</u>	<u>89,629</u>	<u>56,403</u>	<u>97,608</u>

The Company

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/ period	25,589	27,725	33,237	33,237	56,805
Loss allowance recognized/(reversed)	2,185	5,512	23,768	(8,922)	2,142
Write-offs	(49)	—	(200)	—	—
At the end of the year/period	<u>27,725</u>	<u>33,237</u>	<u>56,805</u>	<u>24,315</u>	<u>58,947</u>

The impairment provision of deposits and other receivables were determined as follows:

The Group

	Average expected credit loss rates	Gross amounts	Impairment provision	Carrying amount (net of impairment provision)
		RMB'000	RMB'000	RMB'000
As at December 31, 2020				
Performing	1.37%	16,478	(225)	16,253
Non-performing	100.00%	9,966	(9,966)	—
		<u>26,444</u>	<u>(10,191)</u>	<u>16,253</u>
As at December 31, 2021				
Performing	1.07%	51,424	(549)	50,875
Non-performing	100.00%	9,966	(9,966)	—
		<u>61,390</u>	<u>(10,515)</u>	<u>50,875</u>

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	Average expected credit loss rates	Gross amounts	Impairment provision	Carrying amount (net of impairment provision)
		RMB’000	RMB’000	RMB’000
As at December 31, 2022				
Performing	1.01%	50,956	(515)	50,441
Non-performing	100.00%	16,574	(16,574)	—
		<u>67,530</u>	<u>(17,089)</u>	<u>50,441</u>
As at June 30, 2023				
Performing	0.65%	90,832	(587)	90,245
Non-performing	100.00%	17,176	(17,176)	—
		<u>108,008</u>	<u>(17,763)</u>	<u>90,245</u>

The Company

	Average expected credit loss rate	Gross amounts	Impairment provision	Carrying amount (net of impairment provision)
		RMB’000	RMB’000	RMB’000
As at December 31, 2020				
Performing	1.34%	<u>735,438</u>	<u>(9,849)</u>	<u>725,589</u>
As at December 31, 2021				
Performing	1.34%	<u>679,204</u>	<u>(9,134)</u>	<u>670,070</u>
As at December 31, 2022				
Performing	1.71%	797,055	(13,593)	783,462
Non-performing	100.00%	5,223	(5,223)	—
		<u>802,278</u>	<u>(18,816)</u>	<u>783,462</u>
As at June 30, 2023				
Performing	2.25%	800,012	(17,978)	782,034
Non-performing	100.00%	5,248	(5,248)	—
		<u>805,260</u>	<u>(23,226)</u>	<u>782,034</u>

The movements of the loss allowance for deposits and other receivables were as follows:

The Group

Performing

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/ period	288	225	549	549	515
Loss allowance (reversed)/recognized	(53)	346	59	(9)	72
Write-offs	(10)	(22)	(9)	—	—
Transfer to non-performing	—	—	(84)	—	—
At the end of the year/period	<u>225</u>	<u>549</u>	<u>515</u>	<u>540</u>	<u>587</u>

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Non-performing

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/ period	—	9,966	9,966	9,966	16,574
Loss allowance recognized	9,966	—	6,524	4,000	602
Transfer from performing	—	—	84	—	—
At the end of the year/period . . .	<u>9,966</u>	<u>9,966</u>	<u>16,574</u>	<u>13,966</u>	<u>17,176</u>

The Company

Performing

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/ period	4,655	9,849	9,134	9,134	13,593
Loss allowance recognized/(reversed)	5,204	(715)	4,499	3,112	4,385
Write-offs	(10)	—	—	—	—
Transfer to non-performing	—	—	(40)	—	—
At the end of the year/period . . .	<u>9,849</u>	<u>9,134</u>	<u>13,593</u>	<u>12,246</u>	<u>17,978</u>

Non-performing

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/ period	—	—	—	—	5,223
Loss allowance recognized	—	—	5,183	4,000	25
Transfer from performing	—	—	40	—	—
At the end of the year/period . . .	<u>—</u>	<u>—</u>	<u>5,223</u>	<u>4,000</u>	<u>5,248</u>

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed loan facilities to meet obligations when due and to close out market positions. To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations. The amounts of the Group’s undrawn loan facilities as at June 30, 2023 were RMB1,473,188,200.

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

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2020						
Trade payable	192,416	—	—	—	192,416	192,416
Other payables*	221,170	—	—	—	221,170	221,170
Lease liabilities	39,890	31,363	28,909	4,824	104,986	97,810
Borrowings	581,442	—	—	—	581,442	576,216
	<u>1,034,918</u>	<u>31,363</u>	<u>28,909</u>	<u>4,824</u>	<u>1,100,014</u>	<u>1,087,612</u>
As at December 31, 2021						
Trade payable	362,479	—	—	—	362,479	362,479
Other payables*	278,457	—	—	—	278,457	278,457
Lease liabilities	44,770	26,827	18,082	2,717	92,396	86,930
Borrowings	670,689	7,948	38,333	101,631	818,601	758,404
	<u>1,356,395</u>	<u>34,775</u>	<u>56,415</u>	<u>104,348</u>	<u>1,551,933</u>	<u>1,486,270</u>
As at December 31, 2022						
Trade payable	305,406	—	—	—	305,406	305,406
Other payables*	337,893	—	—	—	337,893	337,893
Lease liabilities	38,448	18,808	17,168	547	74,971	66,134
Borrowings	348,880	28,656	143,343	224,844	745,723	622,662
	<u>1,030,627</u>	<u>47,464</u>	<u>160,511</u>	<u>225,391</u>	<u>1,463,993</u>	<u>1,332,095</u>
As at June 30, 2023						
Trade payable	324,765	—	—	—	324,765	324,765
Other payables*	336,617	—	—	—	336,617	336,617
Lease liabilities	34,389	20,253	15,815	149	70,606	67,123
Borrowings	482,464	56,153	269,769	324,435	1,132,821	934,406
	<u>1,178,235</u>	<u>76,406</u>	<u>285,584</u>	<u>324,584</u>	<u>1,864,809</u>	<u>1,662,911</u>

* Excluding payables for employee benefit expenses, VAT and other taxes payables and provisions

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may issue ordinary shares or sell assets to reduce debt. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debts divided by total equity. Net debts include borrowings and lease liabilities, less restricted cash and cash and cash equivalents. Total equity is calculated as “equity” as shown in the consolidated statements of financial position.

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The calculation of net (cash)/debts and gearing ratio as at December 31, 2020, 2021 and 2022 and June 30, 2023 is as follows;

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	576,216	758,404	622,662	934,406
Lease liabilities	97,810	86,930	66,134	67,123
Less: restricted cash	(114,189)	(167,629)	(48,181)	(4,388)
Less: cash and cash equivalents	(621,754)	(273,103)	(145,398)	(619,148)
Net (cash)/debts	<u>(61,917)</u>	<u>404,602</u>	<u>495,217</u>	<u>377,993</u>
Total equity	<u>1,024,236</u>	<u>759,998</u>	<u>1,053,924</u>	<u>1,604,438</u>
Gearing ratio	<u>N/A</u>	<u>53%</u>	<u>47%</u>	<u>24%</u>

3.3 Fair value measurements of financial instruments

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The inputs of valuation techniques are categorized into three levels within a fair value hierarchy as follows:

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

The Group’s policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the end of the reporting period.

The fair value estimates of financial assets at FVPL are included in level 2, where the fair value has been determined based on observable inputs other than quoted prices. The fair value estimations of financial assets at FVOCI are included in level 3, where the fair value has been determined based on unobservable inputs.

(a) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the Track Record Period.

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(b) The following tables present the changes in the amount of level 2 and 3 financial instruments for the Track Record Period.

Level 2	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Financial assets at FVPL					
— Investments in wealth management products					
At the beginning of the year/period	476	5,076	—	—	—
Additions	305,000	—	—	—	—
Acquisition of a subsidiary (Note 36)	—	—	28,931	—	—
Disposals	(301,309)	(5,105)	(29,050)	—	—
Changes in fair value	909	29	119	—	—
At the end of the year/period	<u>5,076</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Level 3	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Financial assets at FVOCI					
— Investments in unlisted entities					
At the beginning of the year/period	—	4,000	3,973	3,973	5,573
Additions	4,000	11,000	—	—	—
Disposals	—	(4,000)	—	—	—
Changes in fair value	—	(7,027)	1,600	491	(132)
At the end of the year/period	<u>4,000</u>	<u>3,973</u>	<u>5,573</u>	<u>4,464</u>	<u>5,441</u>

(c) Valuation inputs and relationships to fair value (level 3)

The fair value of investment in unlisted entities as at December 31, 2020 was mainly reference to the transaction price of recent transactions.

The following table summarizes the quantitative information about the unobservable inputs used in level 3 fair value measurements as at December 31, 2021 and 2022 and June 30, 2023:

	Unobservable inputs	As at December 31,		As at June 30,	Relationship of unobservable inputs to fair value
		2021	2022	2023	
Investments in unlisted entities	Business enterprise value/book multiple of comparable companies	2.14	4.01	3.77	The higher the multiple, the higher the fair value
	Lack of marketability discount rate	20.6%	20.6%	20.6%	The higher discount rate, the lower the fair value

The impact to loss before income tax or total comprehensive loss for the Track Record Period would not be significant even if the unobservable inputs used in fair value measurements had been 10% higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

The carrying amount of the Group’s other current financial assets, including restricted cash, cash and cash equivalents, trade receivables, deposits and other receivables, and the Group’s financial liabilities, including short-term borrowings, short-term lease liabilities, trade payables and other payables approximate their fair value due to their short maturities. The fair value of other non-current financial assets and liabilities approximate their carrying value as the impact of discounting is not significant.

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The management of the Group has engaged an independent valuation expert to perform the valuations of the financial assets at FVOCI required for financial reporting purposes. Discussions of valuation processes and results are held between the management and the valuation expert at each reporting period end, and the management of the Group:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior year valuation report;
- analyzes the reasons for change in fair value.

For investments in wealth management products, the management discussed with the manager and assessed the expected returns of the investments to determine whether the fair value stated in the wealth management products statements at the end of reporting period is appropriate.

4 Critical accounting estimates and judgements

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgements in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have financial impact on the entity and that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements adopted by the Group during the Track Record Period are as below:

4.1 Revenue from customer contracts with multiple performance obligations

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

4.2 NRV of inventories

The Group’s inventories are stated at the lower of cost and NRV. Management of the Group makes significant estimations in determining the NRV of inventories.

In determining the NRV of inventories, the Group evaluates customers’ orders, prevailing market prices of finished goods, estimated costs of completion of work in progress, estimated contract fulfillment costs and 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.

4.3 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 amounts may not be recoverable. The recoverable amounts have been determined based on 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.

Management judgement 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; and (iii) the appropriate key assumptions 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 the Group to determine impairment may have material impact on the estimated recoverable amount used in the impairment test, and cause changes in impairment of these tangible non-current assets of the Group.

4.4 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. In determining whether goodwill is impaired, the Group estimates the recoverable amount of 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 the Group may have material impact on the estimated recoverable amount used in the impairment test, and cause changes in impairment of the goodwill of the Group.

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4.5 *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. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1.

A number of judgements 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 the Group may impact the ECL recognized.

4.6 *Share-based compensation expenses*

Certain RSUs granted to the Group’s employees will only vest at the end of certain periods after a successful [REDACTED] of the Company’s shares or on certain dates further detailed in Note 30. In order to determine the amount of share-based compensation expenses over the vesting period, the Group is required to estimate the date of [REDACTED] of the Company’s share and the number of grantees that will remain in employment with the 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.

4.7 *Current and deferred income taxes*

The Group is subject to income taxes in various jurisdictions. Judgement 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.

Deferred income tax assets are recognized for temporary differences to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each date of statements of financial position and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the deferred income tax asset balance will be reduced and the difference charged to the consolidated income statements.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

5 *Segment information*

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the Track Record Period, the Group has been focusing on sale of products and provision of ancillary services, which were usually provided to customers together with the products, and accounted for over 90% of total revenue of the Group. Accordingly, the management considers that the Group is operated and managed as one single operating segment.

The CODM managed the Group through business nature, instead of geography. No segment assets and liabilities are presented as they were not provided to the CODM for the purpose of resource allocation and performance assessment. More than 90% of the carrying value of the Group’s non-current assets, excluding financial instruments and deferred income tax assets, are situated in Mainland China.

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6 Revenue

The revenue of the Group comprises the following:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Revenue from contracts with customers					
Recognized at a point in time					
— Sales of products	635,262	705,793	910,778	232,447	224,865
Recognized over time					
— Provision of ancillary services	104,964	111,437	97,494	51,076	36,274
	<u>740,226</u>	<u>817,230</u>	<u>1,008,272</u>	<u>283,523</u>	<u>261,139</u>

(a) Information of the major customers which individually contributed more than 10% of the total revenue of the Group for the Track Record Period is as below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
Number of major customers	2	1	2	3	1
Total revenue from major customers (RMB'000)	<u>404,122</u>	<u>175,005</u>	<u>527,825</u>	<u>145,092</u>	<u>71,425</u>

(b) **Revenue by geographical locations**

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Mainland China	682,825	753,853	877,267	235,081	191,365
Outside Mainland China	57,401	63,377	131,005	48,442	69,774
	<u>740,226</u>	<u>817,230</u>	<u>1,008,272</u>	<u>283,523</u>	<u>261,139</u>

The revenue derived from individual geographical region outside Mainland China was less than 10% of the Group’s total revenue during the Track Record Period.

(c) **Liabilities related to contracts with customers**

	As at	As at December 31,			As at
	January 1, 2020	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Contract liabilities	<u>25,182</u>	<u>91,063</u>	<u>144,151</u>	<u>84,509</u>	<u>127,085</u>

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(d) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period	13,091	91,031	96,238	44,793	25,343

(e) Unsatisfied long-term performance obligations

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that were partially or fully unsatisfied	151,199	89,787	76,855	59,457

Management expects that 53%, 67% and 48% and 66% of the transaction price allocated to unsatisfied performance obligations as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively will be recognized as revenue during the next reporting period and the remaining 47%, 33% and 52% and 34% will be recognized over one year as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The amounts disclosed above do not include variable consideration which is constrained.

(f) Assets recognized for costs to fulfill contracts

In addition to the contract liabilities balances disclosed above, the Group has also recognized an asset in relation to costs to fulfill contracts. This is presented within inventories as contract fulfillment costs in the consolidated statements of financial position (Note 24).

7 Expenses by nature

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Changes in finished goods, work in progress and contract fulfillment costs	144,081	90,596	99,332	23,791	(66,447)
Raw materials and consumables used	92,288	283,793	378,425	119,220	203,608
Net write-down of inventories (Note 24)	12,580	1,203	70,618	38,862	1,999
Subcontracting expenses	80,301	105,798	63,811	37,600	6,943
Installation costs	18,979	10,249	12,041	550	4,103
Employee benefit expenses (Note 10)	698,122	881,819	862,804	428,148	466,258
Share-based payments to facilitate acquisition of a subsidiary (Note 30(b))	—	—	91,999	—	—
Outsourcing labor costs	21,643	16,773	21,705	8,248	20,781
Depreciation and amortization	79,124	99,705	90,043	47,829	42,922
Advertising and promotion expenses	78,705	63,435	50,784	21,374	28,202

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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Professional service fees	8,282	30,956	5,623	4,045	3,454
Office expenses	20,195	31,689	22,992	9,102	11,218
Software tools and consumables	19,104	27,948	16,913	7,509	7,693
Marketing, conferences and travelling expenses	39,657	51,831	46,912	16,621	24,711
Transportation expenses	6,073	16,854	20,783	8,074	14,617
Taxes and surcharges	11,296	11,290	3,083	139	3,013
Warehousing and storage expenses	13,854	10,419	9,829	3,976	6,351
Commission expenses	1,498	3,903	10,346	2,508	8,542
Auditors’ remuneration					
— Audit services	224	540	183	55	194
— Non-audit services	74	247	157	57	27
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	17,533	22,807	22,286	6,009	10,499
Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses	<u>1,363,613</u>	<u>1,761,855</u>	<u>1,901,613</u>	<u>783,717</u>	<u>800,237</u>

No research and development expenses had been capitalized during the Track Record Period.

8 Other income and expenses, net

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants (a)	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 (b)	—	—	(24,196)	(24,196)	—
Others	232	204	27	11	160
	<u>85,720</u>	<u>76,013</u>	<u>9,467</u>	<u>(7,406)</u>	<u>13,091</u>

(a) Government grants consisted of grants relating to income and grants relating to assets. The government grants relating to income mainly included government funding for patent of invention and several government-sponsored projects focusing on the research and development of advanced technologies, government refund for social security costs and loans forgiveness which resulted from government subsidy that the local government repaid the borrowings on behalf of the Group during the period of a global outbreak of Omicron (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 were intended to compensate.

(b) Before April 2022, the Group enjoyed the value-added tax refunds policy of “immediate refund upon collection” (即徵即退) under which, part of the output VAT was refunded by the tax authorities and the Group received a total VAT refunds of RMB24,196,000 that was recorded as other income-VAT and other tax refunds. From April 2022, according to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (《關於進一步加大增值稅期末留抵退稅政策實施力度的公告》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 21, 2022, the Group is entitled to apply for the refunds of input VAT which has been recognized as “Recoverable VAT and other taxes” under the item of “Prepayments, deposits and other receivables”. As requested by relevant tax authorities, in order to apply for the refunds of input VAT, the Group has to return the previous refunded VAT of RMB24,196,000 to relevant tax authorities during the year ended December 31, 2022.

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9 Other losses and gains, net

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Net foreign exchange losses/ (gains)	18,091	6,308	(22,835)	(12,641)	(8,016)
Loss/(gain) on disposals of right-of-use assets (Note 37(c)) . . .	—	—	14,753	—	(2,136)
Loss on deemed disposal of investment in a joint venture (Note 36(a))	—	—	28,131	—	—
Gain on early termination of leases	—	—	(2,192)	(1,833)	(1,390)
Net loss on disposals of property, plant and equipment (Note 37(b))	651	276	5,276	327	4,425
Loss related to disposal of assets classified as held for sale	—	—	—	—	14,560
Changes in fair value of the financial assets at FVPL (Note 3.3)	(909)	(29)	(119)	—	—
Others	—	—	—	—	63
	<u>17,833</u>	<u>6,555</u>	<u>23,014</u>	<u>(14,147)</u>	<u>7,506</u>

10 Employee benefit expenses

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries, wages and bonuses	538,962	595,858	519,926	239,612	222,280
Pension costs — defined contribution plans	31,211	52,928	52,808	26,030	26,200
Other social security costs and housing benefits	46,664	57,744	57,761	28,630	28,689
Other employee benefits	16,795	18,893	27,922	18,960	9,623
Share-based compensation	64,490	156,396	204,387	114,916	179,466
	<u>698,122</u>	<u>881,819</u>	<u>862,804</u>	<u>428,148</u>	<u>466,258</u>
Less: capitalization in inventories	(24,010)	(15,645)	(34,831)	(7,600)	(19,061)
	<u>674,112</u>	<u>866,174</u>	<u>827,973</u>	<u>420,548</u>	<u>447,197</u>

(a) Pension costs — defined contribution plans

Companies in the PRC are required to participate in defined contribution retirement schemes administrated by the local municipal governments. The Group contribute funds which are calculated based on certain percentage of the employee monthly salary as required by the PRC local municipal governments to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group was not entitled to any forfeited contributions to reduce the Group’s future contributions during the Track Record Period.

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(b) *Five highest paid individuals*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
Number of director and supervisors	3	—	1	2	2
Number of other individuals	2	5	4	3	3
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

No payment as inducement fee to join or upon joining the Group or compensation for loss of office was paid or payable to any of these individuals for the Track Record Period.

The emoluments of directors and supervisors who are also five highest paid individuals were reflected in the analysis shown in Note 10(c). The emoluments of other five highest paid individuals were as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages, and bonuses	3,421	15,919	8,113	2,548	13,775
Pension costs — defined contribution plans	52	224	285	89	66
Other social security costs and housing benefits	93	186	191	67	107
Share-based compensation	9,085	40,484	72,929	53,011	15,841
	<u>12,651</u>	<u>56,813</u>	<u>81,518</u>	<u>55,715</u>	<u>29,789</u>

The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
Emoluments bands:					
HKD3,000,001 to HKD3,500,000	1	—	—	—	—
HKD4,500,001 to HKD5,000,000	—	—	—	—	1
HKD9,000,001 to HKD9,500,000	—	1	—	—	—
HKD9,500,001 to HKD10,000,000	—	1	—	—	—
HKD10,500,001 to HKD11,000,000	1	—	1	—	—
HKD11,000,001 to HKD11,500,000	—	—	—	1	—
HKD11,500,001 to HKD12,000,000	—	1	—	—	—
HKD13,000,001 to HKD13,500,000	—	—	—	—	1
HKD13,500,001 to HKD14,000,000	—	1	—	—	—
HKD15,500,001 to HKD16,000,000	—	—	—	—	1
HKD19,000,001 to HKD19,500,000	—	—	1	—	—
HKD23,500,001 to HKD24,000,000	—	1	—	—	—
HKD27,000,001 to HKD27,500,000	—	—	1	—	—
HKD27,500,001 to HKD28,000,000	—	—	—	1	—
HKD28,000,001 to HKD28,500,000	—	—	—	1	—
HKD35,000,001 to HKD35,500,000	—	—	1	—	—
	<u>2</u>	<u>5</u>	<u>4</u>	<u>3</u>	<u>3</u>

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(c) *Directors’ and supervisor’s emoluments*

Remuneration of each director and supervisor is set out below:

For the year ended December 31, 2020

	Director’s fee	Salaries, wages and bonus	Pension cost- defined contribution plan	Other social security costs and housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Directors:						
Mr. Zhou Jian	—	660	24	46	186	916
Mr. Xiong Youjun	—	889	25	46	2,099	3,059
Ms. Wang Lin	—	490	26	46	2,344	2,906
Mr. Liu Ming	—	846	25	46	2,438	3,355
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Hao Baoyu	—	475	7	17	321	820
Mr. Zhao Jie	106	—	—	—	—	106
Mr. Xiong Chuxiong	106	—	—	—	—	106
Mr. Lv Shousheng	66	—	—	—	—	66
Mr. Chen Wei	40	—	—	—	—	40
Supervisors:						
Mr. Deng Feng	—	1,152	26	46	1,639	2,863
Mr. Ben Cangsang	—	536	21	39	—	596
Ms. Wang Xingru	—	464	3	29	46	542
	<u>318</u>	<u>5,512</u>	<u>157</u>	<u>315</u>	<u>9,073</u>	<u>15,375</u>

For the year ended December 31, 2021

	Director’s fee	Salaries, wages and bonus	Pension cost- defined contribution plan	Other social security costs and housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Directors:						
Mr. Zhou Jian	—	660	36	55	5,585	6,336
Mr. Xiong Youjun	—	1,436	39	55	2,330	3,860
Ms. Wang Lin	—	420	39	55	2,603	3,117
Mr. Liu Ming	—	783	39	55	2,633	3,510
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Zhao Jie	106	—	—	—	—	106
Mr. Xiong Chuxiong	106	—	—	—	—	106
Mr. Lv Shousheng	106	—	—	—	—	106
Supervisors:						
Mr. Deng Feng	—	783	39	55	3,051	3,928
Mr. Ben Cangsang	—	552	36	55	297	940
Ms. Wang Xingru	—	444	—	30	138	612
	<u>318</u>	<u>5,078</u>	<u>228</u>	<u>360</u>	<u>16,637</u>	<u>22,621</u>

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For the year ended December 31, 2022

	Director’s fee	Salaries, wages and bonus	Pension cost- defined contribution plan	Other social security costs and housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Directors:						
Mr. Zhou Jian	—	743	103	137	274	1,257
Mr. Xiong Youjun	—	1,113	43	66	8,214	9,436
Ms. Wang Lin	—	473	106	133	9,174	9,886
Mr. Liu Ming	—	869	43	66	7,239	8,217
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Chen Qiang	—	—	—	—	—	—
Mr. Zhao Jie	106	—	—	—	—	106
Ms. Chen Danxia	54	—	—	—	—	54
Mr. Xiong Chuxiong	106	—	—	—	—	106
Mr. Poon Fuk Chuen	10	—	—	—	—	10
Mr. Lv Shousheng	52	—	—	—	—	52
Supervisors:						
Mr. Deng Feng	—	1,308	43	66	3,955	5,372
Mr. Ben Cangsang	—	650	40	66	769	1,525
Ms. Wang Xingru	—	506	—	18	237	761
	<u>328</u>	<u>5,662</u>	<u>378</u>	<u>552</u>	<u>29,862</u>	<u>36,782</u>

For the six months ended June 30, 2023

	Director’s fee	Salaries, wages and bonus	Pension cost- defined contribution plan	Other social security costs and housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Directors:						
Mr. Zhou Jian	—	330	54	72	21,612	22,068
Mr. Xiong Youjun	—	509	22	35	3,189	3,755
Ms. Wang Lin	—	210	55	68	3,562	3,895
Mr. Liu Ming	—	414	22	36	3,167	3,639
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Chen Qiang	—	—	—	—	—	—
Mr. Zhao Jie	53	—	—	—	—	53
Ms. Chen Danxia	3	—	—	—	—	3
Mr. Xiong Chuxiong	53	—	—	—	—	53
Mr. Poon Fuk Chuen	53	—	—	—	—	53
Mr. Leung Wai Man, Roger	38	—	—	—	—	38
Supervisors:						
Mr. Deng Feng	—	401	22	35	4,199	4,657
Mr. Ben Cangsang	—	291	21	35	584	931
Ms. Wang Xingru	—	229	—	—	217	446
	<u>200</u>	<u>2,384</u>	<u>196</u>	<u>281</u>	<u>36,530</u>	<u>39,591</u>

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For the six months ended June 30, 2022 (Unaudited)

	Director’s fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs and housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Directors:						
Mr. Zhou Jian	—	330	49	65	239	683
Mr. Xiong Youjun	—	509	21	31	6,465	7,026
Ms. Wang Lin	—	210	50	65	7,221	7,546
Mr. Liu Ming	—	415	21	31	5,486	5,953
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Zhao Jie	53	—	—	—	—	53
Ms. Chen Danxia	1	—	—	—	—	1
Mr. Xiong Chuxiong	53	—	—	—	—	53
Mr. Lv Shousheng	52	—	—	—	—	52
Supervisors:						
Mr. Deng Feng	—	481	21	31	1,436	1,969
Mr. Ben Cangsang	—	292	19	31	292	634
Ms. Wang Xingru	—	229	—	16	87	332
	<u>159</u>	<u>2,466</u>	<u>181</u>	<u>270</u>	<u>21,226</u>	<u>24,302</u>

- (i) Mr. Zhou Jian was appointed as director in March 2012 and re-designated as executive director in December 2022.
- (ii) Mr. Xiong Youjun was appointed as director in June 2020 and re-designated as executive director in December 2022.
- (iii) Ms. Wang Lin was appointed as director in March 2016 and re-designated as executive director in December 2022.
- (iv) Mr. Liu Ming was appointed as shareholder representative supervisor in March 2019 and resigned in March 2020. Then Mr. Liu Ming was appointed as director in March 2020 and re-designated as executive director in December 2022.
- (v) Mr. Xia Zuoquan was appointed as director in August 2015 and re-designated as non-executive director in December 2022.
- (vi) Mr. Zhou Zhifeng was appointed as director in August 2015 and re-designated as non-executive director in December 2022.
- (vii) Mr. Chen Qiang was appointed as director in November 2022 and re-designated as non-executive director in December 2022.
- (viii) Mr. Hao Baoyu was appointed as director in March 2019 and resigned in May 2020.
- (ix) Mr. Zhao Jie was appointed as independent director in March 2019 and re-designated as independent non-executive director in December 2022.
- (x) Ms. Chen Danxia was appointed as independent director in June 2022 and re-designated as independent non-executive director in December 2022. Ms. Chen Danxia resigned as independent non-executive director in January 2023.
- (xi) Mr. Xiong Chuxiong was appointed as independent director in March 2019 and re-designated as independent non-executive director in December 2022.
- (xii) Mr. Poon Fuk Chuen was appointed as independent director in November 2022 and re-designated as independent non-executive director in December 2022.
- (xiii) Mr. Chen Wei was appointed as independent director in March 2019 and resigned in May 2020.
- (xiv) Mr. Lv Shousheng was appointed as independent director in May 2020 and resigned in June 2022.
- (xv) Mr. Deng Feng was appointed as shareholder representative supervisor in March 2019.
- (xvi) Mr. Ben Cangsang was appointed as shareholder representative supervisor in March 2020.
- (xvii) Ms. Wang Xingru was appointed as employee representative supervisor in March 2019.
- (xviii) Mr. Leung Wai Man, Roger was appointed as independent non-executive director in February 2023.

(d) Directors’ and supervisors’ other benefits

No retirement and termination benefits were paid to the directors and supervisors of the Company by the Group in respect of their services as director or supervisor of the Company or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors’ and supervisors’ services subsisted at the end of each reporting period or at any time during the Track Record Period.

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There were no loans, quasi-loans or other dealings entered into in favor of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors during the Track Record Period.

Save as disclosed in Note 41, there were no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which the directors or the supervisors of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

11 Finance costs, net

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Finance 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)
— Interest expenses on advances from ultimate controlling shareholder	(592)	—	—	—	—
— Net exchange losses/(gains) on borrowings .	5,798	1,672	(2,286)	(2,285)	—
— Others	(488)	(5)	(13)	(11)	(5)
	(49,104)	(32,389)	(44,172)	(25,770)	(26,721)
Less: amount capitalized	—	1,834	17,438	8,036	17,893
Total finance costs	(49,104)	(30,555)	(26,734)	(17,734)	(8,828)
Finance costs, net	<u>(36,389)</u>	<u>(17,852)</u>	<u>(23,106)</u>	<u>(15,209)</u>	<u>(5,459)</u>

Finance costs capitalized for construction in progress at interest rate per annum as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Bank loans	<u>6.84%</u>	<u>6.84%</u>	<u>5.38%</u>	<u>5.70%</u>	<u>5.92%</u>

12 Income tax expense

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Current income tax	<u>31,504</u>	<u>16,558</u>	<u>16,509</u>	<u>420</u>	<u>292</u>

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The tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the Track Record Period. The differences are analyzed as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Unaudited)				
Loss before income tax	(675,495)	(900,961)	(970,859)	(514,738)	(547,625)
Tax calculated at the tax rate of 25%	(168,874)	(225,240)	(242,715)	(128,685)	(136,906)
Effects of share of results of investments accounted for using the equity method	10,885	146	(1,380)	(944)	—
Expenses not deductible for tax purpose (b)	4,973	5,170	5,925	2,400	2,133
Additional deduction for research and development expenses (c)	(63,576)	(79,336)	(73,549)	(40,426)	(38,098)
Effects of different tax rates	77,987	90,936	92,816	50,416	48,697
Share-based compensation expenses	16,122	39,099	51,097	28,729	44,867
Utilization of temporary differences not previously recognized	(10,753)	(22,108)	—	—	(18,352)
Utilization of tax losses not previously recognized	(4,989)	(5,578)	(5,656)	(2,371)	(1,730)
Temporary differences for which no deferred income tax assets were recognized	30,411	36,868	15,496	776	4,741
Tax losses for which no deferred income tax assets were recognized	139,318	176,601	174,475	90,525	94,940
Income tax expense	<u>31,504</u>	<u>16,558</u>	<u>16,509</u>	<u>420</u>	<u>292</u>

(a) PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in PRC and was calculated in accordance with the relevant regulations of the PRC, after considering the available tax benefits from refunds and allowances. The general CIT rate in the PRC is 25% for the Track Record Period.

The 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.

(b) Expenses not deductible for tax purpose

The expenses not deductible for tax purpose mainly consisted of donations and marketing expenses which were not deductible in accordance with the relevant tax regulations of the PRC.

(c) Additional deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, certain entities engaging in research and development activities were entitled to claim 175% or 200% of their research and development expenses as tax deduction during the Track Record Period.

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13 Losses per share

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
Loss attributable to owners of the Company (RMB'000)	<u>706,990</u>	<u>920,180</u>	<u>974,809</u>	<u>509,903</u>	<u>532,793</u>
Weighted average number of ordinary shares in issue (thousand)	<u>371,230</u>	<u>382,559</u>	<u>389,194</u>	<u>384,087</u>	<u>403,582</u>
Basic losses per share (in RMB)	<u>1.90</u>	<u>2.41</u>	<u>2.50</u>	<u>1.33</u>	<u>1.32</u>

(b) Diluted losses per share

For the Track Record Period, diluted losses per share were equal to basic losses per share as there were no dilutive potential ordinary shares.

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14 Particulars of subsidiaries

The Company has direct or indirect interests in the following subsidiaries, which are all limited liability companies. Unless otherwise stated, they have share capital consisting solely of ordinary shares/registered capital that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of subsidiaries	Place and date of incorporation	Principal activities and place of operation	Particulars of issued or registered share capital	Attributable equity interest			
				As at December 31, 2020	2021	2022	As at June 30, 2023
Directly held by the Company:							
UBTECH ROBOTICS CORP	United States, July 24, 2015	Sales of robotic products, United States	USD25,000,000	100%	100%	100%	100%
UBTECH ROBOTICS LIMITED (b)	Hong Kong, June 29, 2016	Sales of robotic products, Hong Kong	HKD310,584,000	100%	100%	100%	100%
*UBTECH Education (Shenzhen) Co., Ltd. (優必選教育(深圳)有限公司)	PRC, August 4, 2016	Provision of robotic ancillary services, Mainland China	RMB1,000,000	100%	100%	100%	100%
*UBTECH Entertainment (Shenzhen) Co., Ltd. (“UBTECH Entertainment”, 優必選娛樂(深圳)有限公司)	PRC, August 11, 2016	Dormant, Mainland China	RMB71,000,000	100%	100%	100%	100%
*Shanghai UBI Education Technology Co., Ltd. (“Shanghai UBJ”, 上海優必選教育科技有限公司) (b) (Note 20)	PRC, February 15, 2017	Provision of robotic ancillary services, Mainland China	RMB7,243,502	N/A	N/A	87.53%	87.53%
*UBTECH Technology (Kunming) Co., Ltd. (優必選科技(昆明)有限公司)	PRC, May 27, 2017	Sales of robotic products, Mainland China	RMB10,000,000	100%	100%	100%	100%
*Shenzhen UBTECH Technology Industrial Co., Ltd. (“Shenzhen UBTECH Industrial”, 深圳市優必選科技實業有限公司) (b)	PRC, May 31, 2017	Dormant, Mainland China	RMB393,000,000	100%	100%	100%	100%
*UBTECH Software Technology (Shenzhen) Co., Ltd. (“UBTECH Software”, 優必選軟件技術(深圳)有限公司) (b)	PRC, February 6, 2018	Development and sales of robotic software, Mainland China	RMB5,000,000	100%	100%	100%	100%
*Sichuan UBTECH Holding Co., Ltd. (四川優必選控股股份有限公司)	PRC, July 31, 2018	Sales of robotic products, Mainland China	RMB100,000,000	100%	100%	100%	100%
*UBTECH (Chongqing) Technology Co., Ltd. (優必選(重慶)科技有限公司)	PRC, August 31, 2018	Development, design and sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%
UBTECH North America Research and Development Center Corp	United States, February 20, 2019	Research and development services, United States	USD10,000,000	100%	100%	100%	100%
*UBTECH (Hangzhou) Technology Co., Ltd. (優必選(杭州)科技有限公司)	PRC, August 5, 2019	Sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%
*Hangzhou UBTECH Industrial Co., Ltd. (“Hangzhou UBTECH Industrial”, 杭州優必選實業有限公司) (b)	PRC, August 5, 2019	Sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%

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Name of subsidiaries	Place and date of incorporation	Principal activities and place of operation	Particulars of issued or registered share capital	Attributable equity interest				
				As at December 31,		As at June 30,		As at the date of this report
				2020	2021	2022	2023	
*Guizhou UBTECH Technology Co., Ltd. (貴州優必選科技股份有限公司)	PRC, August 19, 2019	Production and sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	
*UBTECH (Fujian) Technology Co., Ltd. (優必選(福建)科技有限公司)	PRC, November 12, 2019	Dormant, Mainland China	RMB30,000,000	100%	100%	100%	100%	
*UBTECH (Jiangsu) Intelligent Robot Co., Ltd. (“Jiangsu UBTECH”, 優必選(江蘇)智能機器人有限公司)	PRC, November 20, 2019	Sales of robotic products, Mainland China	RMB200,000,000	100%	100%	100%	100%	
*Shandong UBTECH Technology Co., Ltd. (“Shandong UBTECH”, 山東優必選克科技股份有限公司)	PRC, December 19, 2019	Sales of robotic products, Mainland China	RMB100,000,000	100%	100%	100%	100%	
*UBTECH (Suzhou) Technology Co., Ltd. (優必選(蘇州)科技有限公司)	PRC, February 12, 2020	Sales of robotic products, Mainland China	RMB30,000,000	100%	100%	100%	100%	
*UBTECH (Shenzhen) Technology Co., Ltd. (優必選(深圳)科技有限公司)	PRC, April 21, 2020	Production of robotic products, Mainland China	RMB10,000,000	100%	100%	100%	100%	
*UBTECH (Xiamen) Intelligent Technology Co., Ltd. (優必選(廈門)智能科技有限公司)	PRC, April 24, 2020	Development, design, production and sales of robotic products, Mainland China	RMB50,000,000	100%	100%	100%	100%	
*UBTECH (Hangzhou) Intelligent Robot Co., Ltd. (優必選(杭州)智能機器人有限公司)	PRC, May 15, 2020	Sales of robotic products, Mainland China	RMB100,000,000	100%	100%	100%	100%	
*UBTECH Enze (Hangzhou) Technology Co., Ltd. (優必選恩澤(杭州)科技有限公司)	PRC, July 21, 2020	Dormant, Mainland China	RMB30,000,000	51%	51%	51%	51%	
*Ezhou UBTECH Technology Co., Ltd. (鄂州優必選科技有限公司)	PRC, July 23, 2020	Sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	
*Wuxi Uqi Intelligent Technology Co., Ltd. (“Wuxi Uqi”, 無錫優奇智能科技有限公司)	PRC, September 7, 2020	Development, production and sales of logistic robotic products, Mainland China	RMB30,019,500	51%	51%	41.89%	43.45%	
*UBTECH (Huzhou) Technology Co., Ltd. (優必選(湖州)科技有限公司)	PRC, October 16, 2020	Development, design production and sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	
*UBTECH (Weihai) Technology Co., Ltd. (優必選(威海)科技有限公司)	PRC, November 9, 2020	Sales of robotic products, Mainland China	RMB25,000,000	100%	100%	100%	100%	
*UBTECH (Shantou) Technology Co., Ltd. (優必選(汕頭)科技有限公司)	PRC, November 16, 2020	Sales of robotic products, Mainland China	RMB26,000,000	100%	100%	100%	100%	
*UBTECH (Taiyuan) Intelligent Robot Co., Ltd. (優必選(太原)智能機器人有限公司)	PRC, December 1, 2020	Sales of robotic products, Mainland China	RMB1,000,000	100%	100%	100%	100%	

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Name of subsidiaries	Place and date of incorporation	Principal activities and place of operation	Particulars of issued or registered share capital	Attributable equity interest				
				2020	2021	2022	As at June 30, 2023	As at the date of this report
*UBTECH Shanhu (Hangzhou) Technology Co., Ltd. (優必選 山湖(杭州)科技有限公司) (c)	PRC, December 29, 2020	Sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	100%
*Shenzhen Youbixing Technology Co., Ltd. (深圳市優必行科技有限公司) (c)	PRC, January 28, 2021	Development, design, and sales of robotic products, Mainland China	RMB50,000,000	N/A	100%	100%	100%	100%
Best Epoch Technology Co. LTD (深圳市優紀元科技有限公司) (c)	PRC, February 5, 2021	Sales of hardware, Mainland China	RMB50,000,000	N/A	100%	100%	100%	100%
*UBTECH (Yangzhou) Technology Co., Ltd. (優必選(揚州)科技有限公司) (c)	PRC, March 19, 2021	Sales of robotic products, Mainland China	RMB20,000,000	N/A	100%	100%	100%	100%
*UBTECH (Anqing) Intelligent Robot Co., Ltd. (優必選(安慶)智能機器人有限公司) (c)	PRC, April 15, 2021	Development, design, production and sales of robotic products, Mainland China	RMB20,000,000	N/A	100%	100%	100%	100%
*UBTECH (Hebei) Technology Co., Ltd. (優必選(河北)科技有限公司) (c)	PRC, September 13, 2021	Production and sales of robotic products, Mainland China	RMB20,000,000	N/A	100%	100%	100%	100%
*UBTECH (Hubei) Technology Co., Ltd. (優必選(湖北)科技有限公司) (c)	PRC, November 4, 2021	Sales of robotic products, Mainland China	RMB70,000,000	N/A	100%	100%	100%	100%
*Shenzhen Youzhixue Education Technology Co., Ltd. (深圳市優智學教育科技有限公司) (c)	PRC, February 15, 2022	Provision of robotic ancillary services, Mainland China	RMB10,000,000	N/A	N/A	100%	100%	100%
*Shaoyang UBTECH Technology Co., Ltd. (邵陽優必選科技有限公司) (c)	PRC, March 14, 2022	Sales of robotic products, Mainland China	RMB30,000,000	N/A	N/A	100%	100%	100%
*Sichuan UBTECH Intelligent Technology Development Co., Ltd. (四川優必選智慧科技有限公司) (c)	PRC, April 19, 2022	Sales of robotic products, Mainland China	RMB10,000,000	N/A	N/A	100%	100%	100%
*Chengdu Longquanyi UBTECH Technology Co., Ltd. (成都龍泉驛優必泰克科技有限公司) (c)	PRC, May 18, 2022	Dormant, Mainland China	RMB20,000,000	N/A	N/A	100%	100%	100%
*Jiujiang Youbixing Technology Co., Ltd. (九江優必行科技有限公司) (c)	PRC, June 20, 2022	Development, design, production and sales of robotic products, Mainland China	RMB210,000,000	N/A	N/A	100%	100%	100%
*Liuzhou UBTECH Intelligent Technology Co., Ltd. (柳州優必選智能科技有限公司) (c)	PRC, June 27, 2022	Development, design, production and sales of robotic products, Mainland China	RMB200,000,000	N/A	N/A	100%	100%	100%
*Yang Ling UBTECH Intelligent Agricultural Technology Co., Ltd. (楊凌優必選智慧農業科技有限公司) (c)	PRC, July 12, 2022	Dormant, Mainland China	RMB30,000,000	N/A	N/A	100%	100%	100%

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				As at December 31,		As at June 30,		As at date of this report
				2020	2021	2022	2023	
*Shenzhen Youshijie Robot Co., Ltd. (“Shenzhen Youshijie”, 深圳市優世界機器人有限公司) (c)(e)	PRC, July 22, 2022	Dormant, Mainland China	RMB5,000,000	N/A	N/A	100%	95.24%	95.24%
*UBKang (Qingdao) Technology Co., Ltd. (優必康(青島)科技有限公司) (c)	PRC, September 22, 2022	Sales of robotic products, Mainland China	RMB62,500,000	N/A	N/A	100%	100%	80%
*UBTECH (Puyang) Technology Co., Ltd. (優必選(濮陽)科技有限公司) (c)	PRC, November 2, 2022	Sales of robotic products, Mainland China	RMB176,000,000	N/A	N/A	100%	100%	100%
*UBTECH (Shenyang) Technology Co., Ltd. (優必選(瀋陽)科技有限公司) (c)	PRC, November 14, 2022	Dormant, Mainland China	RMB100,000,000	N/A	N/A	100%	100%	100%
*Luzhou Youxue Technology Co., Ltd. (柳州優學科技有限公司) (c)	PRC, February 28, 2023	Development, design, production and sales of robotic products, Mainland China	RMB200,000,000	N/A	N/A	N/A	100%	100%
*Luzhou UBTECH Technology Industry Co., Ltd. (柳州優必選科技產業有限公司) (c)	PRC, March 2, 2023	Development, design, production and sales of robotic products, Mainland China	RMB200,000,000	N/A	N/A	N/A	100%	100%
*Shenzhen Xuanyou Technology Co., Ltd. (深圳市選優科技有限公司) (c)	PRC, June 25, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	100%	100%
*Shenzhen Youbitu Technology Co., Ltd. (深圳市優必服科技有限公司) (c)	PRC, June 25, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	100%	100%
*Shenzhen Youlingjing Technology Co., Ltd. (深圳市優靈境科技有限公司) (c)	PRC, June 12, 2023	Dormant, Mainland China	RMB5,000,000	N/A	N/A	N/A	51%	51%
*Youdi Health Technology (Shenzhen) Co., Ltd. (“Youdi Health”, 優迪健康科技(深圳)有限公司) (c)(g)	PRC, June 16, 2023	Dormant, Mainland China	RMB10,000,000	N/A	N/A	N/A	41%	41%
*Ganzhou UBTECH Intelligent Technology Co., Ltd. (贛州優必選智能科技有限公司) (c)	PRC, August 2, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	N/A	100%
*Shenzhen UBTECH Medical Robot Co., Ltd. (深圳市優必選醫療機器人有限公司) (c)	PRC, August 7, 2023	Dormant, Mainland China	RMB5,000,000	N/A	N/A	N/A	N/A	100%
*Beijing UBTECH Intelligent Robot Co., Ltd. (北京優必選智能機器人有限公司) (c)	PRC, August 15, 2023	Dormant, Mainland China	RMB50,000,000	N/A	N/A	N/A	N/A	100%
*UBTECH (Hejin) Technology Co., Ltd. (優必選(河津)科技有限公司) (c)	PRC, August 30, 2023	Dormant, Mainland China	RMB50,000,000	N/A	N/A	N/A	N/A	100%
*Hebei UBTECH Intelligent Technology Co., Ltd. (河北優必選智能科技有限公司) (c)	PRC, August 31, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	N/A	100%
*UBTECH (Suzhou) Technology Co., Ltd. (優必選(蘇州)科技有限公司) (c)	PRC, September 4, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	N/A	100%
*UBTECH (Hebi) Technology Co., Ltd. (優必選(鶴壁)科技有限公司) (c)	PRC, September 4, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	N/A	100%
*UBTECH (Zhengzhou) Intelligent Agricultural Technology Co., Ltd. (優必選(鄭州)智慧農業科技有限公司) (c)	PRC, September 19, 2023	Dormant, Mainland China	RMB80,000,000	N/A	N/A	N/A	N/A	100%
*UBTECH (Xiamen) Software Technology Co., Ltd. (優必選(廈門)軟件技術有限公司) (c)	PRC, October 30, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	N/A	100%
Ubhome Technology Company Limited (c)	Hong Kong, October 30, 2023	Dormant, Hong Kong	HKD100,000	N/A	N/A	N/A	N/A	100%

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				As at December 31,		As at June 30,		As at the date of this report
				2020	2021	2022	2023	
Indirectly held by the Company:								
* Kunming UBTECH Technology Investment Co., Ltd. (昆明市優必選科技投資有限公司)	PRC, May 27, 2017	Production of robotic products, Mainland China	RMB36,500,000	100%	100%	100%	100%	
* Chengdu Youxuan Ruizhi Equity Investment Fund Management Co., Ltd. (成都優睿智股權投資基金管理責任公司) (c)	PRC, October 23, 2018	Dormant, Mainland China	RMB10,000,000	100%	100%	100%	100%	
* Jiangsu Tianhui Technology Development Co., Ltd. (“Jiangsu Tianhui”, 江蘇天慧科技開發有限公司) (Note 36) (d) (g)	PRC, May 16, 2019	Provision of robotic ancillary services, Mainland China	RMB10,000,000	N/A	N/A	41.89%	43.45%	
* UBI (Hangzhou) Technology Service Co., Ltd. (優必傑(杭州)科技服務有限公司) (Note 36)	PRC, April 28, 2020	Provision of robotic ancillary services, Mainland China	RMB1,000,000	N/A	N/A	87.53%	87.53%	
* Shenzhen Youxuan Zhivi Elderly Caring Service Co., Ltd. (深圳市優選智頤養老服務有限公司) (c)	PRC, April 11, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	80%	
* UBI (Xiamen) Education Technology Co., Ltd. (優必傑(廈門)教育科技有限公司) (Note 36)	PRC, July 22, 2020	Provision of robotic ancillary services, Mainland China	RMB5,000,000	N/A	N/A	87.53%	87.53%	
Futronics (Hong Kong) Limited (b)(c)	Hong Kong, November 12, 2020	Investment holding, Hong Kong	USD10,000,000	100%	100%	100%	100%	
FUTRONICS (NA) CORPORATION (c)	United States, December 1, 2020	Sales of robotic products, United States	USD9,800,000	100%	100%	100%	100%	
* UBTECH Logistic (Kunming) Co., Ltd. (優必選物流(昆明)有限公司) (c)	PRC, December 10, 2020	Dormant, Mainland China	RMB10,000,000	100%	100%	100%	100%	
* UBTECH Shanhui (Hangzhou) Industrial Co., Ltd. (“Shanhui Industrial”, 優必選山湖(杭州)實業有限公司) (c)	PRC, January 7, 2021	Production of robotic products, Mainland China	RMB20,000,000	N/A	100%	75%	75%	
* UBTECH (Huzhou) Industrial Co., Ltd. (優必選(湖州)實業有限公司) (c)	PRC, April 19, 2021	Sales of robotic products, Mainland China	RMB20,000,000	N/A	100%	100%	100%	
U&ME Innovation Technology Company Limited (b) (c)	Hong Kong, May 5, 2021	Research and development services, Hong Kong	HKD38,915,500	N/A	100%	100%	100%	
* Youhang (Hangzhou) Industrial Co., Ltd. 優航(杭州)實業有限公司 (c)	PRC, May 11, 2021	Dormant, Mainland China	RMB20,000,000	N/A	100%	100%	100%	
* Shanghai UBTECH Intelligent Health Technology Development Co., Ltd. (“Shanghai UBTECH”, 上海優必選智慧健康科技發展有限公司) (b) (c)	PRC, August 3, 2021	Sales of robotic products, Mainland China	RMB20,000,000	N/A	100%	100%	80%	
* Shanghai Youjiajie Education Technology Co., Ltd. (上海優嘉傑教育科技有限公司) (Note 36)	PRC, August 11, 2021	Provision of robotic ancillary services, Mainland China	RMB1,000,000	N/A	N/A	87.53%	87.53%	

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				As at December 31, 2020	As at December 31, 2021	As at June 30, 2022	As at the date of this report
*Kunming Uqi Intelligent Technology Co., Ltd. (昆明優奇智能科技有限公司) (c) (d) (g)	PRC, December 17, 2021	Production of robotic products, Mainland China	RMB10,000,000	N/A	51%	41.89%	43.45%
*Shenzhen Uqi Zhixing Technology Co., Ltd. (深圳優奇智行科技有限公司) (c) (d) (g)	PRC, March 23, 2022	Development of robotic products, Mainland China	RMB20,000,000	N/A	N/A	41.89%	43.45%
*Jiujiang Youye Technology Co., Ltd. (九江優耶科技有限公司) (c)	PRC, December 22, 2022	Dormant, Mainland China	RMB20,000,000	N/A	N/A	100%	100%
*UBot Innovation Technology Limited (c)	Hong Kong, January 18, 2023	Dormant, Hong Kong	HKD10,000	N/A	N/A	N/A	100%
*Chaozhou UBTECH Education Technology Co., Ltd. (“Chaozhou UBTECH”, 潮州市優必選教育科技有限公司) (c) (f)	PRC, February 22, 2023	Development, design, production and sales of robotic products, Mainland China	RMB16,800,000	N/A	N/A	N/A	44.64%
*Liuzhou UBTECH Intelligent Industry Co., Ltd. (柳州優必選智能實業有限公司) (c)	PRC, March 3, 2023	Development, design, production and sales of robotic products, Mainland China	RMB600,000,000	N/A	N/A	N/A	100%
*Guangzhou UBTECH Intelligent Health Industry Co., Ltd. (廣州市優必選智慧健康產業有限公司) (c)	PRC, August 17, 2023	Dormant, Mainland China	RMB20,000,000	N/A	N/A	N/A	100%

* English names are translated for identification purpose only.

(a) All subsidiaries are limited companies and have adopted December 31 as their financial year end date.

(b) Set out below are subsidiaries the financial statements of which were audited:

- (i) The financial statements of the Company for the years ended December 31, 2020, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合伙)).
- (ii) The financial statements of UBTECH ROBOTICS LIMITED for the year ended December 31, 2020 were audited by Alan Chan & Partners and for the year ended December 31, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(普通合夥)) and for the year ended December 31, 2022 were audited by Lee Chi Fat & Co..
- (iii) The financial statements of UBTECH Entertainment for the year ended December 31, 2020 were audited by Shenzhen Jiahe CPA LLP (深圳佳和會計師事務所(普通合夥)) and for the year ended December 31, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合夥)).
- (iv) The financial statements of Shanghai UBJ for the year ended December 31, 2021 were audited by Shanghai Liyong CPA LLP (上海利永會計師事務所(特殊普通合夥)) and for the year ended December 31, 2022 were audited by Shanghai DongCheng CPA Co.,Ltd. (上海東澄會計師事務所有限公司).
- (v) The financial statements of Shenzhen UBTECH Industrial for the years ended December 31, 2020, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合夥)).
- (vi) The financial statements of UBTECH Software for the year ended December 31, 2020 were audited by Shenzhen Jiahe CPA LLP (深圳佳和會計師事務所(普通合夥)) and for the year ended December 31, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合夥)).
- (vii) The financial statements of Hangzhou UBTECH Industrial for the year ended December 31, 2021 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合夥)).

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- (viii) The financial statements of Jiangsu UBTECH for the year ended December 31, 2020 were audited by Shenzhen Jinniu CPA LLP (深圳金牛會計師事務所(普通合伙)).
- (ix) The financial statements of Wuxi Uqi for the year ended December 31, 2021 and 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合伙)).
- (x) The financial statements of Futronics (Hong Kong) Limited for the year ended December 31, 2021 and 2022 were audited by A Zone CPA Limited.
- (xi) The financial statements of U&ME Innovation Technology Company Limited for the year ended December 31, 2021 were audited by A Zone CPA Limited and for the year ended December 31, 2022 were audited by Lee Chi Fai & Co..
- (xii) The financial statements of Shandong UBTECH for the year ended December 31, 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合伙)).
- (xiii) The financial statements of Shanghai UBTECH for the year ended December 31, 2022 were audited by Shenzhen Mingde CPA LLP (深圳明德會計師事務所(特殊普通合伙)).
- (c) These subsidiaries were incorporated by the Group during or after the Track Record Period.
- (d) Since the Company and another shareholder of Wuxi Uqi did not pay up their respective subscribed capital in Wuxi Uqi, the Company’s attributable equity interest in Wuxi Uqi was different from its voting rights of over 50% in Wuxi Uqi.
- (e) Since the non-controlling shareholders of these subsidiaries did not pay up their subscribed registered capital, the Group’s attributable equity interests were different from the Group’s voting rights of over 50% in these subsidiaries.
- (f) Shanghai UBJ held 51% voting rights in Chaozhou UBTECH and the Group thus indirectly controlled Chaozhou UBTECH.
- (g) As certain shareholders in Wuxi Uqi and Youdi Health, holding 28.73% and 19% voting rights respectively, agreed to follow the voting decision of the Company, the Company could thus have over 50% voting rights of Wuxi Uqi and Youdi Health and control over these subsidiaries.

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(h) Set out below is summarized financial information for Wuxi Uqi of which the non-controlling interests were material to the Group. The amounts disclosed are before inter-company eliminations.

Summarized consolidated statements of financial position of Wuxi Uqi

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Current assets	21,740	201,159	421,544	529,391
Non-current assets	6	15,661	76,081	75,161
TOTAL ASSETS	<u>21,746</u>	<u>216,820</u>	<u>497,625</u>	<u>604,552</u>
Current liabilities	11,764	195,171	394,525	508,332
Non-current liabilities	—	5,768	2,883	2,456
TOTAL LIABILITIES	<u>11,764</u>	<u>200,939</u>	<u>397,408</u>	<u>510,788</u>
TOTAL EQUITY	<u>9,982</u>	<u>15,881</u>	<u>100,217</u>	<u>93,764</u>

Summarized consolidated income statements and statements of comprehensive income

	From the date of incorporation to December 31, 2020	Year ended December 31,		Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue	12,358	265,639	265,462	41,913	78,059
(Loss)/profit and total comprehensive (loss)/income for the year/period	<u>(18)</u>	<u>5,431</u>	<u>(28,706)</u>	<u>(9,796)</u>	<u>(27,146)</u>

Summarized consolidated statements of cash flows

	From the date of incorporation to December 31, 2020	Year ended December 31,		Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Cash flows used in operating activities	(5,165)	(51,239)	(27,305)	(10,302)	(42,698)
Cash flows used in investing activities	(6)	(450)	(454)	(251)	(141)
Cash flows generated from financing activities	10,000	49,850	29,348	9,560	38,580
Net increase/(decrease) in cash and cash equivalents ..	<u>4,829</u>	<u>(1,839)</u>	<u>1,589</u>	<u>(993)</u>	<u>(4,259)</u>

15 Dividends

No dividends have been declared or paid by the Company during the Track Record Period.

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16 Property, plant and equipment

The Group

	Construction in progress	Buildings	Machinery	Office and other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2020						
Cost	13,415	—	89,086	28,416	24,507	155,424
Accumulated depreciation ...	—	—	(22,023)	(9,645)	(7,464)	(39,132)
Net book amount	13,415	—	67,063	18,771	17,043	116,292
Year ended December 31, 2020						
Opening net book amount ...	13,415	—	67,063	18,771	17,043	116,292
Additions	61,983	—	42,381	21,156	7,728	133,248
Transfer	(7,880)	—	7,880	—	—	—
Disposals	—	—	(1,841)	(6,106)	(2,343)	(10,290)
Depreciation charge	—	—	(25,004)	(10,414)	(10,765)	(46,183)
Closing net book amount	67,518	—	90,479	23,407	11,663	193,067
At December 31, 2020						
Cost	67,518	—	136,340	41,221	28,386	273,465
Accumulated depreciation ...	—	—	(45,861)	(17,814)	(16,723)	(80,398)
Net book amount	67,518	—	90,479	23,407	11,663	193,067
Year ended December 31, 2021						
Opening net book amount ...	67,518	—	90,479	23,407	11,663	193,067
Additions	180,933	—	31,862	8,184	12,876	233,855
Disposals	—	—	(6,324)	(1,609)	(119)	(8,052)
Depreciation charge	—	—	(33,084)	(11,844)	(9,826)	(54,754)
Closing net book amount	248,451	—	82,933	18,138	14,594	364,116
At December 31, 2021						
Cost	248,451	—	160,085	46,685	41,105	496,326
Accumulated depreciation ...	—	—	(77,152)	(28,547)	(26,511)	(132,210)
Net book amount	248,451	—	82,933	18,138	14,594	364,116
Year ended December 31, 2022						
Opening net book amount ...	248,451	—	82,933	18,138	14,594	364,116
Additions	436,660	—	10,150	3,937	18,300	469,047
Acquisition of subsidiaries (Note 36)	—	—	310	163	—	473
Transfer	(94,225)	87,364	6,861	—	—	—
Transfer to assets classified as held for sale	(12,466)	—	—	—	—	(12,466)
Disposals	—	—	(8,354)	(708)	(1,910)	(10,972)
Depreciation charge	—	—	(31,304)	(10,349)	(9,365)	(51,018)
Closing net book amount	578,420	87,364	60,596	11,181	21,619	759,180

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	Construction in progress	Buildings	Machinery	Office and other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2022						
Cost	578,420	87,364	163,721	48,536	57,495	935,536
Accumulated depreciation	—	—	(103,125)	(37,355)	(35,876)	(176,356)
Net book amount	578,420	87,364	60,596	11,181	21,619	759,180
Six months ended						
June 30, 2023						
Opening net book amount ...	578,420	87,364	60,596	11,181	21,619	759,180
Additions	227,416	—	5,327	1,728	9,035	243,506
Disposals	—	—	(879)	(840)	(3,842)	(5,561)
Depreciation charge	—	(2,184)	(11,410)	(3,280)	(5,262)	(22,136)
Closing net book amount ...	805,836	85,180	53,634	8,789	21,550	974,989
At June 30, 2023						
Cost	805,836	87,364	163,957	46,120	57,676	1,160,953
Accumulated depreciation	—	(2,184)	(110,323)	(37,331)	(36,126)	(185,964)
Net book amount	805,836	85,180	53,634	8,789	21,550	974,989
(Unaudited)						
Six months ended						
June 30, 2022						
Opening net book amount ...	248,451	—	82,933	18,138	14,594	364,116
Additions	154,805	—	3,740	878	3,070	162,493
Transfer	(6,861)	—	6,861	—	—	—
Disposals	—	—	(425)	(351)	(1,797)	(2,573)
Depreciation charge	—	—	(17,256)	(4,988)	(4,290)	(26,534)
Closing net book amount ...	396,395	—	75,853	13,677	11,577	497,502
(Unaudited)						
At June 30, 2022						
Cost	396,395	—	169,813	47,647	37,366	651,221
Accumulated depreciation	—	—	(93,960)	(33,970)	(25,789)	(153,719)
Net book amount	396,395	—	75,853	13,677	11,577	497,502

The Company

	Machinery	Office and other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2020				
Cost	75,955	24,622	15,272	115,849
Accumulated depreciation	(21,415)	(8,693)	(4,806)	(34,914)
Net book amount	54,540	15,929	10,466	80,935
Year ended December 31, 2020				
Opening net book amount	54,540	15,929	10,466	80,935
Additions	38,900	18,496	4,369	61,765
Disposals	(1,710)	(6,106)	(2,343)	(10,159)
Depreciation charge	(21,620)	(9,178)	(5,463)	(36,261)
Closing net book amount	70,110	19,141	7,029	96,280

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	Machinery	Office and other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2020				
Cost	114,279	34,773	19,792	168,844
Accumulated depreciation	(44,169)	(15,632)	(12,763)	(72,564)
Net book amount	<u>70,110</u>	<u>19,141</u>	<u>7,029</u>	<u>96,280</u>
Year ended December 31, 2021				
Opening net book amount	70,110	19,141	7,029	96,280
Additions	31,674	5,973	2,862	40,509
Disposals	(22)	(1,033)	(45)	(1,100)
Depreciation charge	(28,600)	(10,290)	(4,134)	(43,024)
Closing net book amount	<u>73,162</u>	<u>13,791</u>	<u>5,712</u>	<u>92,665</u>
At December 31, 2021				
Cost	145,836	38,579	22,547	206,962
Accumulated depreciation	(72,674)	(24,788)	(16,835)	(114,297)
Net book amount	<u>73,162</u>	<u>13,791</u>	<u>5,712</u>	<u>92,665</u>
Year ended December 31, 2022				
Opening net book amount	73,162	13,791	5,712	92,665
Additions	5,040	2,426	7,999	15,465
Disposals	(7,898)	(435)	—	(8,333)
Depreciation charge	(27,125)	(7,824)	(4,515)	(39,464)
Closing net book amount	<u>43,179</u>	<u>7,958</u>	<u>9,196</u>	<u>60,333</u>
At December 31, 2022				
Cost	136,040	39,126	24,112	199,278
Accumulated depreciation	(92,861)	(31,168)	(14,916)	(138,945)
Net book amount	<u>43,179</u>	<u>7,958</u>	<u>9,196</u>	<u>60,333</u>
Six months ended June 30, 2023				
Opening net book amount	43,179	7,958	9,196	60,333
Additions	3,835	873	—	4,708
Disposals	(5,856)	(194)	(1,155)	(7,205)
Depreciation charge	(9,016)	(2,639)	(2,484)	(14,139)
Closing net book amount	<u>32,142</u>	<u>5,998</u>	<u>5,557</u>	<u>43,697</u>
At June 30, 2023				
Cost	129,590	38,738	22,957	191,285
Accumulated depreciation	(97,448)	(32,740)	(17,400)	(147,588)
Net book amount	<u>32,142</u>	<u>5,998</u>	<u>5,557</u>	<u>43,697</u>
(Unaudited)				
Six months ended June 30, 2022				
Opening net book amount	73,162	13,791	5,712	92,665
Additions	3,469	559	255	4,283
Disposals	(186)	(294)	—	(480)
Depreciation charge	(15,267)	(4,530)	(1,929)	(21,726)
Closing net book amount	<u>61,178</u>	<u>9,526</u>	<u>4,038</u>	<u>74,742</u>

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	Machinery	Office and other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000
(Unaudited)				
At June 30, 2022				
Cost	148,310	38,788	16,369	203,467
Accumulated depreciation	(87,132)	(29,262)	(12,331)	(128,725)
Net book amount	<u>61,178</u>	<u>9,526</u>	<u>4,038</u>	<u>74,742</u>

(a) Depreciation of the Group’s property, plant and equipment has been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Costs of inventories	18,094	24,652	22,396	10,851	7,759
Selling and marketing expenses ...	5,505	3,245	3,745	1,462	3,209
General and administrative expenses	10,662	11,537	14,131	8,504	6,943
Research and development expenses	11,922	15,320	10,746	5,717	4,225
	<u>46,183</u>	<u>54,754</u>	<u>51,018</u>	<u>26,534</u>	<u>22,136</u>

17 Right-of-use assets and leases

The Group leases certain offices buildings and land use rights. Rental contracts for offices buildings are typically made for fixed periods of 1 year to 8 years. The granted period for land use rights are typically made for fixed periods of 30 to 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Apart from land use rights, leased assets may not be used as security for borrowing purposes.

The statements of financial position included the following amounts relating to leases:

The Group

	As at December 31,			As at June 30, 2023
	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Right-of-use assets				
— Buildings	90,730	79,208	55,208	57,070
— Land use rights	461,153	492,605	448,199	413,791
	<u>551,883</u>	<u>571,813</u>	<u>503,407</u>	<u>470,861</u>
Lease liabilities				
— Current	36,511	41,861	34,861	32,325
— Non-current	61,299	45,069	31,273	34,798
	<u>97,810</u>	<u>86,930</u>	<u>66,134</u>	<u>67,123</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
Right-of-use assets				RMB’000
— Buildings	21,601	12,560	13,239	20,219
Lease liabilities				
— Current	12,544	8,670	5,129	7,747
— Non-current	9,282	3,176	8,048	12,782
	21,826	11,846	13,177	20,529

Movements of right-of-use assets were as follows:

The Group

	Buildings	Land use rights	Total
	RMB’000	RMB’000	RMB’000
At January 1, 2020			
Cost	102,307	437,432	539,739
Accumulated depreciation	(28,385)	(20,405)	(48,790)
Net book amount	73,922	417,027	490,949
Year ended December 31, 2020			
Opening net book amount	73,922	417,027	490,949
Additions	47,496	58,817	106,313
Depreciation charge	(30,688)	(14,691)	(45,379)
Closing net book amount	90,730	461,153	551,883
At December 31, 2020			
Cost	147,167	496,249	643,416
Accumulated depreciation	(56,437)	(35,096)	(91,533)
Net book amount	90,730	461,153	551,883
Year ended December 31, 2021			
Opening net book amount	90,730	461,153	551,883
Additions	29,051	46,292	75,343
Depreciation charge	(40,573)	(14,840)	(55,413)
Closing net book amount	79,208	492,605	571,813
At December 31, 2021			
Cost	173,971	542,541	716,512
Accumulated depreciation	(94,763)	(49,936)	(144,699)
Net book amount	79,208	492,605	571,813
Year ended December 31, 2022			
Opening net book amount	79,208	492,605	571,813
Additions	32,477	—	32,477
Acquisition of subsidiaries (Note 36)	1,145	—	1,145
Disposals	—	(28,753)	(28,753)
Early termination of leases	(21,826)	—	(21,826)
Depreciation charge	(35,796)	(15,653)	(51,449)
Closing net book amount	55,208	448,199	503,407

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	Buildings	Land use rights	Total
	RMB’000	RMB’000	RMB’000
At December 31, 2022			
Cost	159,492	511,117	670,609
Accumulated depreciation	(104,284)	(62,918)	(167,202)
Net book amount	<u>55,208</u>	<u>448,199</u>	<u>503,407</u>
Six months ended June 30, 2023			
Opening net book amount	55,208	448,199	503,407
Additions	18,769	7,229	25,998
Early termination of leases	(807)	—	(807)
Disposals	—	(35,016)	(35,016)
Depreciation charge	(16,100)	(6,621)	(22,721)
Closing net book amount	<u>57,070</u>	<u>413,791</u>	<u>470,861</u>
At June 30, 2023			
Cost	177,454	481,683	659,137
Accumulated depreciation	(120,384)	(67,892)	(188,276)
Net book amount	<u>57,070</u>	<u>413,791</u>	<u>470,861</u>
(Unaudited)			
Six months ended June 30, 2022			
Opening net book amount	79,208	492,605	571,813
Additions	12,609	—	12,609
Early termination of leases	(17,205)	—	(17,205)
Depreciation charge	(20,237)	(7,839)	(28,076)
Closing net book amount	<u>54,375</u>	<u>484,766</u>	<u>539,141</u>
(Unaudited)			
At June 30, 2022			
Cost	169,375	542,541	711,916
Accumulated depreciation	(115,000)	(57,775)	(172,775)
Net book amount	<u>54,375</u>	<u>484,766</u>	<u>539,141</u>

The Company

	Buildings
	RMB’000
At January 1, 2020	
Cost	37,655
Accumulated depreciation	(17,571)
Net book amount	<u>20,084</u>
Year ended December 31, 2020	
Opening net book amount	20,084
Additions	13,272
Depreciation charge	(11,755)
Closing net book amount	<u>21,601</u>
At December 31, 2020	
Cost	48,611
Accumulated depreciation	(27,010)
Net book amount	<u>21,601</u>

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	Buildings
	RMB’000
Year ended December 31, 2021	
Opening net book amount	21,601
Additions	3,345
Depreciation charge	(12,386)
Closing net book amount	12,560
At December 31, 2021	
Cost	49,894
Accumulated depreciation	(37,334)
Net book amount	12,560
Year ended December 31, 2022	
Opening net book amount	12,560
Additions	12,737
Early termination of leases	(2,110)
Depreciation charge	(9,948)
Closing net book amount	13,239
At December 31, 2022	
Cost	64,496
Accumulated depreciation	(51,257)
Net book amount	13,239
Six months ended June 30, 2023	
Opening net book amount	13,239
Additions	12,220
Depreciation charge	(5,240)
Closing net book amount	20,219
At June 30, 2023	
Cost	76,716
Accumulated depreciation	(56,497)
Net book amount	20,219
(Unaudited)	
Six months ended June 30, 2022	
Opening net book amount	12,560
Additions	2,236
Early termination of leases	(2,110)
Depreciation charge	(5,819)
Closing net book amount	6,867
(Unaudited)	
At June 30, 2022	
Cost	50,020
Accumulated depreciation	(43,153)
Net book amount	6,867

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Depreciation of the Group’s right-of-use assets has been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Property, plant and equipment	14,324	14,058	14,756	7,571	4,269
Cost of inventories	3,587	3,647	3,505	1,829	2,220
Selling and marketing expenses . . .	6,308	11,932	12,391	7,310	4,562
General and administrative expenses	14,958	19,727	15,053	8,162	8,217
Research and development expenses	6,202	6,049	5,744	3,204	3,453
	<u>45,379</u>	<u>55,413</u>	<u>51,449</u>	<u>28,076</u>	<u>22,721</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group’s land use rights in Mainland China with net book values of RMB327,625,000, RMB341,649,000 and RMB303,791,000 and RMB285,929,000 respectively were pledged as collateral for the Group’s borrowings (Note 38).

The total cash outflows from financing activities for leases for the Track Record Period were set out in Note 37(e).

18 Intangible assets

	Software	Trademarks	Customer contracts and relationships	Goodwill	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2020					
Cost	5,690	1,474	—	—	7,164
Accumulated amortization	(2,662)	(49)	—	—	(2,711)
Net book amount	<u>3,028</u>	<u>1,425</u>	<u>—</u>	<u>—</u>	<u>4,453</u>
Year ended December 31, 2020					
Opening net book amount	3,028	1,425	—	—	4,453
Additions	3,660	—	—	—	3,660
Amortization charge	(1,739)	(147)	—	—	(1,886)
Closing net book amount	<u>4,949</u>	<u>1,278</u>	<u>—</u>	<u>—</u>	<u>6,227</u>
At December 31, 2020					
Cost	9,350	1,474	—	—	10,824
Accumulated amortization	(4,401)	(196)	—	—	(4,597)
Net book amount	<u>4,949</u>	<u>1,278</u>	<u>—</u>	<u>—</u>	<u>6,227</u>
Year ended December 31, 2021					
Opening net book amount	4,949	1,278	—	—	6,227
Additions	563	—	—	—	563
Amortization charge	(3,449)	(147)	—	—	(3,596)
Closing net book amount	<u>2,063</u>	<u>1,131</u>	<u>—</u>	<u>—</u>	<u>3,194</u>
At December 31, 2021					
Cost	9,913	1,474	—	—	11,387
Accumulated amortization	(7,850)	(343)	—	—	(8,193)
Net book amount	<u>2,063</u>	<u>1,131</u>	<u>—</u>	<u>—</u>	<u>3,194</u>
Year ended December 31, 2022					
Opening net book amount	2,063	1,131	—	—	3,194
Acquisition of subsidiaries (Note 36)	1,588	—	8,654	75,587	85,829
Amortization charge	(1,384)	(147)	(801)	—	(2,332)
Closing net book amount	<u>2,267</u>	<u>984</u>	<u>7,853</u>	<u>75,587</u>	<u>86,691</u>
At December 31, 2022					
Cost	11,501	1,474	8,654	75,587	97,216
Accumulated amortization	(9,234)	(490)	(801)	—	(10,525)
Net book amount	<u>2,267</u>	<u>984</u>	<u>7,853</u>	<u>75,587</u>	<u>86,691</u>

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	Software	Trademarks	Customer contracts and relationships	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2023					
Opening net book amount	2,267	984	7,853	75,587	86,691
Amortization charge	(554)	(74)	(1,706)	—	(2,334)
Closing net book amount	<u>1,713</u>	<u>910</u>	<u>6,147</u>	<u>75,587</u>	<u>84,357</u>
At June 30, 2023					
Cost	11,501	1,474	8,654	75,587	97,216
Accumulated amortization	(9,788)	(564)	(2,507)	—	(12,859)
Net book amount	<u>1,713</u>	<u>910</u>	<u>6,147</u>	<u>75,587</u>	<u>84,357</u>
(Unaudited)					
Six months ended June 30, 2022					
Opening net book amount	2,063	1,131	—	—	3,194
Amortization charge	(716)	(74)	—	—	(790)
Closing net book amount	<u>1,347</u>	<u>1,057</u>	<u>—</u>	<u>—</u>	<u>2,404</u>
(Unaudited)					
At June 30, 2022					
Cost	9,913	1,474	—	—	11,387
Accumulated amortization	(8,566)	(417)	—	—	(8,983)
Net book amount	<u>1,347</u>	<u>1,057</u>	<u>—</u>	<u>—</u>	<u>2,404</u>

Amortization of the Group’s intangible assets had been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of inventories	305	3	—	—	—
Selling and marketing expenses	512	376	—	—	1,587
General and administrative expenses	638	2,791	2,221	709	747
Research and development expenses	431	426	111	81	—
	<u>1,886</u>	<u>3,596</u>	<u>2,332</u>	<u>790</u>	<u>2,334</u>

The additions to goodwill were mainly arising from the acquisitions of subsidiaries (Note 36). Goodwill is monitored by management at the level of Shanghai UBJ and Jiangsu Tianhui. 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. Management determined the recoverable amounts of Shanghai UBJ CGU and Jiangsu Tianhui CGU based on VIU 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:

	As at December 31, 2022	As at June 30, 2023
Shanghai UBJ		
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

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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

Had the estimated revenue growth rates during the forecast period been 100 basis point lower, the recoverable amount of Shanghai UBJ would decrease by RMB5,000,000 and RMB3,186,000 as at December 31, 2022 and June 30, 2023 respectively, and the recoverable amount of Jiangsu Tianhui would decrease by RMB2,000,000 and RMB2,068,000 as at December 31, 2022 and June 30, 2023 respectively. Any reasonably possible changes in key assumptions would not lead to impairment as at December 31, 2022 and June 30, 2023.

19 Investments in subsidiaries

	As at December 31,			As at June 30, 2023
	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	1,238,233	1,920,939	2,835,343	3,515,034
Less: provisions for impairment	(321,299)	(513,016)	(748,067)	(843,919)
	<u>916,934</u>	<u>1,407,923</u>	<u>2,087,276</u>	<u>2,671,115</u>

The list of subsidiaries of the Company is set out in Note 14. The Company recognized impairment on investments in subsidiaries due to their negative operating performance.

20 Investments accounted for using the equity method

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

(a) Investment in a joint venture

	As at December 31,			As at June 30, 2023
	2020	2021	2022	2023
	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 (Note 36)	–	–	(113,858)	–
At the end of the year/period	<u>92,175</u>	<u>108,337</u>	<u>–</u>	<u>–</u>

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Details of the joint venture of the Group, which was a limited liability company, was as follows:

Company name	Place of incorporation and operation	Principal activities	Proportion of equity interests held by the Group				
			As at December 31, 2020	2021	2022	As at June 30, 2023	As at the date of this report
Shanghai UBJ	PRC	Provision of robotic ancillary services	38.08%	39.73%	N/A	N/A	N/A

In September 2018, the Company obtained 40.5% equity interests of Shanghai UBJ by capital injection and acquisition of equity interests from an existing shareholder of Shanghai UBJ for a total consideration of RMB36,000,000. According to the shareholders’ agreement and article of association of Shanghai UBJ, the board of directors of Shanghai UBJ consists of five directors, three being designated by the Company and two being designated by Mr. Huang Jingsong, a major shareholder of Shanghai UBJ, and the major business decisions shall be approved by at least two-thirds of the board of directors. As such, Shanghai UBJ was regarded as a joint venture of the Group.

Subsequently in April 2019, the equity interests of Shanghai UBJ held by the Company increased from 40.5% to 43.96%, following the acquisition of equity interest of Shanghai UBJ from an existing shareholder of Shanghai UBJ, at a consideration of RMB6,518,000.

In October 2019, five investors (the “Series B Investors”) injected a total of RMB70,900,000 into Shanghai UBJ and collectively acquired 13.38% equity interests of Shanghai UBJ. The equity interests of Shanghai UBJ held by the Company was then diluted from 43.96% to 38.08%. According to the updated shareholders’ agreement of Shanghai UBJ, the major business decisions of Shanghai UBJ shall be approved jointly by the Company, the Series B Investors and Mr. Huang Jingsong, who collectively held 84.37% equity interests of Shanghai UBJ. As such, Shanghai UBJ was continue regarded as a joint venture of the Group.

Pursuant to the shareholders’ agreement of Shanghai UBJ dated October 28, 2019 (the “Shanghai UBJ Shareholder Agreement”), five investors (the “Series B Investors”) invested a total of RMB99,000,000 in Shanghai UBJ and collectively held 18.68% equity interest of Shanghai UBJ and the equity interests of Shanghai UBJ held by the Group was diluted from 43.96% to 38.08%. According to the Shanghai UBJ Shareholder Agreement, the relevant business decisions of Shanghai UBJ shall be approved by shareholders holding more than half of all voting rights and must include the Company, the Series B Investors and Mr. Huang Jingsong, a major shareholder of Shanghai UBJ, which collectively held 84.37% equity interests of Shanghai UBJ. As such, Shanghai UBJ was regarded as a joint venture of the Group.

The Shanghai UBJ Shareholder Agreements contains the below preferential rights.

Redemption rights

The Series B Investors were granted rights to request Shanghai UBJ and/or certain management of Shanghai UBJ including Mr. Huang Jingsong (the “Management Shareholders”) who collectively held 30.94% equity interests of Shanghai UBJ, to repurchase the equity interests held by the Series B Investors when certain conditions are met or not met in future dates. The repurchase price represents the investment cost paid by the Series B Investors and the declared and unpaid dividends, if any. One of the major repurchase events is when Shanghai UBJ fails to complete a qualified initial public offering within 5 years from the capital injection date. Consequently, Shanghai UBJ does not have an unconditional right to avoid delivering cash to redeem the capital invested by Series B Investors upon failing initial public offering and thus the total amount of RMB99,000,000 invested by Series B Investors was recognized as “redemption liabilities” in the books of Shanghai UBJ.

Drag-along rights

According to the Shanghai UBJ Shareholder Agreement, if any of the shareholders including the Company and the Series B Investors (collectively the “Preferred Shareholders”) proposes in writing to sell all or more than 50% equity interest in Shanghai UBJ or substantially all of the assets (including intellectual property rights) or business of Shanghai UBJ to third parties after December 31, 2019, which will cause the then shareholders of Shanghai UBJ to no longer have more than 50% of the voting rights (the “Overall Sale”), the shareholders of Shanghai UBJ other than the Preferred Shareholders shall agree to sell all or part of the equity interested in Shanghai UBJ held by them on the same terms and conditions as the Preferred Shareholders, or support Shanghai UBJ to sell all or substantially all of its assets or business when the valuation of Shanghai UBJ is no less than a certain amount. If a shareholder does not agree to the Overall Sale, such shareholder has the obligation to purchase all the equity interests of Shanghai UBJ held by the Preferred Shareholders at the identical terms offered by the third party potential buyers.

In December 2021, the Company entered into an agreement with a shareholder of Shanghai UBJ to acquire 1.65% of its equity interest at a cash consideration of RMB8,742,000 and the equity interests of Shanghai UBJ held by the Group increased from 38.08% to 39.73%. Shanghai UBJ continued to be accounted for as a joint venture due to the aforementioned arrangement was not changed.

In July 2022, the Group acquired additional 47.8% equity interest of Shanghai UBJ. As a result, the Group obtained control on Shanghai UBJ. The transaction was treated as business combination. The details were disclosed in Note 36.

As a condition of the acquisition of Shanghai UBJ, pursuant to the supplemented shareholder agreement dated June 15, 2022, the Company and the Series B Investors have waived the above preferential rights. As such, the above preferential rights no longer existed since then.

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The tables below provide summarized financial information of Shanghai UBJ. The information disclosed reflects the amounts presented in the financial statements of Shanghai UBJ and not the Group’s share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

	As at December 31,	
	2020	2021
	RMB’000	RMB’000
Consolidated summarized statements of financial position of Shanghai UBJ		
Current assets	196,983	210,633
Non-current assets	5,399	3,668
TOTAL ASSETS	202,382	214,301
Current liabilities	23,807	17,395
Non-current liabilities	100,299	99,148
TOTAL LIABILITIES	124,106	116,543
TOTAL EQUITY	78,276	97,758
Reconciliation to carrying amount:		
Opening net assets as at January 1	50,137	78,276
Profit for the year	28,139	19,482
Closing net assets as at December 31	78,276	97,758
Add: adjustments on redemption liabilities (i)	99,000	99,000
Closing adjusted net assets as at December 31	177,276	196,758
Group’s share in %	38.08%	39.73%
Group’s share in RMB’000	67,507	78,172
Goodwill	24,668	30,165
Carrying amount	92,175	108,337

	Year ended December 31,	
	2020	2021
	RMB’000	RMB’000
Summarized consolidated income statements of Shanghai UBJ		
Revenue	104,956	110,844
Other costs and expenses	(76,817)	(91,362)
Profit and total comprehensive income for the year	28,139	19,482

(i) The redemption liabilities were adjusted to net assets shared by the Group as the Series B Investors of Shanghai UBJ have identical rights as ordinary shareholders of Shanghai UBJ.

The joint venture is an unlisted company and has no quoted price. No material contingent liability is related to the joint venture.

The Group had performed impairment assessment on the investment in a joint venture and based on the assessment, the recoverable amount of the investment in a joint venture as at December 31, 2020 and 2021 were higher than the carrying amounts and no impairment had been provided.

(b) Investments in associates

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/period	7,348	5,004	–	–
Additions	51,911	3,000	–	–
Share of results	(54,255)	(8,004)	–	–
At the end of the year/period	<u>5,004</u>	<u>–</u>	<u>–</u>	<u>–</u>

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The associates are unlisted companies and have no quoted price. Details of the associates of the Group, which were limited liability companies, were as follows:

Company Name	Place of incorporation and operation	Principal activities	Proportion of equity interests held by the Group				
			As at December 31,		2022	As at	As at the date of this report
			2020	2021		June 30, 2023	
Sichuan UBTECH City Sports Industry Development Co., Ltd. (四川優必選城市體育產業發展有限責任公司)	PRC	Investment holdings	37%	37%	37%	37%	37%
Shenzhen Yiersan Technology Co., Ltd. (深圳市易二三科技有限公司)	PRC	Sales of robotic products	27%	27%	27%	27%	27%
Sichuan Shanyuan Sports Industry Development Co., Ltd. (“Sichuan Shanyuan”, 四川山原體育產業發展有限公司) (i)	PRC	Sales of sports equipment	N/A	40%	40%	40%	40%
Shenzhen UBID Management Co., Ltd. (“Shenzhen UBID”, 深圳市優必得管理有限公司) (ii)	PRC	Investment holdings	33%	33%	—	—	—

(i) In June 2021, Sichuan Shanyuan was incorporated in Mainland China with registered share capital of RMB100,000,000, of which the Group subscribed 40%. In July 2021, the Group injected RMB3,000,000 into Sichuan Shanyuan.

(ii) In March 2022, the Group disposed of the equity interests in Shenzhen UBID at nil consideration.

The directors of the Company considered that none of the associates were significant to the Group.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, there were no material contingent liabilities relating to the Group’s interests in the associates.

21 Financial instruments by category

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets				
At amortized cost				
Trade receivables	136,659	368,125	662,053	662,310
Deposits and other receivables (a)	16,253	50,875	50,441	90,245
Restricted cash	114,189	167,629	48,181	4,388
Cash and cash equivalents	621,754	273,103	145,398	619,148
At fair value				
Financial assets at FVPL	5,076	—	—	—
Financial assets at FVOCI	4,000	3,973	5,573	5,441
Financial liabilities				
At amortized cost				
Trade payables	192,416	362,479	305,406	324,765
Other payables and accruals (b)	221,170	278,457	337,893	336,617
Borrowings	576,216	758,404	622,662	934,406
Lease liabilities	97,810	86,930	66,134	67,123

(a) Excluding deductible input VAT

(b) Excluding payables for employee benefit expenses, VAT and other taxes payables and provisions

The Group’s exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

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22 Financial assets at fair value through profit or loss

	As at December 31,			Six months ended
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in wealth management products	5,076	—	—	—

Movements in investments in wealth management products were disclosed in Note 3.3.

The returns on these wealth management products were not guaranteed, and therefore the Group designated them as financial assets at FVPL. Changes in fair value of these financial assets were recognized in other losses and gains, net in the consolidated income statements.

23 Financial assets at fair value through other comprehensive income

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in unlisted entities	4,000	3,973	5,573	5,441

The Group’s financial assets at FVOCI represent the investments in the equity interests of certain unlisted entities. The fair value estimation and movements of the investments are disclosed in Note 3.3.

24 Inventories

The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Raw materials				
— At cost	50,774	43,609	49,091	68,458
Working in progress				
— At cost	19,877	13,647	28,592	50,038
Finished goods				
— At cost	342,182	357,321	184,473	181,212
— At NRV	—	—	15,587	1,531
Contract fulfillment costs				
— At cost	—	11,499	54,923	115,242
	412,833	426,076	332,666	416,481

The Company

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Raw materials				
— At cost	23,960	35,146	36,281	15,031
Work in progress				
— At cost	8,181	9,414	8,258	8,529
Finished goods				
— At cost	370,413	277,877	129,990	141,372
— At NRV	—	—	11,550	1,493
	402,554	322,437	186,079	166,425

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During the Track Record Period, the Group made NRV provision on inventories due to the anticipated sales of goods below cost. The movements of allowance for write-down are analyzed as follow:

	Year ended December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	85,765	81,466	40,136	72,771
Provision	12,580	1,203	70,618	1,999
Write-off due to scrap	(13,335)	(35,695)	(10,244)	(3,121)
Write-off due to sales	(3,544)	(6,838)	(27,739)	(42,917)
At the end of the year/period	<u>81,466</u>	<u>40,136</u>	<u>72,771</u>	<u>28,732</u>

25 Trade receivables

The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 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 (a)	1,220	21,214	55,284	99,986
	180,189	418,667	751,682	759,918
Less: loss allowance	(43,530)	(50,542)	(89,629)	(97,608)
Trade receivables — net	<u>136,659</u>	<u>368,125</u>	<u>662,053</u>	<u>662,310</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers (b)	619,046	730,921	380,607	322,647
Note receivables	100	—	150	—
	619,146	730,921	380,757	322,647
Less: loss allowance	(27,725)	(33,237)	(56,805)	(58,947)
Trade receivables — net	<u>591,421</u>	<u>697,684</u>	<u>323,952</u>	<u>263,700</u>

- (a) During the Track Record Period, the Group endorsed certain note receivables to its suppliers in order to settle the trade payables due to these suppliers. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the note receivables amounts of RMB1,120,000, RMB20,913,000, RMB53,409,000 and RMB93,917,000 were endorsed by the Group respectively. In the opinion of the directors, the Group has retained substantial risks and rewards, which include default risks relating to the endorsed note receivables, and accordingly, continued to recognize the full carrying amounts of the endorsed note receivables and the associated trade payables settled.
- (b) As at December 31, 2020, 2021 and 2022 and June 30, 2023, trade receivables of the Company included the amounts due from subsidiaries of RMB563,294,000, RMB654,226,000 and RMB228,794,000 and RMB142,964,000, respectively.
- (c) Trade receivables are mainly arising from sales of robotic products and provision of ancillary services. Customers are generally granted credit periods within 12 months. The ageing analysis of trade receivables based on invoice date is as follows:

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The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 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
	<u>180,189</u>	<u>418,667</u>	<u>751,682</u>	<u>759,918</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months	65,439	226,811	69,888	77,365
6 to 12 months	62,796	55,448	127,775	42,050
1 to 2 years	151,521	34,792	136,561	126,901
2 to 3 years	323,870	127,886	24,306	33,325
Over 3 years	15,520	285,984	22,227	43,006
	<u>619,146</u>	<u>730,921</u>	<u>380,757</u>	<u>322,647</u>

26 Prepayments, deposits and other receivables

The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for:				
— inventories (a)	30,798	41,123	29,785	72,659
— operating expenses (b)	22,585	30,124	18,075	19,474
— property, plant and equipment (c)	25,575	7,668	13,003	13,482
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— acquisition of land use right	—	—	—	17,100
	<u>78,958</u>	<u>78,915</u>	<u>74,248</u>	<u>157,152</u>
Deposits paid for:				
— guarantees of product quality (d)	11,856	11,819	15,592	11,353
— property, plant and equipment (e)	2,623	2,589	2,589	2,595
— investment in a subsidiary (f)	—	5,000	—	—
— right-of-use assets (g)	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	—	—	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	<u>214,104</u>	<u>310,658</u>	<u>171,898</u>	<u>236,727</u>
Less: loss allowance	<u>(10,191)</u>	<u>(10,515)</u>	<u>(17,089)</u>	<u>(17,763)</u>
	<u>203,913</u>	<u>300,143</u>	<u>154,809</u>	<u>218,964</u>
Prepayments, deposits and other receivables				
— net	282,871	379,058	229,057	376,116
Less: non-current portion	<u>(30,080)</u>	<u>(25,377)</u>	<u>(47,992)</u>	<u>(77,054)</u>
	<u>252,791</u>	<u>353,681</u>	<u>181,065</u>	<u>299,062</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Prepayments for:				
— inventories (a)	169,703	188,411	135,820	144,888
— operating expenses (b)	15,390	21,980	11,167	8,559
— property, plant and equipment (c)	19,569	1,282	809	2,631
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>204,662</u>	<u>211,673</u>	<u>161,181</u>	<u>190,515</u>
Deposits paid for:				
— guarantees of product quality (d)	1,149	1,371	1,364	834
— investment in a subsidiary (f)	—	5,000	—	—
— right-of-use assets (g)	2,747	24,457	23,683	25,091
Amounts due from subsidiaries (h)	727,925	639,908	770,137	772,318
Recoverable VAT and other taxes	91,966	90,360	—	—
Advances to employees	922	689	1,795	2,418
Others	2,695	7,779	5,299	4,599
Deposits and other receivables	<u>827,404</u>	<u>769,564</u>	<u>802,278</u>	<u>805,260</u>
Less: Allowance for impairment	<u>(9,849)</u>	<u>(9,134)</u>	<u>(18,816)</u>	<u>(23,226)</u>
	<u>817,555</u>	<u>760,430</u>	<u>783,462</u>	<u>782,034</u>
Prepayments, deposits and other receivables				
— net	1,022,217	972,103	944,643	972,549
Less: non-current portion	<u>(19,569)</u>	<u>(1,282)</u>	<u>(809)</u>	<u>(2,631)</u>
	<u>1,002,648</u>	<u>970,821</u>	<u>943,834</u>	<u>969,918</u>

- (a) The amounts mainly represented prepayments to suppliers for purchase of inventories which have not been received by the Group.
- (b) The amounts mainly represented professional service fees, advertising and promotion expenses to be recognized as expenses when the services are provided to the Group.
- (c) The amounts mainly represented prepayments for construction costs and leasehold improvements.
- (d) The amounts mainly represented deposits paid to customers as guarantees of products quality. The deposits will be refunded to the Group upon the expiry of the warranty period.
- (e) The amounts mainly represented deposits paid for construction in progress. The deposits will be refunded to the Group upon the completion of the construction.
- (f) The amounts mainly represented deposits paid for acquisition of additional equity interest in Shanghai UBJ (Note 36).
- (g) The amounts mainly represented deposits paid for purchases of land use rights and rental of buildings.
- (h) The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

27 Cash and cash equivalents and restricted cash

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cash at banks and on hand (a)	735,943	440,732	193,579	623,536
Less: restricted cash (b)	<u>(114,189)</u>	<u>(167,629)</u>	<u>(48,181)</u>	<u>(4,388)</u>
Cash and cash equivalents	<u>621,754</u>	<u>273,103</u>	<u>145,398</u>	<u>619,148</u>

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ACCOUNTANT’S REPORT

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
Cash at banks and on hand (a)	665,813	341,964	98,149	131,094
Less: restricted cash (b)	(114,189)	(167,629)	(45,056)	—
Cash and cash equivalents	<u>551,624</u>	<u>174,335</u>	<u>53,093</u>	<u>131,094</u>

(a) Cash at banks and on hand were denominated in the following currencies:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
RMB	688,260	403,100	165,906	605,774
USD	34,106	35,134	14,334	13,493
Others	13,577	2,498	13,339	4,269
	<u>735,943</u>	<u>440,732</u>	<u>193,579</u>	<u>623,536</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
RMB	651,232	340,468	94,920	125,175
USD	14,581	1,496	3,229	5,919
	<u>665,813</u>	<u>341,964</u>	<u>98,149</u>	<u>131,094</u>

(b) Restricted cash

The Group’s restricted cash were pledged as collateral to secure note payables, borrowings and loan facilities granted to the Group (Note 38).

28 Share capital

	Number of ordinary shares	Share capital
		RMB’000
Issued and fully paid		
As at January 1, 2020	360,000,000	360,000
Issuance of ordinary shares by subscription (a)	<u>17,748,578</u>	<u>17,749</u>
As at December 31, 2020 and January 1, 2021	<u>377,748,578</u>	<u>377,749</u>
Issuance of ordinary shares by subscription (b)	<u>6,338,741</u>	<u>6,339</u>
As at December 31, 2021 and January 1, 2022	<u>384,087,319</u>	<u>384,088</u>

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	Number of ordinary shares	Share capital RMB’000
Issuance of ordinary shares by subscription (c)	8,874,239	8,874
As at June 30, 2022 (Unaudited)	392,961,558	392,962
Issuance of ordinary shares by subscription (c)	10,919,498	10,919
Issuance of ordinary shares in connection with acquisition of Shanghai UBJ (Note 36)	1,166,319	1,166
As at December 31, 2022 and January 1, 2023	396,173,136	396,173
Issuance of ordinary shares by subscription (d)	10,395,538	10,396
As at June 30, 2023	406,568,674	406,569

- (a) During the year ended December 31, 2020, the Company issued a total of 17,748,578 ordinary shares at the price of RMB78.88 per share to investors, and raised a total of RMB1,400,000,000, of which RMB17,749,000 was included in the share capital and RMB1,382,251,000 was included in the share premium.
- (b) During the year ended December 31, 2021, the Company issued a total of 6,338,741 ordinary shares at the price of RMB78.88 per share to investors, and raised a total of RMB500,000,000, of which RMB6,339,000 was included in the share capital and RMB493,661,000 was included in the share premium.
- (c) During the year ended December 31, 2022, the Company issued a total of 10,919,498 ordinary shares at the price of RMB78.88 per share to investors and raised a total of RMB861,330,000, of which RMB10,919,000 was included in the share capital and RMB850,411,000 was included in the share premium.
- (d) During the six months ended June 30, 2023, the company issued a total of 10,395,538 ordinary shares at the price of RMB78.88 per share to an investor and raised a total of RMB820,000,000, of which RMB10,396,000 was included in the share capital and RMB809,604,000 was included in the share premium.

**29 Reserves
The Group**

	Share premium RMB’000	Share-based compensation reserve RMB’000	Exchange reserves RMB’000	Accumulated losses RMB’000	Other reserves RMB’000	Total reserves RMB’000
As at January 1, 2020	1,580,544	111,965	1,637	(1,804,303)	—	(110,157)
Loss for the year	—	—	—	(706,990)	—	(706,990)
Issuance of ordinary shares (Note 28(a))	1,382,251	—	—	—	—	1,382,251
Equity incentive schemes — value of services	—	64,490	—	—	—	64,490
Transactions with non-controlling interests (Note 40)	—	—	—	—	(4)	(4)
Currency translation differences	—	—	12,006	—	—	12,006
As at December 31, 2020	2,962,795	176,455	13,643	(2,511,293)	(4)	641,596
As at January 1, 2021	2,962,795	176,455	13,643	(2,511,293)	(4)	641,596
Loss for the year	—	—	—	(920,180)	—	(920,180)
Issuance of ordinary shares (Note 28(b))	493,661	—	—	—	—	493,661
Equity incentive schemes — value of services	—	156,396	—	—	—	156,396
Changes in fair value of the financial assets at FVOCI (Note 3.3)	—	—	—	—	(7,027)	(7,027)

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	Share premium	Share-based compensation reserve	Exchange reserves	Accumulated losses	Other reserves	Total reserves
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Currency translation differences	—	—	3,912	—	—	3,912
As at December 31, 2021	<u>3,456,456</u>	<u>332,851</u>	<u>17,555</u>	<u>(3,431,473)</u>	<u>(7,031)</u>	<u>368,358</u>
As at January 1, 2022	3,456,456	332,851	17,555	(3,431,473)	(7,031)	368,358
Loss for the year	—	—	—	(974,809)	—	(974,809)
Issuance of ordinary shares (Note 28(c))	850,411	—	—	—	—	850,411
Appropriation of statutory reserves	—	—	—	(915)	915	—
Equity incentive schemes — value of services	—	204,387	—	—	—	204,387
Changes in fair value of the financial assets at FVOCI (Note 3.3)	—	—	—	—	1,600	1,600
Transactions with non-controlling interests (Note 40)	—	—	—	—	41,065	41,065
Acquisition of subsidiaries (Note 36)	90,833	—	—	—	—	90,833
Currency translation differences	—	—	(16,739)	—	—	(16,739)
As at December 31, 2022	<u>4,397,700</u>	<u>537,238</u>	<u>816</u>	<u>(4,407,197)</u>	<u>36,549</u>	<u>565,106</u>

	Share premium	Share-based compensation reserve	Exchange reserves	Accumulated losses	Other reserves	Total reserves
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2023	4,397,700	537,238	816	(4,407,197)	36,549	565,106
Loss for the period	—	—	—	(532,793)	—	(532,793)
Issuance of ordinary shares (Note 28(d))	809,604	—	—	—	—	809,604
Equity incentive schemes — value of services	—	178,220	—	—	—	178,220
Changes in fair value of the financial assets at FVOCI (Note 3.3)	—	—	—	—	(132)	(132)
Transactions with non-controlling interests (Note 40)	—	—	—	—	40,433	40,433
Currency translation differences	—	—	(4,003)	—	—	(4,003)
As at June 30, 2023	<u>5,207,304</u>	<u>715,458</u>	<u>(3,187)</u>	<u>(4,939,990)</u>	<u>76,850</u>	<u>1,056,435</u>

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	Share premium	Share-based compensation reserve	Exchange reserves	Accumulated losses	Other reserves	Total reserves
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
(Unaudited)						
As at January 1, 2022	3,456,456	332,851	17,555	(3,431,473)	(7,031)	368,358
Loss for the period ..	—	—	—	(509,903)	—	(509,903)
Issuance of ordinary shares	691,126	—	—	—	—	691,126
Equity incentive schemes — value of services	—	114,916	—	—	—	114,916
Changes in fair value of the financial assets at FVOCI (Note 3.3)	—	—	—	—	491	491
Transactions with non-controlling interests (Note 40(a))	—	—	—	—	13,908	13,908
Currency translation differences	—	—	(10,884)	—	—	(10,884)
As at June 30, 2022	<u>4,147,582</u>	<u>447,767</u>	<u>6,671</u>	<u>(3,941,376)</u>	<u>7,368</u>	<u>668,012</u>

The Company

	Share premium	Share-based compensation reserve	Accumulated losses	Other reserves	Total reserves
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2020	1,580,544	111,965	(1,061,865)	—	630,644
Loss for the year	—	—	(1,042,602)	—	(1,042,602)
Issuance of ordinary shares (Note 28(a))	1,382,251	—	—	—	1,382,251
Equity incentive schemes — value of services	—	64,490	—	—	64,490
As at December 31, 2020	<u>2,962,795</u>	<u>176,455</u>	<u>(2,104,467)</u>	<u>—</u>	<u>1,034,783</u>
As at January 1, 2021	2,962,795	176,455	(2,104,467)	—	1,034,783
Loss for the year	—	—	(1,018,077)	—	(1,018,077)
Issuance of ordinary shares (Note 28(b))	493,661	—	—	—	493,661
Equity incentive schemes — value of services	—	156,396	—	—	156,396
Changes in fair value of the financial assets at FVOCI	—	—	—	(7,027)	(7,027)
As at December 31, 2021	<u>3,456,456</u>	<u>332,851</u>	<u>(3,122,544)</u>	<u>(7,027)</u>	<u>659,736</u>
As at January 1, 2022	3,456,456	332,851	(3,122,544)	(7,027)	659,736
Loss for the year	—	—	(1,101,284)	—	(1,101,284)
Issuance of ordinary shares (Note 28(c))	850,411	—	—	—	850,411
Equity incentive schemes — value of services	—	204,387	—	—	204,387
Changes in fair value of the financial assets at FVOCI	—	—	—	229	229
Issuance of ordinary shares in connection with acquisition of a subsidiary (Note 30(b))	90,833	—	—	—	90,833
As at December 31, 2022	<u>4,397,700</u>	<u>537,238</u>	<u>(4,223,828)</u>	<u>(6,798)</u>	<u>704,312</u>

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	Share premium	Share-based compensation reserve	Accumulated losses	Other reserves	Total reserves
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2023	4,397,700	537,238	(4,223,828)	(6,798)	704,312
Loss for the period	—	—	(583,310)	—	(583,310)
Issuance of ordinary shares (Note 28(d))	809,604	—	—	—	809,604
Equity incentive schemes — value of services	—	179,466	—	—	179,466
Changes in fair value of the financial assets at FVOCI	—	—	—	(132)	(132)
As at June 30, 2023	<u>5,207,304</u>	<u>716,704</u>	<u>(4,807,138)</u>	<u>(6,930)</u>	<u>1,109,940</u>
(Unaudited)					
As at January 1, 2022	3,456,456	332,851	(3,122,544)	(7,027)	659,736
Loss for the period	—	—	(524,894)	—	(524,894)
Issuance of ordinary shares	691,126	—	—	—	691,126
Equity incentive schemes — value of services	—	114,916	—	—	114,916
Changes in fair value of the financial assets at FVOCI	—	—	—	(551)	(551)
As at June 30, 2022	<u>4,147,582</u>	<u>447,767</u>	<u>(3,647,438)</u>	<u>(7,578)</u>	<u>940,333</u>

30 Share-based compensation

(a) Equity incentive scheme

Since 2015, share incentive plans were established by the Company and Mr. Zhou Jian to grant RSUs to employees of the Group and other designated persons (“Equity Incentive Scheme”) for the purpose of attracting and retaining suitable personnel to enhance the development of the Group.

According to the Equity Incentive Scheme, the grantees became limited partners of certain established limited liability partnerships (“RSU platform”) on the grant date. These RSU platforms in turn are limited partners of Shenzhen Evolution Investment Limited Partnership (“Shenzhen Evolution”, 深圳市進化論投資合夥企業(有限合夥)) which directly held 39,599,280 ordinary shares of the Company as at June 30, 2023.

Mr. Zhou Jian has the sole discretion to invite any eligible persons to participate in the Equity Incentive Scheme by obtaining partnership interests of a RSU platform at a price determined by Mr. Zhou Jian either through subscription to the limited partnership or transfer of interest from Mr. Zhou Jian (or his designated persons). If a grantee ceases to be employed by the Group within the vesting period, the granted RSUs should be repurchased by Mr. Zhou Jian (or his designated persons) at the original subscription/transfer price.

The granted RSUs will vest at various dates. Based on the current ownership structure of Shenzhen Evolution, 1 unit of RSU is equivalent to 0.1 unit of Shenzhen Evolution and 1 unit of RSU is equivalent to approximately 1.3743 shares of the Company upon vesting. As such, the fair value of 1 unit of RSU is RMB57.4.

The fair value of the RSUs granted to employees on the grant date was determined with interpolation method, considering the pricing of recent rounds of financing of the Company and liquidity factors by the independent valuer. As certain employees obtained the RSUs at a price lower than the fair value, the scheme is considered as equity-settled share-based payments to employees by the Group. The share-based compensation expenses recognized during the Track Record Period are summarized in Note 10. As the grantees became the limited partners of a shareholder of the Company, the issuance of the RSUs to the Group’s employees is regarded as a contribution from a shareholder and was credited to the share-based compensation reserve in the equity.

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The movements of the number of RSUs during the Track Record Period are summarized below:

	To be vested in			To be vested by the end of two years after the initial public offering	Total
	2022	2023	2024		
As at January 1, 2020	—	—	—	11,519,200	11,519,200
Granted	—	—	—	212,000	212,000
Forfeited due to resignation	—	—	—	(790,000)	(790,000)
As at December 31, 2020	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,941,200</u>	<u>10,941,200</u>
As at January 1, 2021	—	—	—	10,941,200	10,941,200
Granted	2,251,430	1,241,370	20,650	225,400	3,738,850
Forfeited due to resignation	(131,440)	(92,900)	—	(2,524,700)	(2,749,040)
As at December 31, 2021	<u>2,119,990</u>	<u>1,148,470</u>	<u>20,650</u>	<u>8,641,900</u>	<u>11,931,010</u>
As at January 1, 2022	2,119,990	1,148,470	20,650	8,641,900	11,931,010
Granted	—	—	—	76,000	76,000
Forfeited due to resignation	(263,595)	(217,375)	(4,250)	(651,150)	(1,136,370)
Vested	(1,856,395)	—	—	—	(1,856,395)
As at December 31, 2022	<u>—</u>	<u>931,095</u>	<u>16,400</u>	<u>8,066,750</u>	<u>9,014,245</u>
As at January 1, 2023	—	931,095	16,400	8,066,750	9,014,245
Granted	—	818,950	852,950	—	1,671,900
Forfeited due to resignation	—	(112,600)	(28,250)	(146,000)	(286,850)
Vested	—	(28,320)	—	—	(28,320)
As at June 30, 2023	<u>—</u>	<u>1,609,125</u>	<u>841,100</u>	<u>7,920,750</u>	<u>10,370,975</u>
(Unaudited)					
As at January 1, 2022	2,119,990	1,148,470	20,650	8,641,900	11,931,010
Granted	—	—	—	73,000	73,000
Forfeited due to resignation	(199,130)	(157,050)	(3,000)	(570,400)	(929,580)
Vested	(504,180)	—	—	—	(504,180)
As at June 30, 2022	<u>1,416,680</u>	<u>991,420</u>	<u>17,650</u>	<u>8,144,500</u>	<u>10,570,250</u>

(b) Shares issued to the Three Sellers

As further explained in Note 36(a)(iii), in July 2022, the Company issued 1,166,319 ordinary shares to the Three Sellers in connection with the Shanghai UBJ Acquisition. The fair value of these ordinary shares of RMB91,999,000 was recognized as share-based payment expenses in “general and administrative expense” with corresponding increase in share capital of RMB1,166,000 and in share premium of RMB90,833,000.

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31 Deferred income tax

No deferred income tax assets are recognized for temporary differences and tax losses carry-forwards as the recognition of the related tax benefits through the future taxable profits is not probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. Temporary differences of RMB135,187,000, RMB101,193,000 and RMB179,489,000 and RMB144,103,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively were not recognized as deferred income tax assets. The Group did not recognize deferred income tax assets of RMB353,761,000, RMB523,660,000 and RMB691,168,000 and RMB784,378,000 in respect of tax losses amounting to RMB2,180,965,000, RMB3,174,325,000 and RMB4,182,423,000 and RMB4,770,939,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively, which can be carried forward to offset against future taxable profits. The tax losses will expire in the following years:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
2021	4,754	—	—	—
2022	10,204	10,204	—	—
2023	6,876	6,875	6,859	6,859
2024	37,151	37,149	37,282	36,465
2025	128,370	109,369	103,748	103,748
2026	10,899	203,661	197,525	197,419
2027	200,592	200,592	406,888	402,632
After 2027 and indefinitely	1,782,119	2,606,475	3,430,121	4,023,816
	<u>2,180,965</u>	<u>3,174,325</u>	<u>4,182,423</u>	<u>4,770,939</u>

32 Trade payables

The ageing analysis of the trade payables based on invoice date was as follows:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 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
	<u>192,416</u>	<u>362,479</u>	<u>305,406</u>	<u>324,765</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months	239,281	383,171	298,972	355,362
6 to 12 months	291,374	205,406	233,884	65,792
1 to 2 years	19	39,344	60,705	74,759
2 to 3 years	—	11	4,739	5,357
	<u>530,674</u>	<u>627,932</u>	<u>598,300</u>	<u>501,270</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, trade payables of the Company included the amounts due to subsidiaries of RMB230,430,000, RMB345,755,000 and RMB447,148,000 and RMB407,637,000, respectively.

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33 Other payables and accruals

The Group

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses (a)	41,193	53,272	27,639	42,107
Payables for:				
— property, plant and equipment (b)	18,909	48,449	171,890	156,008
— acquisition of land use rights (c)	31,800	32,266	3,800	3,800
— investment in a joint venture (d)	—	8,742	—	—
— government grants received (e)	119,626	125,626	125,626	125,626
— employee benefit expenses	114,062	134,438	182,463	134,117
VAT and other taxes payables	7,707	32,338	54,787	37,002
Provisions (f)	28,604	24,111	24,538	13,313
Others	9,642	10,102	8,938	9,076
	<u>371,543</u>	<u>469,344</u>	<u>599,681</u>	<u>521,049</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses (a)	23,180	33,188	19,051	23,652
Payables for:				
— property, plant and equipment (b)	7,907	3,687	6,704	4,235
— investment in a joint venture (d)	—	8,742	—	—
— government grants received (e)	—	—	—	—
— employee benefit expenses	86,964	93,065	126,754	84,460
Amounts due to subsidiaries (g)	1,127,598	1,356,423	1,359,090	1,546,179
VAT and other taxes payables	2,556	2,744	7,397	4,077
Provisions (f)	8,074	6,841	8,086	1,886
Others	9,138	8,627	7,584	5,728
	<u>1,265,417</u>	<u>1,513,317</u>	<u>1,534,666</u>	<u>1,670,217</u>
Less: non-current portion (g)	—	—	—	(1,213,278)
Total	<u>1,265,417</u>	<u>1,513,317</u>	<u>1,534,666</u>	<u>456,939</u>

- (a) The amounts mainly represented accrued professional service fees, advertising and promotion expenses.
- (b) The amounts mainly represented payables for construction costs and leasehold improvements.
- (c) The amounts represented payables for acquisitions of land use rights.
- (d) The amounts represented a payable for additional interests in Shanghai UBJ.
- (e) The amounts represented the government grants received by the Group for which the performance targets have not been achieved.
- (f) The amounts mainly represented provisions for sales returns and service warranty.
- (g) The amounts due to subsidiaries were unsecured and interest-free. All balances were repayable on demand, except for an amount of RMB1,213,278,000 as at June 30, 2023, which was repayable over 12 months.

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34 Deferred income

Deferred income represented government grants received and not yet recognized in the consolidated income statements.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	85,908	78,784	81,916	81,916	41,164
Additions	21,673	22,657	4,217	4,217	—
Returns due to cancellation (a)	—	—	(31,500)	(31,500)	—
Recognized as other income	(28,797)	(19,525)	(13,469)	(10,900)	(8,274)
At the end of year/period	<u>78,784</u>	<u>81,916</u>	<u>41,164</u>	<u>43,733</u>	<u>32,890</u>

Except for an amount of RMB1,000,000 granted to a subsidiary included in the balances of deferred income as at December 31, 2022 and June 30, 2023, all government grants were granted to the Company.

- (a) In 2022, due to the impact of COVID-19 and change of market demands, the Group canceled a research and industrialization project, which led to return of government grants of RMB31,500,000.

35 Borrowings

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
— Secured	—	90,514	30,028	—
— Secured and guaranteed	413,143	366,902	356,194	601,914
— Unsecured	163,073	300,988	236,440	332,492
	<u>576,216</u>	<u>758,404</u>	<u>622,662</u>	<u>934,406</u>
Less: non-current portion	—	(106,538)	(295,891)	(496,355)
	<u>576,216</u>	<u>651,866</u>	<u>326,771</u>	<u>438,051</u>

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans — current				
— Secured	—	—	30,028	—
— Secured and guaranteed	180,328	200,364	—	100,149
— Unsecured	141,962	260,913	203,434	239,140
	<u>322,290</u>	<u>461,277</u>	<u>233,462</u>	<u>339,289</u>

- (a) The Group’s fixed-rate bank loans amounting to RMB475,476,000, RMB651,866,000 and RMB324,469,000 and RMB432,641,000 carried interest rates ranging from 2.45% to 5.96%, 2.00% to 8.00%, 2.95% to 5.66% and 4.15% to 5.96% per annum as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively. The remaining borrowings amounting to RMB100,740,000, RMB106,538,000, RMB298,193,000 and RMB501,765,000 were carried at variable rates with effective interest rates ranging from 2.25% to 6.74%, at 6.84%, at 6.84% and at 6.84% per annum as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively.

- (b) Except for bank loans of RMB74,266,000 and RMB70,482,000 which were denominated in USD as at December 31, 2020 and 2021 respectively, all the bank loans were denominated in RMB.

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(c) The Group’s bank loans were repayable as follows:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	576,216	651,866	326,771	438,051
Between 1 and 2 years	—	813	8,265	22,308
Between 2 and 5 years	—	17,719	89,263	184,033
Over 5 years	—	88,006	198,363	290,014
	<u>576,216</u>	<u>758,404</u>	<u>622,662</u>	<u>934,406</u>

The Company’s bank loans were all repayable within 1 year.

36 Business combinations

(a) Before July 2022, the Group held 39.73% equity interests in Shanghai UBJ which was accounted for as a joint venture (Note 20(a)). In July 2022, the Company acquired additional 47.8% equity interest of Shanghai UBJ from three Series B Investors (collectively the “Three Sellers”), the Management Shareholders, Shanghai Niuyin Education Technology Limited Partnership and Mr. Bo Qingrong which held 8.68%, 30.94%, 6.9% and 1.28% equity interest in Shanghai UBJ respectively, at a total cash consideration of RMB117,760,000 to all sellers. In addition, the Company issued a total of 1,166,319 ordinary shares to the Three Sellers in connection with the acquisition. The fair value of the ordinary shares issued was RMB91,999,000 at the acquisition date. Upon completion of the acquisition, the Group held 87.53% equity interest in Shanghai UBJ and obtained control over Shanghai UBJ. The transaction was treated as a business combination (“Shanghai UBJ Acquisition”).

Details of the acquisition are as follows:

	RMB’000
Consideration	
Cash consideration paid to all sellers	117,760
Fair value of investment in a joint venture held before business combination	85,727
Fair value of shares issued to the Three Sellers	91,999
Total consideration	<u>295,486</u>

	RMB’000
Fair value of identifiable assets acquired and liabilities assumed is as follows:	
Property, plant and equipment	415
Right-of-use assets	877
Intangible assets	8,433
Inventories	4,736
Trade receivables	181,890
Prepayments, deposits and other receivables	2,859
Financial assets at FVPL	28,931
Cash and cash equivalents	3,612
Lease liabilities	(877)
Deferred income tax liabilities	(903)
Trade payables	(515)
Other payables and accruals	(3,444)
Contract liabilities	(8,977)
Current tax liabilities	(1,268)
Total identifiable net assets	215,769
Non-controlling interests (i)	(26,904)
Net assets acquired	<u>188,865</u>
Goodwill is calculated as follows:	
Total consideration	295,486
Share-based payments charged directly to income statement (iii)	(91,999)
Less: Net assets acquired	(188,865)
Goodwill (iv)	<u>14,622</u>

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	RMB’000
Loss on deemed disposal is calculated as follows:	
Fair value of investment in a joint venture held before business combination	85,727
Less: carrying amount of investment in a joint venture held before business combination	(113,858)
Loss on deemed disposal recognized in other losses	<u>(28,131)</u>
Cash flows on business combination, net of cash acquired, are as follows:	
Cash consideration paid during the year ended December 31, 2021	(5,000)
Cash consideration paid during the year ended December 31, 2022	(112,760)
Cash and cash equivalents in the subsidiary acquired	3,612
Net cash outflow on acquisition	<u>(114,148)</u>
(i) The Group elected to recognize the non-controlling interests at its proportionate share of the net identifiable assets.	
(ii) As a condition of the Shanghai UBJ Acquisition, pursuant to the supplemental shareholder agreement dated June 15, 2022, the Company and the Series B Investors have waived the redemption rights and drag-along rights as disclosed in Note 20 and such preferential rights no longer existed since then. As a result, the redemption liabilities amounting to RMB99,000,000 of Shanghai UBJ was transferred to the equity of Shanghai UBJ as the capital paid is no longer redeemable.	
(iii) The directors of the Company consider that the purpose of issue of additional 1,166,319 ordinary shares of the Company to the Three Sellers is to facilitate the Shanghai UBJ Acquisition and is not to pay for the value of the business acquired. The issue of these shares is not part of the business combination transaction and, in accordance with HKFRS 3, is regarded as a separate transaction. The Group applied HKFRS 2 to account for this separate equity-settled share-based payment transaction. (Note 30(b))	
(iv) The goodwill arose from the acquisition of Shanghai UBJ was attributable to the expected synergies from combining the operations of the Group and Shanghai UBJ.	
(v) The acquired business contributed a total revenue of RMB16,734,000 and net profit of RMB21,209,000 to the Group for the period from the acquisition date to December 31, 2022. Had the acquisitions been completed on January 1, 2022, revenue of the Group for the year ended December 31, 2022 would be RMB1,008,361,000 and net loss of the Group for the year ended December 31, 2022 would be RMB978,990,000.	
(b) In December 2022, Wuxi Uqi, a subsidiary of the Group, 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 subsidiary of Wuxi Uqi after the acquisition. The transaction was treated as business combination.	

	RMB’000
Consideration	
Fair value of 7.82% registered capital of Wuxi Uqi	<u>69,913</u>

	RMB’000
The fair value of identifiable assets acquired and liabilities assumed is as follows:	
Property, plant and equipment	58
Right-of-use assets	268
Intangible assets	1,809
Trade receivables	13,805
Prepayments, deposits and other receivables	340
Inventories	772
Cash and cash equivalents	1,040
Lease liabilities	(268)
Deferred income tax liabilities	(352)
Trade payables	(7,614)
Other payables and accruals	(396)
Current tax liabilities	(514)
Total identifiable net assets	<u>8,948</u>
Goodwill is calculated as follows:	
Consideration	69,913
Less: Net assets acquired	(8,948)
Goodwill	<u>60,965</u>

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	RMB’000
Cash flows on business combination, net of cash acquired:	
— Cash and cash equivalents acquired	1,040
— Cash consideration paid	—
Net cash inflow on acquisition	<u>1,040</u>

The acquired business did not contributed any revenue nor net profit to the Group since the acquisition date. Had the acquisitions been completed on January 1, 2022, revenue of the Group for the year ended December 31, 2022 would be RMB1,035,921,000 and loss of the Group for the year ended December 31, 2022 would be RMB984,506,000.

37 Cash flow information

(a) Cash used in operations

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	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:					
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
Net impairment losses on financial assets	40,067	7,358	46,386	9,852	8,653
Loss/(gain) on disposals of right- of-use assets	—	—	14,753	—	(2,136)
Share of results of investments accounted for using the equity method	43,539	584	(5,521)	(3,776)	—
Changes in fair value of the financial assets at FVPL	(909)	(29)	(119)	—	—
Net loss on disposals of property, plant and equipment	651	276	5,276	327	4,425
Gain on early termination of leases	—	—	(2,192)	(1,833)	(1,390)
Finance costs, net	36,389	17,852	23,106	15,209	5,459
Net foreign exchange losses/(gains)	18,091	6,308	(22,835)	(12,641)	(8,016)
Loss related to disposals of assets classified as held for sale	—	—	—	—	14,560
Loss on deemed disposal of investment in a joint venture ...	—	—	28,131	—	—
Government grants	(28,797)	(19,525)	(13,469)	(10,900)	(8,274)
Share-based compensation	64,490	156,396	204,387	114,916	179,466
Share-based payments to facilitate acquisition of a subsidiary	—	—	91,999	—	—
Changes in working capital:					
Trade receivables	111,050	(238,483)	(303,645)	(50,868)	(8,243)
Prepayments, deposits and other receivables	(15,517)	(83,873)	167,339	106,126	(69,715)
Inventories	85,503	(13,243)	98,918	49,736	(83,815)
Trade payables	(140,660)	170,063	100,394	46,062	19,359
Contract liabilities	65,881	53,088	(68,619)	79,542	42,576
Other payables and accruals ...	(267,040)	58,021	11,283	19,928	(105,605)
Deferred income	15,000	17,832	(28,446)	(28,446)	—
Restricted cash	3,175	(4,039)	758	19,940	—
Cash used in operations	<u>(565,458)</u>	<u>(672,670)</u>	<u>(532,932)</u>	<u>(113,735)</u>	<u>(517,399)</u>

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(b) Proceeds from disposals of property, plant and equipment

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net book amount (Note 16)	10,290	8,052	10,972	2,573	5,561
Net loss on disposals (Note 9)	(651)	(276)	(5,276)	(327)	(4,425)
Proceeds from disposals	<u>9,639</u>	<u>7,776</u>	<u>5,696</u>	<u>2,246</u>	<u>1,136</u>

(c) Proceeds from disposals of right-of-use assets

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net book amount (Note 17)	—	—	28,753	—	35,016
(Loss)/gain on disposals (Note 9)	—	—	(14,753)	—	2,136
Receivables related to disposals	—	—	(7,000)	—	(15,492)
Proceeds from disposals	<u>—</u>	<u>—</u>	<u>7,000</u>	<u>—</u>	<u>21,660</u>

(d) Proceeds from disposals of assets classified as held for sale

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net book amount	—	—	—	—	12,466
Payables for property, plant and equipment	—	—	—	—	28,667
Loss on disposals (Note 9)	—	—	—	—	(14,560)
Receivables related to disposals	—	—	—	—	(26,573)
Proceeds from disposals	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(e) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Advances
			from ultimate controlling shareholder
	RMB'000	RMB'000	RMB'000
As at January 1, 2020	824,818	79,451	45,550
Cash flows	(292,657)	(33,106)	(46,142)
New leases	—	47,496	—
Foreign exchange adjustments	(5,798)	—	—
Interest expenses	49,853	3,969	592
As at December 31, 2020	<u>576,216</u>	<u>97,810</u>	<u>—</u>

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	Borrowings	Lease liabilities	Advances from ultimate controlling shareholder
	RMB’000	RMB’000	RMB’000
As at January 1, 2021	576,216	97,810	—
Cash flows	154,049	(44,178)	—
New leases	—	29,053	—
Foreign exchange adjustments	(1,672)	—	—
Interest expenses	29,811	4,245	—
As at December 31, 2021	<u>758,404</u>	<u>86,930</u>	<u>—</u>
As at January 1, 2022	758,404	86,930	—
Cash flows	(176,716)	(33,582)	—
New leases	—	32,474	—
Foreign exchange adjustments	2,286	—	—
Interest expenses	38,688	3,185	—
Early termination of leases	—	(24,018)	—
Acquisition of subsidiaries (Note 36)	—	1,145	—
As at December 31, 2022	<u>622,662</u>	<u>66,134</u>	<u>—</u>
As at January 1, 2023	622,662	66,134	—
Cash flows	286,433	(16,993)	—
New leases	—	18,769	—
Interest expenses	25,311	1,405	—
Early termination of leases	—	(2,192)	—
As at June 30, 2023	<u>934,406</u>	<u>67,123</u>	<u>—</u>
(Unaudited)			
As at January 1, 2022	758,404	86,930	—
Cash flows	(118,893)	(19,035)	—
New leases	—	12,609	—
Foreign exchange adjustments	2,285	—	—
Interest expenses	21,894	1,580	—
Early termination of leases	—	(19,038)	—
As at June 30, 2022	<u>663,690</u>	<u>63,046</u>	<u>—</u>

(f) *Non-cash investing and financing activities*

Major non-cash transactions during the Track Record Period represented the issuance of ordinary shares of the Company in connection with the Shanghai UBJ Acquisition (Note 36(a)) and share capital of Wuxi Uqi for the acquisition of Jiangsu Tianhui (Note 36(b)).

38 Pledge of assets

The following assets were pledged to secure note payables, bank loans and loan facilities granted to the Group:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
Restricted cash	114,189	167,629	48,181	4,388
Right-of-use assets	<u>327,625</u>	<u>341,649</u>	<u>303,791</u>	<u>285,929</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, 100% equity interest of Shenzhen Industrial, a subsidiary of the Group, has been pledged to secure bank loans of the Group.

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39 Capital commitments

Significant capital expenditures contracted for at the end of the reporting period but not recognized as liabilities are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	763,957	767,733	577,214	424,787

40 Transactions with non-controlling interests

- (a) In September 2020, Wuxi Uqi was incorporated by the Company and Miracle Automation Engineering Co., Ltd (天奇自动化工程股份有限公司) (“MAE”) with equity interests of 51% and 49% respectively. In October 2020, the Company and MAE injected RMB5,100,000 and RMB4,900,000 respectively to Wuxi Uqi.
In January 2022, the Company and the MAE injected additional RMB5,100,000 and RMB4,900,000 respectively in Wuxi Uqi. In March 2022, certain third parties injected RMB32,000,000 to Wuxi Uqi to obtain 9.09% equity interests. The Group recognized an increase in other reserves of RMB13,908,000 and an increase in non-controlling interests of RMB18,092,000.
- (b) In December 2020, the Group acquired additional equity interests in Hangzhou UBTECH Industrial from non-controlling interests at a consideration of RMB2,200,000. The Group recognized a decrease in other reserves of RMB4,000 and decrease in non-controlling interests of RMB2,196,000.
- (c) In August 2022, the Group disposed of its 25% equity interests of Shanhu Industrial to a third party at a consideration of RMB5,000,000. The Group recognized an increase in non-controlling interests of RMB5,000,000.
- (d) In December 2022, a subsidiary of the Group, Wuxi Uqi acquired 100% equity interest in Jiangsu Tianhui from the shareholders of Jiangsu Tianhui by issuance of 7.82% of registered capital of Wuxi Uqi to the shareholders of Jiangsu Tianhui as consideration. As a result, the Company’s equity interest in Wuxi Uqi was diluted from 46.36% to 41.89% and Wuxi Uqi remains a subsidiary of the Company after the acquisition given there is no change in control power. The issuance of 7.82% of registered capital of Wuxi Uqi to the shareholders of Jiangsu Tianhui was treated as a transaction with non-controlling interests. The difference of RMB27,157,000 between the consideration of RMB69,913,000 and the addition of non-controlling interests of RMB42,756,000 was credited to the Group’s other reserves.
- (e) In February 2023, the non-controlling shareholder injected RMB3,000,000 to Chaozhou UBTECH. The Group recognized an increase in non-controlling interests of RMB3,000,000.
- (f) In April 2023, a third party injected additional RMB100,000 to Shenzhen Youshijie to obtain 4.76% equity interests. The Group recognized an increase in other reserves of RMB63,000 and an increase in non-controlling interests of RMB37,000.
- (g) During the six months ended June 30, 2023, the Company injected RMB20,000,000 in Wuxi Uqi to obtain 1.56% equity interests. The Group recognized a decrease in other reserves of RMB9,623,000 and an increase in non-controlling interests of RMB9,623,000.
- (h) During the six months ended June 30, 2023, a third party injected RMB100,000,000 to UBKang (Qingdao). The Group recognized an increase in other reserves of RMB49,993,000 and an increase in non-controlling interests of RMB50,007,000.

41 Significant related party transactions

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

Save as disclosed in Note 1, 10, 30 and 36 of the Historical Financial Information, the following significant transactions were carried out between the Group and its related parties during the Track Record Period. In opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

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(a) Name and relationships with related parties

The following parties are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related parties	Relationship with the Group
Mr. Zhou Jian	Director and ultimate controlling shareholder
Shenzhen Evolution	Entity controlled by ultimate controlling shareholder
MAE	Non-controlling interest of a material subsidiary
Jiangsu Tiansheng Supply Chain Management Co., Ltd. (江蘇天晟供應鏈管理有限公司)	Entity controlled by MAE
Wuxi Tianjie Logistics Automation Equipment Co., Ltd. (無錫天捷自動化物流設備有限公司)	Entity controlled by MAE
Sichuan UBTECH City Sports Industry Development Co., Ltd. (四川優必選城市體育產業發展有限責任公司) ..	Associate of the Group
Shenzhen Yiersan Technology Co., Ltd. (深圳市易二三科技 有限公司)	Associate of the Group
Shanghai UBJ	Joint venture of the Group until July 2022

(b) Related party transactions

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<i>Joint venture of the Group</i>					
Sales of goods	1,164	4,225	420	420	—
Purchase of goods	351	7,078	—	—	—
Purchase of services	73,548	86,605	49,364	34,503	—
<i>MAE and entities controlled by MAE</i>					
Sales of goods	12,691	175,005	251,244	29,169	71,425
Purchase of goods	1,659	14,071	2,353	643	—
Purchase of services	—	2,523	—	—	1,102
Purchase of machinery	—	19,336	—	—	—

During the year ended December 31, 2020, the Group recognized an interest expense of RMB592,000 for the advances from Mr. Zhou Jian and repaid the advances of RMB46,142,000.

(c) Key management personnel compensation

Key management includes directors, supervisors and senior management of the Group. The compensations paid or payable by the Group to key management for employee services are shown below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries, wages, and bonuses	9,526	8,185	9,818	4,030	3,348
Pension costs — defined contribution plans	209	306	442	222	220
Other social security costs, housing benefits and other employee benefits	410	473	652	331	318
Share-based compensation	16,247	24,916	58,650	43,693	47,426
	<u>26,392</u>	<u>33,880</u>	<u>69,562</u>	<u>48,276</u>	<u>51,312</u>

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(d) Guarantees provided to the Group

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Mr. Zhou Jian					
— for borrowings	—	306,902	298,193	176,582	601,914

(e) Balances with related parties

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB’000	RMB’000	RMB’000	RMB’000
<i>Joint venture of the Group</i>				
Trading in nature and included in:				
— Trade receivables	—	4,205	—	—
— Trade payables	120,231	170,426	—	—
<i>Associate of the Group</i>				
Trading in nature and included in:				
— Trade receivables	3,000	—	—	—
<i>MAE and entities controlled by MAE</i>				
Trading in nature and included in:				
— Trade receivables	9,344	118,323	206,258	172,677
— Prepayments	12,000	—	—	173
— Trade payables	1,874	16,173	14,478	13,417
— Contract liabilities	850	—	11,073	22,618

Above balances with related parties were unsecured, interest-free and payable on demand.

42 Contingent liabilities

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

43 Subsequent events

There are no material subsequent events after June 30, 2023.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023 and up to the date of this report.